

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

BARNES & NOBLE INC

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SIC: [5940](#) Miscellaneous shopping goods stores

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

FORM 10-K

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

For the fiscal year ended April 28, 2012

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 No. 1-12302

Barnes & Noble, Inc.

(Exact name of registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06-1196501
(I.R.S. Employer
Identification No.)

122 Fifth Avenue, New York, NY
(Address of principal executive offices)

10011
(Zip Code)

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

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

Title of Class	Name of Exchange on which registered
Common Stock, \$0.001 par value per share	New York Stock Exchange

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant was approximately \$476,847,804 based upon the closing market price of \$12.00 per share of Common Stock on the New York Stock Exchange as of October 29, 2011.

As of May 31, 2012, 60,027,900 shares of Common Stock, par value \$0.001 per share, were outstanding, which number includes 1,321,112 shares of unvested restricted stock that have voting rights and are held by members of the Board of Directors and the Company's employees.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2012 Annual Meeting of Shareholders are incorporated by reference into Part III.

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended April 28, 2012 are incorporated by reference into Parts II and IV.

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FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K may contain certain forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act)) and information relating to the Company that are based on the beliefs of the management of the Company as well as assumptions made by and information currently available to the management of the Company. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “will” and similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company 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 the Company’s products, low growth or declining sales and net income due to various factors, risk that international expansion will not be successfully achieved or may be achieved later than expected, possible disruptions in the Company’s computer systems, telephone systems or supply chain, possible risks associated with data privacy, information security and intellectual property, possible work stoppages or increases in labor costs, possible increases in shipping rates or interruptions in shipping service, effects of competition, possible risks that inventory in channels of distribution may be larger than able to be sold, possible risk that returns from consumers or channels of distribution may be greater than estimated, the risk that the expected sales lift from Borders Group Inc.’s store closures is not achieved in whole or part, the risk that digital sales growth is less than expectations and the risk that it does not exceed the rate of investment spend, higher-than-anticipated store closing or relocation costs, higher interest rates, the performance of the Company’s online, digital and other initiatives, the performance and successful integration of acquired businesses, the success of the Company’s strategic investments, unanticipated increases in merchandise, component or occupancy costs, unanticipated adverse litigation results or effects, product and component shortages, the potential adverse impact on the business resulting from the review of a potential separation of the NOOK digital business, the risk that the transactions contemplated by the partnership with Microsoft Corporation (Microsoft) to form a new Company subsidiary (NewCo) to be comprised of NOOK and B&N College, including with respect to any spin-off, split-off or other disposition by the Company of its interest in NewCo, are not able to be implemented on the terms contemplated or at all, the risk that the transactions do not achieve the expected benefits for the parties including the risk that NewCo’s applications are not commercially successful or that the expected distribution of those applications is not achieved, the risk that the separation of the digital and college businesses or any subsequent spin-off, split-off or other disposition by the Company of its interest in NewCo results in adverse impacts on the Company or NewCo (including as a result of termination of agreements and other adverse impacts), the potential impact on the Company’s retail business of the separation, the potential tax consequences for the Company and its shareholders of a subsequent spin-off, split-off or other disposition by the Company of its interest in NewCo, the risk that the international expansion contemplated by the relationship is not successful, the risk that NewCo is not able to perform its obligations under the commercial agreement, including with respect to the development of applications and international expansion, and the consequences thereof, the costs and disruptions arising out of any such separation of NOOK and B&N College, the risk that the Company may not recoup its investments in NOOK as part of any separation transaction, the risks, difficulties, and uncertainties that may result from the separation of businesses that were previously co-mingled including necessary ongoing relationships, and potential for adverse customer impacts and other factors which may be outside of the Company’s control, including those factors discussed in detail in Item 1A, “Risk Factors,” and in the Company’s other filings made hereafter from time to time with the Securities and Exchange Commission (SEC). The forward-looking statements relating to international expansion are also

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subject to the following risks, among others that may affect the introduction, success and timing of the NOOK® eReader and content in countries outside the United States: the Company may not be successful in reaching agreements with international companies, the terms of agreements that the Company reach may not be advantageous to it, the Company's NOOK® device may require technological changes to comply with applicable laws, and marketplace acceptance and other companies have already entered the marketplace with products that have achieved some customer acceptance. 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 the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-K.

PART I

ITEM 1. BUSINESS

General

Barnes & Noble, Inc. (Barnes & Noble or the Company), one of the nation's largest booksellers,¹ is a leading content, commerce and technology company providing customers easy and convenient access to books, magazines, newspapers and other content across its multi-channel distribution platform. As of April 28, 2012, the Company operates 1,338 bookstores in 50 states, including 647 bookstores on college campuses, operates one of the Web's largest eCommerce sites and develops digital content products and software. Given the dynamic nature of the book industry, the challenges faced by traditional booksellers, and the robust innovation pipeline fueling new opportunities in hardware, software and content creation and delivery, Barnes & Noble is utilizing the strength of its retail footprint to bolster its leadership and fuel sales growth across multiple channels.

Of the 1,338 bookstores, 691 operate primarily under the Barnes & Noble Booksellers trade name. Barnes & Noble College Booksellers, LLC (B&N College), a wholly-owned subsidiary of Barnes & Noble, operates 647 college bookstores at colleges and universities across the United States. Barnes & Noble Retail (B&N Retail) operates the 691 retail bookstores. Retail also includes the Company's eCommerce site and Sterling Publishing Co., Inc. (Sterling or Sterling Publishing), a leader in general trade book publishing. The NOOK segment represents the Company's digital business, including the development and support of the Company's NOOK product offerings. The digital business includes digital content such as eBooks, digital newsstand, apps and sales of NOOK® devices and accessories to third-party distribution partners, B&N Retail and B&N College. The Company employed approximately 35,000 full and part-time employees as of April 28, 2012.

The Company's principal business is the sale of trade books (generally hardcover and paperback consumer titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, eBooks and other digital content, NOOK® (references to NOOK® include the Company's NOOK 1st Edition™, NOOK Wi-Fi 1st Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Tablet™ and NOOK Simple Touch with GlowLight™ eBook Reader devices)² and related accessories, bargain books, magazines, gifts, café products and services, educational toys & games, music and movies direct to customers through its bookstores or on barnesandnoble.com. On September 30, 2009 Barnes & Noble completed the acquisition of Barnes & Noble College Booksellers, Inc. from Leonard Riggio and Louise Riggio pursuant to a Stock Purchase Agreement dated as of August 7, 2009 among the Company and the Sellers (the Acquisition). The Acquisition of B&N College has allowed the Company to expand into sales of textbooks and course-related materials, emblematic apparel and gifts, trade books, school and dorm supplies, and convenience and café items on college and university campuses. In fiscal year ended April 30, 2011 (fiscal 2011), B&N College began offering a textbook rental option to its customers, and expanded its electronic textbooks and other course materials through a proprietary digital platform (NOOK Study™). B&N College offers its

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

² Any reference to NOOK®, NOOK 1st Edition™, NOOK Wi-Fi 1st Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Tablet™ and NOOK Simple Touch with GlowLight™ includes the trademark symbol (® or ™, as applicable) even if a symbol is not included.

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customers a full suite of textbook options—new, used, digital and rental. The Company previously licensed the “Barnes & Noble” trade name from B&N College under certain agreements. The Acquisition gave the Company exclusive ownership of its trade name.

To address dynamic changes in the book selling industry, Barnes & Noble has been transforming its business from a store-based model to a multi-channel model centered on its retail stores, Internet and digital commerce. Barnes & Noble is currently the only enterprise to offer readers the option of store visits, eCommerce, and digital delivery of books to Barnes & Noble-branded devices or other devices of their choosing.

Barnes & Noble’s strategy is to:

- continue to invest in the digital business to fuel NOOK and content sales;
- use its infrastructure to deliver digital content to customers wirelessly and online;
- utilize the strong Barnes & Noble brand and retail footprint to attract customers to its multi-channel platform; and
- expand its distribution channels through strategic partnerships with world-class hardware and software companies and retail partners.

The Company has a multi-channel marketing strategy that deploys various merchandising programs and promotional activities to drive traffic to both its stores and website. At the center of this program is the Company’s website, barnesandnoble.com.

On April 27, 2012, the Company entered into an investment agreement among the Company, Morrison Investment Holdings, Inc. (Morrison), and Microsoft Corporation (Microsoft) pursuant to which the Company will form a Delaware limited liability company (NewCo), and transfer to NewCo the Company’s digital device, digital content and college bookstore businesses and NewCo will sell to Morrison, and Morrison will purchase, 300 million convertible preferred membership interests in NewCo for an aggregate purchase price of \$300.0 million. Concurrently with its entry into this agreement, the Company has also entered into a commercial agreement with Microsoft, pursuant to which, among other things, NewCo will develop and distribute a Windows 8 application for e-reading and digital content purchases, and an intellectual property license and settlement agreement with Microsoft and Microsoft Licensing GP.

As part of the partnership with Microsoft described above, the Company, through NewCo, plans to launch the NOOK® digital bookstore in 10 countries within 12 months, putting NOOK.com websites onto the screens of tens of millions of Windows users. Once the NOOK digital bookstore is launched, customers in these countries will have access to one of the world’s largest marketplaces of digital copyright content and reading technologies, enabling them to buy and consume books, magazines and other forms of content on the world’s best mobile platforms, including Windows™, IOS™, and Android™. The Company is also exploring opportunities to give consumers outside of the U.S. access to its award-winning NOOK portfolio of reading products through potential distribution partnerships yet to be announced. While there can be no assurances, the Company intends to have one or more distribution agreements in place to sell NOOK® devices in certain countries outside the U.S. prior to the 2012 holiday season.

On August 18, 2011, the Company entered into an investment agreement between the Company and Liberty GIC, Inc. (Liberty) pursuant to which the Company issued and sold to Liberty, and Liberty purchased, 204,000 shares of the Company’s Series J Preferred Stock, par value \$0.001 per share (Preferred Stock), for an aggregate purchase price of \$204.0 million in a

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private placement exempt from the registration requirements of the 1933 Act. The shares of Preferred Stock will be convertible, at the option of the holders, into shares of Common Stock representing 16.6% of the Common Stock outstanding as of August 29, 2011, (after giving pro forma effect to the issuance of the Preferred Stock), based on the initial conversion rate. The initial conversion rate reflects an initial conversion price of \$17.00 and is subject to adjustment in certain circumstances. The initial dividend rate for the Preferred Stock is equal to 7.75% per annum of the initial liquidation preference of the Preferred Stock to be paid quarterly and subject to adjustment in certain circumstances.

The Company was incorporated in Delaware in 1986.

Segments

Prior to fiscal year-end, the Company reported an operating segment titled B&N.com which included both its digital business and eCommerce operations. Due to the increased focus on the digital business and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and has created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical merchandise over the Internet) into the B&N Retail segment. Also as a result of this assessment, certain corporate office and other costs have been allocated to all three segments. The Company's three operating segments are: B&N Retail, B&N College and NOOK.

B&N Retail

This segment includes 691 bookstores as of April 28, 2012, primarily under the Barnes & Noble Booksellers trade name. These stores generally offer a comprehensive title base, a NOOK® department/Boutique/Counter, a café, a Children's department, an Educational Toys & Games department, a Music/DVDs/BluRay department, a gift department, a magazine department, and bargain department and a calendar of ongoing events, including author appearances and children's activities. The B&N Retail segment also includes the Company's eCommerce website, barnesandnoble.com and the publishing operation, Sterling Publishing.

Barnes & Noble stores range in size from 3,000 to 60,000 square feet depending upon market size, with an overall average store size of 26,000 square feet. In fiscal 2012, the Company reduced the Barnes & Noble store base by 0.4 million square feet, bringing the total square footage to 18.0 million square feet, a 1.9% decrease from fiscal 2011. The Company did not open any new Barnes & Noble stores in fiscal 2012.

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

Proximity to Customers. The Company's strategy has been to increase its share of the consumer book market, as well as to increase the size of the market through a market clustering strategy. As of April 28, 2012, Barnes & Noble had stores in 162 of the total 210 Designated Market Area markets. In 67 of the 162 markets, the Company has only one Barnes

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& Noble store. The Company believes its bookstores' proximity to its customers strengthens its market position and increases the value of its brand. Most Barnes & Noble stores are located in high-traffic areas with convenient access to major commercial thoroughfares and ample parking. Most stores offer extended shopping hours seven days a week.

Extensive Title Selection. Each Barnes & Noble store features an authoritative selection of books, ranging from 22,000 to 165,000 titles. The comprehensive title selection is diverse and reflects local interests. Bestsellers typically represent between 2% and 5% of Barnes & Noble store sales. Complementing this extensive on-site selection, all Barnes & Noble stores provide customers with access to the millions of books available to online shoppers at barnesandnoble.com while offering an option to have the book sent to the store or shipped directly to the customer. The website additionally allows customers to purchase over two million eBooks, newspapers and magazines. The Company believes that its tremendous selection, including many otherwise hard-to-find titles, builds customer loyalty.

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

NOOK® Boutique/Counter. The Company is utilizing its traditional retail bookstores to promote NOOK® via NOOK counters, NOOK Boutiques™ and NOOK Digital Shop™ within the bookstores. These dedicated areas provide customers the ability to see, feel and experiment with NOOK®, speak to knowledgeable booksellers and receive pre- and post-sales customer support. The Company offers NOOK® owners Always Free NOOK Support in all of its retail bookstores, as well as free Wi-Fi connectivity to enjoy the Read In Store™ feature to read NOOK Books™ for free, and the More In Store™ program, which offers free, exclusive content and special promotions. The devices, which provide a fun, easy-to-use and immersive reading experience, include NOOK Simple Touch™, NOOK Tablet™, NOOK Color™ and most recently, NOOK Simple Touch with GlowLight™. These devices have received numerous accolades in product reviews from, among others, msnbc.com, [PCWorld](http://PCWorld.com), [ZDNet](http://ZDNet.com), [Time® Magazine](http://Time.com), PCMAG.com, [CNET](http://CNET.com) and [The Wall Street Journal](http://TheWallStreetJournal.com) and the NOOK Color™ was the winner of the coveted "People's Choice Award" in the Last Gadget Standing competition at the 2011 International Consumer Electronics Show in Las Vegas. The NOOK® devices have also opened up an additional market for NOOK® related accessories such as stands, covers, lights and other items. The Company is collaborating with top designers such as Jonathan Adler, Kate Spade, Jack Spade and Legendary Palm Beach Design House Lilly Pulitzer® to further personalize customers reading experience.

Educational Toys & Games Department. Barnes & Noble stores have expanded the educational toys & games and adult games & puzzles departments both in stores and online. The Company has also created the "ultimate playroom" for children with the rollout of 2,500 square foot boutiques in select stores. The department has implemented a program that enhances ease and appropriateness of product choice for consumers by designating products to specific age groupings based on development milestones. This strategy is complemented by the launch of B&N Kids' Expert Circle on [Barnes & Noble.com](http://BarnesandNoble.com). The program is meant to serve as a trusted resource for parents and educators by partnering with experts in the fields of literacy, arts and educations, child development and pediatric medicine, who will share advice and parenting tips and offer book and toy suggestions on B&N Kids.

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Music/DVD/BluRay Departments. Many of the Barnes & Noble stores have music/DVD/BluRay departments, which range in size from 1,000 to 5,000 square feet. The music/DVD/BluRay departments typically stock over 15,000 titles. The Company's DVD and BluRay selection focuses on foreign films, documentaries and episodic TV shows. The music selection is tailored to the tastes of the Company's core customers, centering on classical music, opera, jazz, blues and pop rock.

Discount Pricing. Barnes & Noble stores employ an aggressive nationwide discount pricing strategy. The current pricing is 30% off publishers' suggested retail prices for hardcover bestsellers and 20% off select feature titles in departments such as children's books and computer books. The Barnes & Noble Member Program offers members greater discounts and other benefits for products and services as well as exclusive offers and promotions via email or direct mail. Barnes & Noble.com also utilizes an "everyday low pricing" model that provides a single, low price for each item site-wide for members and non-members and enables the Company to offer better value to its customers.

The Barnes & Noble Kids' Club Program provides exclusive benefits and discounts to participants.

Marketing and Community Relations. Each store plans its own community-based calendar of events, including author appearances, children's storytelling hours, poetry readings and discussion groups. The Company believes its community focus encourages customer loyalty, word-of-mouth publicity and media coverage. The Company also supports communities through efforts on behalf of local non-profit organizations that focus on literacy, the arts or K-12 education.

Merchandising and Marketing. The Company's merchandising strategy for its Barnes & Noble stores is to be the authoritative community bookstore carrying an extensive selection of titles in all subjects, including an extensive selection of titles from small independent publishers and university presses. Each Barnes & Noble store features an extensive selection of books from 22,000 to 165,000 unique titles, of which approximately 30,000 titles are common to virtually all stores. Each store is tailored to reflect the lifestyles and interests of the area's customers. Before a store opens, the Company's buyers study the community and customize the title selection with offerings from the store's local publishers and authors. After the store opens, each Barnes & Noble store manager is responsible for adjusting the buyers' selection to the interests, lifestyles and demands of the store's local customers. BookMaster, the Company's proprietary inventory management database, has more than 13 million titles. It includes over 3.7 million active titles and provides each store with comprehensive title selections. By enhancing the Company's existing merchandise replenishment systems, BookMaster allows the Company to achieve high in-stock positions and productivity at the store level through efficiencies in receiving, cashiering and returns processing. The Company also leverages its system investments through utilization of Barnes & Noble.com's proprietary order management system, which enables customers to place orders at stores for any of the over one million titles in stock throughout the Company's supply chain.

The Company has a multi-channel eCommerce marketing strategy that deploys various merchandising programs and promotional activities to drive traffic to both its stores and website. At the center of this eCommerce program is the Company's website, barnesandnoble.com.

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In this way, the website serves as both the Company's direct-to-home delivery service and as an important broadcast channel and advertising medium for the Barnes & Noble brand. For example, the online store locator at barnesandnoble.com receives millions of customer visits each year providing store hours, directions, information about author events and other in-store activities. Similarly, in Barnes & Noble stores, NOOK® customers can access free Wi-Fi connectivity; enjoy the Read In Store™ feature to browse many complete eBooks for free, and the More In Store™ program, which offers free, exclusive content and special promotions.

Another example of a multi-channel initiative is the Barnes & Noble MasterCard®, an affinity credit card issued by Barclays Bank Delaware. Holders of the Barnes & Noble MasterCard receive an additional 5% rebate for all purchases made in Barnes & Noble stores or at barnesandnoble.com. In addition, points are accumulated for purchases made elsewhere, and are redeemed for Barnes & Noble gift cards which can be used for purchases in either channel. The Company believes that its website complements its bookstores in many ways. It not only serves as a marketing tool, it offers convenient shopping alternatives for its customers. Customers can reserve products online and pick them up in store, as well as order products online while in the store and have them ship directly to their home.

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

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The B&N Retail segment includes 691 bookstores as of April 28, 2012, primarily under the Barnes & Noble Booksellers trade name. The number of Barnes & Noble stores located in each state and the District of Columbia as of April 28, 2012 are listed below:

<u>STATE</u>	<u>NUMBER OF STORES</u>	<u>STATE</u>	<u>NUMBER OF STORES</u>
Alabama	7	Missouri	13
Alaska	2	Montana	4
Arizona	18	Nebraska	4
Arkansas	5	Nevada	5
California	80	New Hampshire	4
Colorado	17	New Jersey	24
Connecticut	13	New Mexico	3
Delaware	2	New York	46
District of Columbia	2	North Carolina	21
Florida	44	North Dakota	3
Georgia	21	Ohio	19
Hawaii	3	Oklahoma	5
Idaho	3	Oregon	7
Illinois	30	Pennsylvania	27
Indiana	12	Rhode Island	3
Iowa	7	South Carolina	11
Kansas	4	South Dakota	1
Kentucky	7	Tennessee	8
Louisiana	7	Texas	56
Maine	1	Utah	10
Maryland	13	Vermont	1
Massachusetts	18	Virginia	25
Michigan	21	Washington	18
Minnesota	20	West Virginia	1
Mississippi	3	Wisconsin	11
		Wyoming	1

Sterling Publishing

Sterling Publishing is a leading publisher of non-fiction trade titles. Founded in 1949, Sterling publishes a wide range of non-fiction and illustrated books and kits across a variety of imprints, in categories such as health & wellness, music & popular culture, food & wine, crafts & photography, puzzles & games and history & current affairs, as well as a large and growing presence in children's books. Sterling with its distinguished heritage, open mind to incubating new businesses and an all-consuming, entrepreneurial zest has a 12,000+ title base of eBooks and print books. In addition, Sterling also distributes 1,600+ titles on behalf of client publishers.

Operations

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

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

Each Barnes & Noble store generally employs a store manager, two assistant store managers, a café manager and approximately 40 full- and part-time booksellers. Many Barnes & Noble stores also employ a full-time community relations manager. The large employee base provides the Company with experienced booksellers to fill new positions in the Company's Barnes & Noble stores. The Company anticipates that a significant percentage of the personnel required to manage its stores will continue to come from within its existing operations.

Field management for all of the Company's bookstores, including regional vice presidents, district managers and store managers, participate in an incentive program tied to store productivity. The Company believes that the compensation of its field management is competitive with that offered by other specialty retailers of comparable size.

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

Purchasing

Barnes & Noble's buyers negotiate terms, discounts and cooperative advertising allowances with publishers and other suppliers for Barnes & Noble.com and all of the Company's bookstores. The Company's distribution centers enable it to maximize available discounts and enhance its ability to create marketing programs with many of its vendors. The Company has buyers who specialize in customizing inventory for bookselling in stores and online. Store inventories are further customized by store managers, who may respond to local demand by purchasing a limited amount of fast-selling titles through a nationwide wholesaling network, including the Company's distribution centers.

The Company's B&N Retail segment purchases physical books on a regular basis from over 900 publishers and over 50 wholesalers or distributors. Purchases from the top five suppliers (including publishers, wholesalers and distributors) accounted for approximately 52% of the B&N Retail's book purchases during fiscal 2012, and no single supplier accounted for more than 16% of B&N Retail's purchases during this period. Consistent with industry practice, a substantial majority of the physical book purchases are returnable for full credit, a practice which substantially reduces the Company's risk of inventory obsolescence.

Publishers control the distribution of titles by virtue of copyright protection, which limits availability on most titles to a single publisher. Since the retail, or list, prices of titles, as well as the retailers' cost price, are also generally determined by publishers, the Company has limited options concerning availability, cost and profitability of its book inventory. However, these

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limitations are mitigated by the substantial number of titles available, the Company's ability to maximize available discounts and its well-established relationships with publishers, which are enhanced by the Company's significant purchasing volume.

Publishers periodically offer their excess inventory in the form of remainder books to book retailers and wholesalers through an auction process which generally favors booksellers such as the Company, who are able to buy substantial quantities. These books are generally purchased in large quantities at favorable prices and are then sold to consumers at significant discounts off publishers' list prices.

Distribution

The Company has invested significant capital in its systems and technology by building new platforms, implementing new software applications and building and maintaining efficient distribution centers. This investment has enabled the Company to source an increasingly larger percentage of its inventory through its own distribution centers, resulting in increased direct buying from publishers rather than wholesalers. Greater volume through the Company's own distribution centers lowers distribution costs per unit, increases inventory turns, and improves product margins. This has also led to improved just-in-time deliveries to stores and the ability to offer "Fast&Free Delivery" through its website and for in-store orders placed by customers for home delivery.

As of April 28, 2012, the Company had approximately 2,000,000 square feet of distribution center capacity. The Company has an approximately 1,145,000 square foot distribution center in Monroe Township, New Jersey, which ships merchandise to stores throughout the country and to online customers. The Company also has an approximately 600,000 square foot distribution center in Reno, Nevada, which is used to facilitate distribution to stores and online customers in the western United States. The Company also has approximately 230,000 square feet of distribution center capacity for facilitating sales by Sterling Publishing to third parties.

Management Information and Control Systems

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

BookMaster, the Company's proprietary bookstore inventory management system, integrates point-of-sale features that utilize a proprietary data-warehouse based replenishment system. BookMaster enhances communications and real-time access to the Company's network of bookstores, distribution centers and wholesalers. In addition, the implementation of just-in-time replenishment has provided for more rapid replenishment of books to all of the Company's bookstores, resulting in higher in-stock positions and better productivity at the bookstore level through efficiencies in receiving, cashiering and returns processing.

The Company continues to implement systems to improve efficiencies in back office processing in the human resources, finance and merchandising areas.

The Company believes that it has built a leading interactive eCommerce platform, and plans to continue to invest in technologies that will enable it to offer its customers the most convenient and user-friendly online shopping experience. B&N Retail has licensed existing

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commercial technology when available and has focused its internal development efforts on those proprietary systems necessary to provide the highest level of service to its customers. The overall mix of technologies and applications allows the Company to support a distributed, scalable and secure eCommerce environment.

The Company uses Intel®-based server technology in a fully redundant configuration to power its website, which is hosted in two locations. At these locations, the Company maintains computers that store its web pages in electronic form and transmits them to requesting users (known as hosting). The Company utilizes two hosting locations. Both locations are hosted internally by the Company. Either site has sufficient capacity to support the volume of traffic directed toward the Company's website during peak periods. Both hosting locations are configured with excess Internet telecommunications capacity to ensure quick response time and use three separate Internet service providers. By maintaining redundant host locations, the Company has significantly reduced its exposure to downtime and service outages. Additionally, the Company believes its technology investments are scalable.

Competition

The book business is highly competitive in every channel in which Barnes & Noble operates. B&N Retail stores compete primarily on the quality of the shopping and store experience and the price and availability of products. The importance of price varies depending on the competitor, with some of Barnes & Noble's competitors engaging in significant discounting and other promotional activities. B&N Retail competes with other bookstores, including Books-A-Million. It also faces competition from many online businesses, notably Amazon.com and Apple. Increases in consumer spending via the Internet may significantly affect its ability to generate sales in B&N Retail stores. B&N Retail also faces competition from mass merchandisers, such as Costco, Target and Wal-Mart. Some of the Company's competitors have greater financial and other resources and different business strategies than B&N Retail does. B&N Retail stores also compete with specialty retail stores that offer books in particular subject areas, independent store operators, variety discounters, drug stores, warehouse clubs, mail-order clubs and other retailers offering books, music, toys, games, gifts and other products in its market segments.

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

Seasonality

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

Employees

The Company cultivates a culture of outgoing, helpful and knowledgeable employees. As of April 28, 2012, the B&N Retail segment had approximately 30,000 full- and part-time booksellers. The B&N Retail segment's employees are not represented by unions, with the exception of 40 employees, and the Company believes that its relationship with its employees is generally excellent.

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B&N College

On September 30, 2009, the Company acquired B&N College, one of the largest contract operators of bookstores on college and university campuses across the United States. As of April 28, 2012, B&N College operated 647 stores nationwide. B&N College's customer base can purchase various items from their campus stores, including textbooks and course-related materials, emblematic apparel and gifts, trade books, computer products, NOOK[®] products and related accessories, school and dorm supplies, convenience and café items and more recently textbook rentals. In fiscal 2011, B&N College began offering a textbook rental option to its customers and expanded its electronic textbooks and other course materials through a proprietary digital platform (NOOK Study[™]). A significant number of textbooks are now available in multiple formats: new, used, rental and digital (rental and ownership), resulting in improved choice and substantial student savings.

B&N College operates 613 traditional college bookstores and 34 academic superstores, which are generally larger in size, offer cafés and provide a sense of community that engages the surrounding campus and local communities in college activities and culture. The traditional bookstores range in size from 500 to 48,000 square feet. The academic superstores range in size from 8,000 to 75,000 square feet.

B&N College generally operates its stores pursuant to multi-year management service agreements under which a school designates B&N College to operate the official school bookstore on campus and B&N College provides the school with regular payments that represent a percentage of store sales and, in some cases, include a minimum fixed guarantee.

B&N College's business strategy is to maintain long-term relationships with colleges and universities by providing high-quality service to college administrators, faculty and students. The Company believes that the key elements contributing to the success of B&N College are:

Conversion of more institutionally run college bookstores to contract-managed stores;

Opening College Superstores in select markets;

Optimizing comparable store sales through:

- Leveraging increasing student enrollment trends;
- Expanding targeted email and social media marketing;
- Increasing web sales of textbooks and other collegiate merchandise;
- Expansion of textbook rentals and electronic textbook sales; and
- New merchandising initiatives to roll out additional products and services to B&N College locations. In addition to expanding product selection in existing stores, initiatives include two concept stores - RechargeU, offering fresh and pre-packaged foods and beverages and The Tech Store, which provides multiple, interactive stations for students to try computer hardware as well as purchase related computer accessories.

Customers. B&N College's three customer constituencies are students, faculty members and campus administrators. B&N College's customer base consists of students and faculty members who exhibit relatively predictable purchasing patterns based on the timing of university and college terms.

Marketing. B&N College uses a variety of marketing efforts and promotional campaigns to raise awareness for special initiatives, such as holiday promotions, freshman orientation, homecoming and graduation events, and to drive traffic to the stores. To reach its target

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customers, B&N College implements focused e-mail marketing campaigns for students and alumni, customized in-store promotions, and special events. B&N College also utilizes student ambassadors to drive key promotions and enhance the reputation of the on-campus bookstore.

B&N College also offers NOOK Study™, a platform and software solution for higher education, NOOK Kids™, a collection of digital picture and chapter books for children, and NOOK Books en español™, the first-ever Spanish language digital bookstore in the United States of America.

In fiscal 2011, B&N College introduced a social commerce platform which integrates the social networking features of its more than 500 campus bookstore Facebook pages with its eCommerce website. This creates a seamless social shopping experience and expands the Company's social media and communication capabilities. B&N College also integrates this tool in its marketing, communications, and customer service initiatives.

B&N College leverages its advanced online bookstore platform to simplify the purchasing experience for its customers and drive textbook sales. B&N College's Registration Integration™ service enables students to reserve and order textbooks online at the time they enroll in a course. Up to 40% of our stores are actively utilizing Registration Integration.

Store Locations

Traditional Bookstores. As of April 28, 2012, B&N College operated 613 bookstores in its traditional format, including state universities, private universities and community colleges. The typical B&N College bookstore is located on campus in a location convenient to students and faculty. These bookstores range in size from 500 to 48,000 square feet.

Academic Superstores. As of April 28, 2012, B&N College operated 34 B&N College academic superstores at select major campuses, such as the University of Pennsylvania, Yale University, the College of William and Mary, Boston University, DePaul University, Vanderbilt University, and Georgia Institute of Technology (Georgia Tech). B&N College academic superstores offer universities an exciting establishment on their campuses and further enable B&N College to differentiate itself. B&N College academic superstores, which range in size from 8,000 to 75,000 square feet, include a café, and carry a large selection of course-required textbooks, supplies, emblematic clothing and gifts, and 10,000 to 110,000 titles of trade and reference books. B&N College academic superstores are positioned in locations that attract customers from the neighborhood community as well as students and faculty from the university. They are open extended hours and have ongoing events such as author signings. These stores differ from traditional format B&N College stores since the majority have a customer base that includes the general public and sales which are less dependent on course-required materials.

B&N College maintains individual customized websites for the bookstores it manages. Students can choose to shop in the comfortable and inviting atmosphere of B&N College's bookstores, or they can opt to go to the virtual bookstore for their collegiate needs. Designed to appeal to faculty, students, alumni and parents, the sites feature both services and eCommerce options. Services include faculty and author profiles, calendars of events and general store operating policies. eCommerce options include a full college shopping experience, from online textbook ordering, school specific merchandise to general reading.

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The number of B&N College stores located in each state listed below and the District of Columbia as of April 28, 2012, is listed below:

<u>STATE</u>	<u>NUMBER OF STORES</u>	<u>STATE</u>	<u>NUMBER OF STORES</u>
Alabama	16	Missouri	9
Arizona	8	Nevada	1
Arkansas	6	New Hampshire	4
California	30	New Jersey	19
Colorado	3	New Mexico	7
Connecticut	7	New York	67
Delaware	2	North Carolina	18
District of Columbia	1	North Dakota	1
Florida	28	Ohio	29
Georgia	13	Oklahoma	5
Idaho	1	Oregon	4
Illinois	17	Pennsylvania	59
Indiana	16	Rhode Island	3
Iowa	1	South Carolina	13
Kansas	2	South Dakota	2
Kentucky	31	Tennessee	12
Louisiana	11	Texas	63
Maryland	20	Virginia	23
Massachusetts	29	Washington	11
Michigan	25	West Virginia	11
Minnesota	6	Wisconsin	6
Mississippi	7		

Operations

B&N College has seasoned management teams for its college bookstores, including those for marketing to prospective new accounts, merchandising and store operations. Field management includes store vice presidents and regional managers supervising multiple store locations.

Each B&N College store generally employs a store manager and assistant store manager, a textbook manager and a range of full- and part-time booksellers, with the larger stores staffed with up to 100 employees. The large employee base provides the Company with experienced booksellers to fill positions in new B&N College stores. In addition, over 100 student employees participate in management training programs each year, which has historically resulted in several new store managers annually. B&N College anticipates that a significant percentage of the personnel required to manage its new stores will continue to come from within its existing operations.

Field management for all B&N College stores, including store vice presidents, regional managers and store managers, participate in an incentive program tied to store productivity. B&N College believes that the compensation of its field management is competitive with that offered by other specialty retailers of comparable size.

B&N College has in-store training programs providing specific information needed for success at each level, beginning with the entry-level positions of bookseller. Store managers participate in annual sales and leadership conferences, and regional managers participate in at

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least semi-annual sales and leadership conferences. Store and regional managers are generally responsible for training other booksellers and employees in accordance with detailed procedures and guidelines prescribed by B&N College. The Company utilizes a blended learning approach, including on-the job training, e-Learning, facilitator-led training and training aids available at each bookstore.

Purchasing

B&N College's purchasing procedures vary by product type and are usually made at the store level, with corporate oversight. Faculty members are responsible for selecting (adopting) the appropriate textbooks for their course offerings. This process typically occurs three months in advance of the two peak selling periods, the fall term (August/September) and the spring term (January/February), when students purchase course materials and supplies for upcoming classes. After titles are adopted for the upcoming term, B&N College determines how much inventory it will need to purchase based on several factors, including student enrollment and the previous term's textbook sales histories. B&N College first uses the Text Net™ system to determine if other company stores have the necessary new or used books on hand and may transfer the inventory to the appropriate stores. After internal sourcing, B&N College purchases books from outside suppliers. B&N College also offers rental and eBook options on a significant percentage of its titles to ensure that students are given the choice of all available formats. As part of its contract with the particular institution, B&N College guarantees that it will order textbooks for all courses.

B&N College's primary suppliers of new textbooks include Pearson Education (Prentice Hall), Cengage (Thomson) Learning, MBS Textbook Exchange, Inc. (MBS), McGraw-Hill, MPS (VHPS) and John Wiley & Sons. B&N College's primary suppliers of used textbooks are students, returns of previously rented books and MBS. The stores offer a "cash for books" program in which students can sell their books back to the store at the end of the semester. Buybacks are heaviest in December and May. Students typically receive 50% of the price they originally paid for the book if it has been adopted for a future class or the current wholesale price if it has not. Both textbooks and trade books are generally returnable to publishers for full credit.

The larger superstores, which feature an expanded selection of trade books, use the Barnes & Noble BookMaster system. In the smaller stores, trade (general reading) book purchasing also is controlled at the store level.

B&N College stores also feature collegiate and athletic apparel relating to a school and/or its sports programs and other custom-branded school spirit products, including t-shirts, sweatshirts and hats. Other merchandise, such as laptops and other computer related products, notebooks, backpacks, school supplies and related items are also offered. In addition, many stores also provide students with a place to purchase convenience items, such as food, beverages and dormitory products. General merchandise vendors and products are initially selected by the merchants in the B&N College home office and approved assortments are provided to the stores. Stores make selections from these assortments based on the unique needs of their campus, in conjunction with the home office merchants.

Competition

Approximately 50% of college bookstores are operated by the educational institutions themselves. Follett, a contract operator of campus bookstores, Nebraska Book Company, a contract operator of on-campus and off-campus bookstores, Amazon, and Chegg.com, an online

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textbook rental company, compete directly with B&N College. In addition, publishers are increasing efforts to sell directly to students and technology companies like Apple and Amazon are increasing their digital offerings to students. B&N College offers customers a full suite of textbook options—new, used, digital and rental.

Seasonality

The B&N College business is highly seasonal, with the major portion of sales and operating profit realized during the second and third fiscal quarters, when college students generally purchase textbooks for the upcoming semesters. Textbook rentals, which primarily occur at the beginning of the semester, are being recognized over the rental period.

Employees

As of April 28, 2012, B&N College had approximately 4,750 full- and part-time employees. B&N College's employees are not represented by unions, with the exception of 31 employees, and the Company believes that its relationship with its employees is generally excellent.

NOOK

This segment includes the Company's digital business, which includes the Company's eBookstore, digital newsstand and sales of NOOK® devices and accessories to third party distribution partners, as well as to B&N Retail and B&N College. Additionally, this segment includes the development and support of the Company's NOOK® product offerings.

NOOK produces a number of different eReaders, including NOOK Tablet™, NOOK Color™, NOOK Simple Touch™ and NOOK Simple Touch with GlowLight™. These devices are designed in Palo Alto, California. NOOK Simple Touch™ and NOOK Simple Touch with GlowLight™ provide customers a simple, easy to use, intuitive eReader on an E Ink display that replicates the experience of reading from physical paper and provides access to the Company's digital content store. NOOK Tablet™ and NOOK Color™, in addition to providing access to the Company's digital content catalog, provide users access to the NOOK App store, a dedicated email client, web browsing capability and much more. Always Free NOOK Support in any of our bookstores, provide customers the ability to interact with a knowledgeable NOOKseller to receive pre- and post- customer sales support. The bookstores also provide free Wi-Fi connectivity for NOOK® devices, Read In Store™ access, which allows owners to read NOOK Books™ for free, and the More In Store™ program, which offers free, exclusive content and special promotions. The NOOK® eReading products also allow for digital lending of a wide selection of books through its LendMe® technology.

Barnes & Noble's NOOK® eReading software provides customers the ability to purchase digital content and access to their Lifetime Library on a wide range of digital platforms, including iPad™, iPhone®, iPod touch®, Android™ smartphones and tablets, as well as most PC and Mac® laptops or full-sized desktop computers. Barnes & Noble has implemented innovative features on its digital platform to ensure that customers have a seamless experience across their devices.

Third-Party Distribution Network. In addition to selling NOOK® devices through its own bookstores, the Company also sells devices through other third-party retail channels. Our third-party retail partners include Best Buy, Walmart, Staples, Target, Radio Shack, Books-A-Million, OfficeMax, Fred Meyer, P.C. Richard & Son, Office Depot, Fry's Electronics and Systemax Inc. retailers. These additional retailers expand the reach of our NOOK® devices.

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Operations

The digital products group has knowledgeable product development and operational management teams for designing and delivering on the digital products business. Barnes & Noble has brought in many new managers to its Manhattan and Palo Alto digital operations centers to promote the host of established and emerging digital products. Digital product management oversees product concept, software development, engineering and user experience. Operational management oversees demand planning, strategic sourcing, manufacturing, return and refurbishment and customer service.

The Company's development office in Palo Alto employs experienced engineers in the Company's digital product area. NOOK digital products management team is focused on next generation strategic products that offer customers with a range of digital reading products to enhance the reading experience. The software, engineering and user interface teams provide for new or upgraded products. NOOK digital products remain competitive as a result of its investments in ongoing research and development efforts.

Purchasing/Distribution

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

NOOK utilizes the Company's purchasing power and its world class distribution centers to synergistically facilitate the purchasing and shipping of its devices and accessory sales.

Competition

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

Seasonality

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

Employees

As of April 28, 2012, NOOK had approximately 533 full- and part-time employees. NOOK's employees are not represented by unions and the Company believes that its relationship with its employees is generally excellent.

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Trademarks and Service Marks

The trademarks and service marks owned by the Company and its subsidiaries include B&N[®], Barnes & Noble[®], Barnes & Noble.com[®], barnesandnoble.com[®], Barnes & Noble Booksellers[®], NOOK[®], The All-New NOOK[™], The Simple Touch Reader[™], NOOK 1st Edition[™], NOOK Wi-Fi 1st Edition[™], NOOK Color[™], NOOK Tablet[™], Reader' s Tablet[™], NOOK Simple Touch[™], NOOK Simple Touch with GlowLight[™], NOOK Books[™], NOOK Bookstore[™], NOOK Newsstand[™], NOOK Newspapers[™], NOOK Digital Shop[™], PubIt![™], NOOK Kids[™], Read In Store[™], More In Store[™], NOOK Friends[™], LendMe[®], NOOK Boutiques[™], NOOK Books en español[™], NOOK Study[™], Lifetime Library[™], Registration Integration[™], Text Net[™], Books Etc[™], Borders[™], Borders Books & Music[™] and borders.com[™], some of which are registered or pending with the United States Patent and Trademark Office.

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

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

Available Information

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, proxy statements and other information with the SEC. Any materials filed by the Company with the SEC may be read and copied at the SEC' s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the SEC' s Public Reference Room is available by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that issuers (including the Company) file electronically with the SEC. The Internet address of the SEC' s website is <http://www.sec.gov>.

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

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

ITEM 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones faced by the Company. Additional risks and uncertainties not presently known or that are currently deemed immaterial also may impair the Company's business operations. If any of the following risks occur, the Company's business, financial condition, operating results and cash flows could be materially adversely affected.

Unless otherwise specified or the context otherwise requires, references below to (1) "the Company" refer to Barnes & Noble, Inc. and its subsidiaries, including Barnes & Noble College Booksellers, LLC, (2) "Barnes & Noble" refer to Barnes & Noble, Inc. and its subsidiaries excluding Barnes & Noble College Booksellers, LLC, (3) "B&N College" refer to Barnes & Noble College Booksellers, LLC and (4) "NOOK®" refer to NOOK 1st Edition™, NOOK Wi-Fi 1st Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Simple Touch with GlowLight™ and/or NOOK Tablet™ Reader devices.

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

The Company's businesses have been adversely impacted by the economic downturn in the United States over the last several years which, among other things, has decreased discretionary consumer spending. A deterioration of the current economic environment could have a material adverse effect on the Company's financial condition and operating results, as well as the Company's ability to fund its growth or its strategic business initiatives.

Barnes & Noble's sales are primarily dependent upon discretionary consumer spending, which is affected by the overall economic environment, consumer confidence and other factors beyond its control. In addition, Barnes & Noble's sales are dependent in part on the strength of new release products which are controlled by publishers and other suppliers. The economic downturn over the last several years has led to declines in consumer traffic and spending patterns, adversely impacting Barnes & Noble's financial performance. The effect of the economic downturn on other retailers in shopping malls in which Barnes & Noble is located also may adversely affect Barnes & Noble. For example, if the downturn leads to one or more vacancies in a shopping mall, traffic to its store in the mall may decrease.

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B&N College's sales are also affected by the overall economic environment, including as a result of reductions in funding levels at colleges and universities, although historically the effect has been less significant than in the Barnes & Noble retail stores. Students also may spend less on textbooks and other general merchandise in a difficult economic environment. B&N College's business is also dependent on, among other things, college and university funding, government grants and funding, which may be negatively impacted in an economic downturn. The economic downturn has adversely impacted B&N College's business during the past fiscal year.

Because of the Company's existing penetration of attractive retail locations and the maturity of the market for traditional retail stores, the Company's sales or net income may decline unless it successfully implements its business strategies.

The Company's core business is its operation of Barnes & Noble retail stores across the United States, and it derived over a majority of its sales from Barnes & Noble retail stores in its most recent fiscal year. Management generally believes that the Company's retail stores are located in attractive geographic markets, and generally does not have a strategy to open retail stores in new geographic markets or to expand the total number of retail stores, and may close more retail stores than it opens. Management's strategies are subject to the risks described herein and elsewhere, and may be subject to other risks that have not yet been identified, and management cannot make assurances that its business strategies will be successful.

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

Increases in the complexity of the Company's business could place a significant strain on its management, operations, technical performance, financial resources, and internal financial control and reporting functions. These increases in complexity include both the increase in the size and scope of the Company's operations as a result of the acquisition of B&N College and the expansion of the Company's digital strategy. There can be no assurance that the Company will be able to manage increases in the complexity of its businesses effectively. The Company's current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage its future operations, especially as it employs personnel in multiple geographic locations. The Company may not be able to hire, train, retain, motivate and manage required personnel, which may limit its growth. If any of this were to occur, it could damage the Company's reputation, limit growth, negatively affect operating results and harm its business.

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

The products that the Company sells originate from a wide variety of domestic and international vendors. During fiscal 2012, Barnes & Noble's five largest suppliers accounted for approximately 45 percent of the dollar value of merchandise purchased. During fiscal 2012, B&N College's five largest suppliers accounted for approximately 55 percent of its merchandise purchased. While the Company believes that its relationships with its suppliers are strong, most suppliers may modify the terms of these relationships due to general economic conditions or otherwise. The Company does not have long-term arrangements with most of its suppliers to guarantee availability of merchandise, content, components or services, particular payment terms or the extension of credit limits. If the Company's current suppliers were to stop selling merchandise, content, components or services to it on acceptable terms, including as a result of one or more supplier bankruptcies due to poor economic conditions, the Company may be unable to procure the same merchandise, content, components or services from other suppliers in a timely and efficient manner and on acceptable terms, or at all. In addition, certain of our merchandise, including electronic readers, are sourced, directly or indirectly, from outside the

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United States, including, without limitation, from suppliers in China. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, natural disasters, outbreaks of pandemics and other factors relating to foreign trade are beyond our control and could disrupt our supply of foreign-sourced merchandise and/or adversely affect our results of operations. Furthermore, the Barnes & Noble and B&N College businesses are each dependent on the continued supply of trade books, in the case of Barnes & Noble, and textbooks, in the case of B&N College. The publishing industry generally has suffered due, among other things, to changing consumer preferences away from the print medium and due to the difficult economic climate. A significant disruption in this industry generally could adversely impact the Company's business. A significant unfavorable change in the Company's relationships with key suppliers could materially adversely affect its sales and profits. In addition, any significant change in the payment terms that the Company has with its key suppliers could adversely affect its financial condition and liquidity.

The Company's businesses rely on certain key personnel

Management believes that the Company's continued success will depend to a significant extent upon the efforts and abilities of Leonard Riggio, Chairman, William J. Lynch Jr., Chief Executive Officer, Mitchell S. Klipper, Chief Executive Officer-Barnes & Noble Retail, Michael P. Huseby, Chief Financial Officer, Max J. Roberts, President of B&N College, and Eugene V. DeFelice, Vice President, General Counsel and Corporate Secretary, as well as certain other key officers of the Company and its subsidiaries including Barnes & Noble.com.

The loss of the services of these key officers could have a material adverse effect on the Company. The Company does not maintain "key man" life insurance on any of its officers.

The Company's businesses could be adversely impacted if it is unsuccessful in making and integrating acquisitions it has made or may decide to pursue.

To enhance the Company's efforts to grow and compete, from time to time it has engaged in acquisitions and entered into joint ventures, and it may engage in acquisitions or enter into joint ventures in the future. Any future acquisitions are subject to the Company's ability to identify attractive opportunities and to negotiate favorable terms for them. Accordingly, the Company cannot make assurances that future acquisitions will be completed, or that if completed, they will be successful. These transactions may create risks such as: (1) disruption of the Company's ongoing business, including loss of management focus on existing businesses; (2) the dilution of the equity interest of the Company's stockholders; (3) problems retaining key personnel; (4) increased debt to finance any transaction and additional operating losses, debt and expenses of the businesses the Company acquires; (5) the difficulty of integrating a new company's accounting, financial reporting, management, information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented; (6) the difficulty of implementing at acquired companies the controls, procedures and policies appropriate for a larger public company; and (7) potential unknown liabilities associated with an acquired company. In addition, valuations supporting the Company's acquisitions could change rapidly given the current global economic climate. The Company could determine that such valuations have experienced impairments or other-than-temporary declines in fair value which could adversely impact its financial condition.

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The Company's businesses are seasonal.

The Company's businesses are seasonal. For the Company's businesses other than B&N College, sales are generally highest in the third fiscal quarter and lowest in the second and fourth fiscal quarters. For fiscal 2012, 33% of sales and 102% of operating income of B&N Retail were generated in its third fiscal quarter. Operating results in the Company's businesses other than B&N College depend significantly upon the holiday selling season in the third fiscal quarter. The B&N College business is also seasonal, with sales generally highest in the second and third fiscal quarters, when college students generally purchase textbooks for the upcoming semesters, and lowest in the first and fourth fiscal quarters. Less than satisfactory net sales for any fiscal quarter could have a material adverse effect on the Company's financial condition or operating results for the year and may not be sufficient to cover any losses which may be incurred in the other fiscal quarters of the year.

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

The Company's results of operations may fluctuate from quarter to quarter depending upon several factors, some of which are beyond its control. These factors include the timing of new product releases, the timing of store openings or closings, the addition or termination of B&N College contracts to manage bookstores for colleges and universities, the timing of the start of college and university semesters, shifts in the timing of certain promotions and the effect of impairments on the Company's assets. These and other factors could affect the Company's business, financial condition and results of operations, and this makes the prediction of the Company's financial results on a quarterly basis difficult. Also, it is possible that the Company's quarterly financial results may be below the expectations of public market analysts and investors.

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

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

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

Other parties also may claim that the Company infringes their proprietary rights. Because of the changes in Internet commerce, the electronic reader and digital content business, current extensive patent coverage, and the rapid rate of issuance of new patents, it is possible that certain components of our products and business methods may unknowingly infringe existing patents or intellectual property rights of others. Because the Company's products include complex technology, much of which is acquired from suppliers through the purchase of components or licensing of software, the Company and its suppliers and customers are and have been involved in

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or have been impacted by assertions, including both requests for licenses and litigation, regarding patent and other intellectual property rights. The Company has been and is currently subject to, and expects to continue to be subject to, claims and legal proceedings regarding alleged infringement by it of the intellectual property rights of third parties. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against the Company prohibiting the Company from marketing or selling certain products or the payment of damages. The Company may need to obtain licenses from third parties who allege that it has infringed their rights, but such licenses may not be available on terms acceptable to the Company, or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property it does not own in providing services to other businesses and individuals under commercial agreements. These risks have been amplified by the increase in third parties whose primary business appears to be to assert such claims. If any infringement or other intellectual property claim made against the Company by any third party is successful, if the Company is required to indemnify a customer with respect to a claim against the customer, or if the Company is unable to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, the Company's business, operating results, and financial condition could be materially and adversely affected.

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

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

The Company's business involves the receipt and storage of personal information about customers and employees. The Company's use of personal information is regulated at the international, federal and state levels. Privacy and information security laws and regulations change from time to time, and compliance with them may result in cost increases due to necessary systems changes and the development of new processes. If the Company fails to comply with these laws and regulations, it could be subjected to legal risk. In addition, even if the Company fully complies with all laws and regulations and even though the Company has taken significant steps to protect personal information, the Company could experience a data security breach and its reputation could be damaged, possibly resulting in lost future sales or decreased usage of credit and debit card products. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement adequate preventative measures. A party that is able to circumvent the Company's security measures could misappropriate the Company or its users' proprietary information and cause interruption in its operations. Any compromise of the Company's data security could result in a violation of applicable privacy and other laws or standards, significant legal and financial exposure and a loss of confidence in its security measures, which could harm the business. Data security breaches may also result from non-technical means, for example, actions by an employee.

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

Leonard Riggio, the Company's Founder and Chairman, and Stephen Riggio, an employee of the Company and formerly the Company's Vice Chairman, are brothers and together are currently the beneficial owners of an aggregate of approximately 30.6% of the Company's outstanding capital stock as of April 28, 2012, a majority of which is beneficially owned solely by Leonard Riggio. This concentrated control may limit the ability of the Company's other stockholders to influence corporate matters and, as a result, the Company may take actions with which its other stockholders do not agree. Leonard Riggio is also the beneficial owner of a note issued in connection with the acquisition of B&N College and therefore one of the Company's largest creditors. In addition, there may be risks related to the relationships Leonard Riggio, Stephen Riggio and other members of the Riggio family have with the various entities with which the Company has related party transactions.

In addition, Liberty Media, holds 204,000 shares of the Company's Series J Preferred Stock (Preferred Stock), which are convertible, at the option of the holder thereof, into shares of Common Stock representing approximately 16.6% of the Common Stock outstanding as of August 29, 2011, based on the current conversion rate. The holders of the Preferred Stock vote on an as-converted basis with holders of Common Stock on matters submitted to a vote of Common Stock and have the right, voting as a separate class, to elect two directors to the board of directors of the Company, subject to reduction upon certain ownership requirements ceasing to be met. Liberty Media also has veto rights over certain matters relating to the Company and its subsidiaries and certain rights upon a change of control of the Company.

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

Changes in international, federal, state or local laws, rules or regulations, including but not limited to laws, rules or regulations related to employment, wages, data privacy, information security, intellectual property, taxes, products, product safety, health and safety, and imports and exports, could increase the Company's costs of doing business or otherwise impact the Company's business.

Changes in sales and other tax collection regulations could harm the Company's businesses.

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

The Company's announced evaluation of strategic exploratory work may result in the sale of the NOOK digital business or other strategic transaction.

On January 5, 2012, the Company announced that it was pursuing strategic exploratory work to separate the NOOK business in order to capitalize on its rapid growth and its favorable leadership position in the expanding market for digital content. On April 30, 2012, the Company announced the formation of a strategic partnership with Microsoft Corporation (Microsoft) in a

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new Company subsidiary (NewCo) to be comprised of NOOK and B&N College. The Company is actively engaged in the formation of NewCo and intends to explore all alternatives for how a strategic separation of NewCo may occur and whether such separation would create shareholder value. However, there can be no assurance that the review will result in a strategic separation or the creation of a stand-alone public company, and there is no timetable for this review. There is the potential for various adverse impacts on the Company and its businesses as a result of this proposed partnership, including, without limitation, the risk that the transactions contemplated by the partnership, including with respect to any spin-off, split-off or other disposition by the Company of its interest in NewCo, are not able to be implemented on the terms contemplated or at all, the risk that the transactions do not achieve the expected benefits for the parties including the risk that NewCo's applications are not commercially successful or that the expected distribution of those applications is not achieved, the risk that the separation of NOOK and B&N College or any subsequent spin-off, split-off or other disposition by the Company of its interest in NewCo results in adverse impacts on Company or NewCo (including as a result of termination of agreements and other adverse impacts), the potential impact on B&N Retail of the separation, the potential tax consequences for the Company and its shareholders of a subsequent spin-off, split-off or other disposition by the Company of its interest in NewCo, the risk that the international expansion contemplated by the relationship is not successful, the risk that NewCo is not able to perform its obligations under the commercial agreement, including with respect to the development of applications and international expansion, and the consequences thereof, the costs and disruptions arising out of any such separation of NOOK and B&N College, the risk that the Company may not recoup its investments in the NOOK digital business as part of any separation transaction, and risks, difficulties, and uncertainties that may result from the separation of businesses that were previously co-mingled including necessary ongoing relationships, and potential for adverse customer impacts. Moreover, the form or nature of any such separation or any other transaction which may arise out of such proposed partnership may have an adverse impact on the Company's operations and stock price.

The Company's shareholder rights plan, classified board of directors and other anti-takeover defenses could deter acquisition proposals and make it difficult for a third party to acquire control of the Company. This could have a negative effect on the price of the Company's common stock.

The Company has a shareholder rights plan, a classified board of directors and other takeover defenses in its certificate of incorporation and by-laws. These defenses could discourage potential acquisition proposals and could delay or prevent a change in control of the Company. These deterrents could adversely affect the price of the Company's common stock and make it difficult to remove or replace members of the Board of Directors or management of the Company.

Barnes & Noble's business is subject to the risks of international operations.

Barnes & Noble, which has historically limited its operations to the United States, has begun to conduct operations internationally, including in China. There is no assurance that any investment by Barnes & Noble to expand its operations internationally will be successful.

In particular, the Company has announced that it is in discussions with strategic partners including publishers, retailers and technology companies in international markets that may lead to expansion of the NOOK business abroad. There can be no assurances that the Company will actually be successful in reaching agreements with these partners. Moreover, the terms of any agreements that are reached may not be advantageous to the Company. The NOOK® device may require technological changes to comply with applicable foreign laws. It also may not be accepted in a particular marketplace where other companies may have already entered with products that have achieved some customer acceptance.

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Compliance with U.S. and foreign laws and regulations that apply to international operations, including without limitation import and export requirements, anti-corruption laws, tax laws (including U.S. taxes on foreign subsidiaries), foreign exchange controls and cash repatriation restrictions, data privacy requirements, labor laws, and anti-competition regulations, increases the costs of doing business in foreign jurisdictions, and any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation. There can be no assurance that Barnes & Noble's employees, contractors, or agents will not violate such laws and regulations or Barnes & Noble's policies with respect to foreign operations.

Intense competition from traditional retail sources, the Internet and suppliers of digital content and hardware may adversely affect Barnes & Noble's businesses.

The book business is highly competitive in every channel in which Barnes & Noble operates. Barnes & Noble retail stores compete primarily on the quality of the shopping and store experience and the price and availability of products. The importance of price varies depending on the competitor, with some of Barnes & Noble's competitors engaging in significant discounting and other promotional activities. NOOK® competes primarily with other eBook readers on functionality, consumer appeal, availability of digital content and price. Barnes & Noble competes with large bookstores including Books-A-Million and smaller format bookstores. It faces competition from many online businesses, notably Amazon.com and Apple. Increases in consumer spending via the Internet may significantly affect its ability to generate sales in Barnes & Noble retail stores. Barnes & Noble also faces competition from mass merchandisers, such as Costco, Target and Wal-Mart. Some of the Company's competitors may have greater financial and other resources and different business strategies than Barnes & Noble does. Barnes & Noble retail stores also compete with specialty retail stores that offer books in particular subject areas, independent store operators, variety discounters, drug stores, warehouse clubs, mail-order clubs and other retailers offering books, music, toys, games, gifts and other products in its market segments. The music and DVD businesses are also highly competitive, and Barnes & Noble faces competition from mass merchants, discounters, the Internet and digital distribution. Barnes & Noble faces competition from the expanding market for digital content and hardware, including without limitation electronic books or "eBooks" and eBook readers. New and enhanced technologies, including new digital technologies and new web services technologies, may increase Barnes & Noble's competition. Competition may also intensify as Barnes & Noble's competitors enter into business combinations or alliances or established companies in other market segments expand into its market segments. Increased competition may reduce Barnes & Noble's sales and profits.

If Barnes & Noble is unable to renew or enter into new leases on favorable terms, or at all, its sales and earnings may decline.

Substantially all of Barnes & Noble's retail stores are located in leased premises. Barnes & Noble's profitability depends in part on its ability to continue to optimize its store lease portfolio as to number of retail stores, store locations and lease terms and conditions. Its ability to do so depends on, among other things, general economic and business conditions and general real estate development conditions, which are beyond its control. Barnes & Noble has 442 leases up for renewal by April 30, 2016. If the cost of leasing existing retail stores increases, Barnes & Noble may not be able to maintain its existing store locations as leases expire. In addition, Barnes & Noble may not be able to enter into new leases on acceptable terms, or at all, or it may not be able

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to locate suitable alternative sites or additional sites for new retail stores in a timely manner. Barnes & Noble's sales and earnings may decline if it fails to maintain existing store locations, enter into new leases, renew leases or relocate to alternative sites, in each case on attractive terms.

Barnes & Noble faces various risks as an Internet retailer and as a digital retailer.

Business risks related to its online and digital businesses include risks associated with the need to keep pace with rapid technological change, risks associated with the timing of the adoption of new digital products or platforms, Internet security risks, risks of system failure or inadequacy, protection of digital rights, supply chain risks, government regulation and legal uncertainties with respect to the Internet and digital content, risks related to data privacy and collection of sales or other taxes by one or more states or foreign jurisdictions. If any of these risks materializes, it could have an adverse effect on Barnes & Noble's business.

The Company faces the risk of a shift in consumer spending patterns to Internet retailers and digital content.

The Company has entered parts of the online and digital markets in which it has limited experience and may in the future expand into additional areas. The offering of digital content may present new and difficult challenges. Gross margin for digital content and products may be lower than for the Company's traditional product lines. The gross margin for Barnes & Noble's online sales is generally lower than for sales in its retail stores. Although the Company has entered into the online and digital spaces, it may not be able to compete effectively in those spaces and any investments made in those spaces may not be successful. Barnes & Noble also faces competition from companies engaged in the business of selling books, music and movies via electronic means, including the downloading of books, music and movie content. For example, historically Barnes & Noble offered a selection of music products in its retail stores, but has dramatically decreased such selection because of the increased competition from the download of digital music. B&N College is experiencing growing competition from alternative media and alternative sources of textbooks and course-related materials, such as websites that sell textbooks, eBooks, digital content and other merchandise directly to students; online resources; publishers selling directly to students; print-on-demand textbooks; CD-ROMs; textbook rental companies; and student-to-student transactions over the Internet. In addition, B&N College is experiencing a trend toward increased textbook rentals rather than textbook sales. These challenges may negatively affect the Company's operating results.

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

Barnes & Noble may require additional capital in the future to sustain or grow Barnes & Noble's online and digital businesses. Barnes & Noble's gross profits and margins in its newer activities may be lower than in its traditional activities, and it may not be successful enough in these newer activities to recoup its investments in them. In addition, Barnes & Noble may have limited or no experience in its newer products and services, and its customers may not adopt its new product or service offerings, which include digital, web services and electronic devices, including but not limited to its NOOK® eBook reader, as well as new gift products and educational toys and games products. Some of these offerings may present new and difficult technological challenges, and Barnes & Noble may be subject to claims or recalls if customers of these offerings experience service disruptions or failures or other quality issues. If any of these were to occur, it could damage the Company's reputation, limit its growth and negatively affect its operating results.

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

NOOK® and other Company products are manufactured by a third-party manufacturer outside the United States, and Barnes & Noble relies on components provided from a number of different manufacturers both within and outside the United States. Many of these manufacturers are concentrated in geographic areas outside the United States. While Barnes & Noble's arrangements with these manufacturers may lower costs, they also reduce its direct control over production. It is uncertain what effect such diminished control will have on the quality or quantity of products or services, or Barnes & Noble's flexibility to respond to changing conditions. Although arrangements with such manufacturers may contain provisions for warranty expense reimbursement, if reimbursement from such manufacturers is unenforceable or insufficient, Barnes & Noble may remain responsible to the consumer for warranty service in the event of product defects. Any unanticipated product defect or warranty liability, whether pursuant to arrangements with contract manufacturers or otherwise, could materially adversely affect Barnes & Noble's reputation, financial condition and operating results. If manufacturing in these locations is disrupted for any reason, including natural disasters, information technology system failures, military actions or economic, business, labor, environmental, public health or political issues, Barnes & Noble's financial condition and operating results could be adversely affected.

The Company or its digital business may be unable to obtain a sufficient supply of components and parts that are free of minerals mined from the Democratic Republic of Congo and adjoining countries, which could result in a shortage of such components and parts or reputational damages if the Company is unable to certify that its products are free of such minerals. The Dodd-Frank Wall Street Reform and Consumer Protection Act included disclosure requirements regarding the use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries (DRC) and procedures regarding a manufacturer's efforts to prevent the sourcing of such "conflict" minerals. While final rules are not yet implemented, the implementation of these requirements may limit the pool of suppliers who can provide Barnes & Noble DRC Conflict Free components and parts, and the Company cannot make assurances that it will be able to obtain products or supplies in sufficient quantities that meet the DRC Conflict Free designation as proposed by the requirements. Also, because the Barnes & Noble supply chain is complex, the Company may face reputational challenges with its customers, stockholders and other stakeholders if it is unable to sufficiently verify the origins for the defined conflict metals used in its products.

Government regulation is evolving and unfavorable changes could harm the Company's business.

The Company is subject to general business regulations and laws relating to all aspects of its business, including regulations and laws relating to the Internet, online commerce, digital content and products as well as its other lines of business (including governmental investigations and litigation relating to the agency pricing model for digital content distribution). Existing and future laws and regulations and their application and/or enforcement may impede the growth of the Internet, digital content distribution or other online services and impact digital content pricing, including requiring modifications or elimination of related pricing models including the agency pricing model. These regulations and laws may cover taxation, privacy, data protection, pricing, competition and/or antitrust, content, copyrights, distribution, college distribution, mobile communications, electronic contracts and other communications, consumer protection, the provision of online payment services, unencumbered Internet access to the Company's services,

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the design and operation of websites, the characteristics and quality of products and services and employee benefits (including the costs associated with complying with the Patient Protection and Affordable Care Act). Unfavorable regulatory and legal developments, including among other things the U.S. Department of Justice's lawsuit against Apple Inc. and certain U.S. publishers for allegedly colluding to raise the price of electronic books and the settlement between the U.S. Department of Justice and certain of the U.S. publishers that were party to that lawsuit, could diminish the demand for the Company's products and services, increase its cost of doing business, decrease its margins and materially adversely impact its results of operations or financial operations.

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

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

B&N College may not be able to enter into new contracts and contracts for existing or additional college bookstores may not be profitable.

An important part of B&N College's business strategy is to expand sales for its college bookstore operations by being awarded additional contracts to manage bookstores for colleges and universities. B&N College's ability to obtain those additional contracts is subject to a number of factors that it is not able to control. In addition, the anticipated strategic benefits of new and additional college and university bookstores may not be realized at all or may not be realized within the time frames contemplated by management. In particular, contracts for additional managed stores may involve a number of special risks, including adverse short-term effects on operating results, diversion of management's attention and other resources, standardization of accounting systems, dependence on retaining, hiring and training key personnel, unanticipated problems or legal liabilities, and actions of its competitors and customers. Because the terms of any contract are generally fixed for the initial term of the contract and involve judgments and estimates which may not be accurate, including for reasons outside of its control, B&N College has contracts which are not profitable, and may have such contracts in the future. Even if B&N College has the right to terminate a contract, it may be reluctant to do so even when a contract is unprofitable due, among other factors, to the potential effect on B&N College's reputation. Any unprofitable contracts may negatively impact the Company's operating results.

B&N College may not be able to successfully retain or renew its managed bookstore contracts on profitable terms, which could adversely impact B&N College's profit margins.

B&N College will be competing for the retention of existing store contracts and renewal of those contracts as they expire. B&N College's contracts are typically for five to ten years, although some extend beyond ten years. Many contracts have a 90 to 120 day cancellation right by the college or university, without penalty. B&N College may not be successful in retaining its current contracts, renewing its current contracts, or renewing its current contracts on terms that

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provide it the opportunity to improve or maintain the profitability of managing the store. If B&N College is unable to retain or renew its contracts on profitable terms, or at all, its profit margins could be adversely impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

All but one of the active Barnes & Noble stores is leased. The leases typically provide for an initial term of 10 or 15 years with one or more renewal options. The terms of the Barnes & Noble store leases for its 690 leased stores open as of April 28, 2012 expire as follows:

Lease Terms to Expire During	Number of
(12 months ending on or about April 30)	Stores
2013	123
2014	136
2015	101
2016	82
2017	105
2018 and later	143

B&N College's contracts are typically for five to ten years, although some extend beyond ten years. Many contracts have a 90 to 120 day cancellation right by the college or university, without penalty. In many cases, either party may cancel. The contracts for the 647 B&N College stores as of April 28, 2012 expire as follows:

Lease Terms to Expire During	Number of
(12 months ending on or about April 30)	Stores
2013	68
2014	22
2015	36
2016	43
2017	33
2018 and later	445

In addition to the bookstores, the Company leases two distribution centers for its B&N Retail operations, one in Monroe Township, New Jersey, under a lease expiring in 2020, and the other in Reno, Nevada, under a lease expiring in 2015. The Company also leases office and warehouse space in Edison, New Jersey for Sterling Publishing under two leases, both expiring in 2015. The Company's B&N Retail distribution centers total 1,975,000 square feet.

During fiscal 2008, the Company exercised its purchase option under a lease on one of its distribution facilities located in South Brunswick, New Jersey from the New Jersey Economic Development Authority. The Company purchased the distribution facility and equipment for

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approximately \$21.0 million. On December 29, 2011, the Company sold its distribution facility located in South Brunswick, New Jersey for \$18.0 million, which resulted in a loss of \$2.2 million.

The Company's principal administrative facilities are situated in New York, New York, and are covered by one lease which covers approximately 144,000 square feet of office space and expires in 2013. The Company also leases approximately 74,000 square feet in Basking Ridge, New Jersey for its B&N College administrative offices under a lease which expires in 2014.

The Company leases two additional locations in New York, New York for office space: approximately 90,000 square feet under a lease expiring in 2015, for Barnes & Noble.com and NOOK administrative offices, and approximately 56,000 square feet under a lease expiring in 2014, for Sterling Publishing administrative offices. Additionally, Sterling leases approximately 23,000 square feet of office space in Asheville, North Carolina under a lease expiring in 2017.

The Company also leases approximately 79,000 square feet of office space in Westbury, New York under a lease expiring in 2017 and approximately 259,000 square feet of office space in Palo Alto, California under leases expiring in 2013, 2015 and 2021.

ITEM 3. 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.

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

Minor v. Barnes & Noble Booksellers, Inc. et al.

On May 1, 2009, a purported class action complaint was filed against B&N Booksellers, Inc. in the Superior Court for the State of California alleging wage payments by instruments in a form that did not comply with the requirements of the California Labor Code, allegedly resulting in impermissible wage payment reductions and calling for imposition of statutory penalties. The complaint also alleges a violation of the California Labor Code's Private Attorneys General Act and seeks restitution of such allegedly unpaid wages under California's unfair competition law, and an injunction compelling compliance with the California Labor Code. The complaint alleges two subclasses of 500 and 200 employees, respectively (there may be overlap among the subclasses), but contains no allegations concerning the number of alleged violations or the amount of recovery sought on behalf of the purported class. The Court granted preliminary approval of the settlement on November 22, 2011 and granted final approval of the settlement on April 6, 2012.

In re Barnes & Noble Stockholder Derivative Litigation (Consolidated Cases Formerly Captioned Separately as: Louisiana Municipal Police Employees Retirement System v. Riggio et al.; Southeastern Pennsylvania Transportation Authority v. Riggio et al.; City of Ann Arbor Employees' Retirement System v. Riggio et al.; Louise Schuman v. Riggio et al.; Virgin Islands Government Employees' Retirement System v. Riggio et al.; Electrical Workers Pension Fund, Local 103, I.B.E.W. v. Riggio et al.)

Between August 17, 2009 and August 31, 2009, five putative shareholder derivative complaints were filed in Delaware Court of Chancery against the Company's directors. The complaints generally allege breach of fiduciary duty, waste of corporate assets and unjust enrichment in connection with the Company's entry into a definitive agreement to purchase Barnes & Noble College Booksellers, which was announced on August 10, 2009 (the Transaction). The complaints generally seek damages in favor of the Company in an unspecified amount; costs, fees and interest; disgorgement; restitution; and equitable relief, including injunctive relief. On September 1, 2009, the Delaware Court of Chancery issued an Order of Consolidation consolidating the five lawsuits (the Consolidated Cases) and directing plaintiffs to file a consolidated amended complaint. In a related development, on August 27, 2009, the Company received a demand pursuant to Delaware General Corporation Law, Section 220, on behalf of the Electrical Workers Pension Fund, Local 103, I.B.E.W., a shareholder, seeking to inspect certain books and records related to the Transaction. On September 18, 2009, this shareholder filed a shareholder derivative complaint in Delaware Court of Chancery against certain of the Company's directors alleging breach of fiduciary duty and unjust enrichment and seeking to enjoin the consummation of the Transaction. On October 6, 2009, the plaintiffs in the Consolidated Cases filed a motion seeking to consolidate the later-filed sixth case with the Consolidated Cases. On November 3, 2009, a Consolidated Complaint was filed in the Consolidated Cases. On December 11, 2009, the court entered an order consolidating all actions and appointing co-lead counsel for plaintiffs. The Company and defendants filed motions to dismiss the Consolidated Complaint on January 12, 2010. Plaintiffs filed an Amended Consolidated Complaint on March 16, 2010. The Company and defendants filed motions to dismiss the Amended Consolidated Complaint on April 30, 2010. Plaintiffs filed their response to

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the motion to dismiss on June 2, 2010. Oral argument on the motions to dismiss was held on October 21, 2010. Following those arguments, the Court denied the Company's motion to dismiss, denied in part and granted in part the motion to dismiss filed by Defendants Leonard Riggio, Stephen Riggio and Lawrence Zilavy, and denied in part and granted in part the motion to dismiss filed by the remaining defendants, dismissing all claims asserted against Directors George Campbell, Jr. and Patricia Higgins. All defendants except Leonard Riggio moved for summary judgment on December 21, 2011. Briefing on those motions was completed by March 2, 2012. The Court ruled on those motions on March 27, 2012, denying summary judgment as to Defendants Lawrence Zilavy and Michael Del Giudice and granting summary judgment in as to, and dismissing all claims against, Defendants Stephen Riggio, Irene R. Miller, Margaret T. Monaco and William Dillard, II. On June 13, 2012, all remaining defendants agreed to settle all remaining claims, subject to receipt of court approval (the Settlement). In the Settlement, the sellers in the Transaction have agreed to waive \$22,750,000 of the purchase price by waiving a corresponding principal amount (and interest on) of the Junior Seller Note issued by the Company to the sellers as part of the purchase price of the Transaction. If the Settlement Agreement is approved by the Delaware Court of Chancery, the Consolidated Cases will be dismissed, on the merits, with prejudice. Upon approval, the \$22,750,000 reduction in purchase price will be recorded as a credit to additional paid in capital.

Whitney Parker v. Leonard Riggio, et al. (formerly Stephen Strugala v. Leonard Riggio, et al.)

On December 21, 2010, a complaint was filed in the United States District Court for the Southern District of New York by Stephen Strugala against the Company's current directors and former directors Lawrence Zilavy and Michael Del Giudice. The complaint is purportedly brought both directly, on behalf of a putative class of shareholders, and derivatively, on behalf of the Company. The complaint generally alleges breaches of fiduciary duties, waste and unjust enrichment in connection with the Company's acquisition of Barnes & Noble College Booksellers, the adoption of the Shareholder Rights Plan, and other unspecified instances of alleged mismanagement and alleged wrongful conduct. The complaint also generally alleges violations of Section 14(a) of the 1934 Act in connection with the issuance of various proxy statements by the Company. The complaint generally seeks declaratory and equitable relief, including injunctive relief, and costs and fees. On January 19, 2011, the Court granted the parties' Stipulation and Order. On February 18, 2011, the plaintiff filed a Notice of Voluntary Dismissal of Claim, dismissing without prejudice his putative class claim for violations of Section 14(a) of the 1934 Act. On March 8, 2011, defendants filed a motion to dismiss all claims in the litigation. On October 4, 2011, the Court granted defendants' motion to dismiss, but also granted plaintiff leave to replead within 30 days. On November 3, 2011, plaintiff requested a pre-motion conference with the Court to discuss an anticipated motion to substitute a new plaintiff, Ms. Whitney Parker, for Mr. Strugala, and simultaneously filed an amended complaint on behalf of Ms. Parker containing substantially the same claims asserted in Mr. Strugala's original complaint. The Court held a pre-motion conference on December 9, 2011, at which the parties agreed that Ms. Parker could be substituted for Mr. Strugala without prejudice to any of defendants' rights. On January 20, 2012, defendants moved to dismiss the amended complaint. Briefing on that motion was completed on May 4, 2012.

Lina v. Barnes & Noble, Inc., and Barnes & Noble Booksellers, Inc. et al.

On August 5, 2011, a purported class action complaint was filed against Barnes & Noble, Inc. and Barnes & Noble Booksellers, Inc. in the Superior Court for the State of California making the following allegations against defendants with respect to salaried Store Managers at

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Barnes & Noble stores located in the State of California from the period of August 5, 2007 to present: (1) failure to pay wages and overtime; (2) failure to pay for missed meal and/or rest breaks; (3) waiting time penalties; (4) failure to pay minimum wage; (5) failure to provide reimbursement for business expenses; and (6) failure to provide itemized wage statements. The claims are generally derivative of the allegation that these salaried managers were improperly classified as exempt from California's wage and hour laws. The complaint contains no allegations concerning the number of any such alleged violations or the amount of recovery sought on behalf the purported class. The Company was served with the complaint on August 11, 2011. On August 30, 2011, the Company filed an answer in state court, and on August 31, 2011 it removed the action to federal court pursuant to the Class Action Fairness Act of 2005, 28 U.S.C. § 1332(d). On October 28, 2011, the district court granted plaintiff's motion to remand the action back to state court, over the Company's opposition. On November 7, 2011, the Company petitioned the Ninth Circuit for an appeal of the district court's remand order. The Ninth Circuit affirmed the district court's remand order on May 18, 2012.

Barnes & Noble, Inc. and Barnesandnoble.com llc v. LSI Corporation and Agere Systems, Inc.

On June 6, 2011, Barnes & Noble, Inc. filed a complaint against LSI Corporation (LSI) in the United States District Court for the Northern District of California, Case No. 11-CV-2709 EMC. The complaint sought a declaratory judgment that Barnes & Noble, Inc. does not infringe U.S. Patent Nos. 5,546,420; 5,670,730; 5,862,182; 5,920,552; 6,044,073; 6,119,091; 6,404,732; 6,452,958; 6,707,867 and 7,583,582. Barnes & Noble, Inc. amended the complaint on August 10, 2011 to add barnesandnoble.com llc as a plaintiff, to add Agere Systems, Inc. (Agere) as a defendant, to add a cause of action seeking a declaratory judgment that neither Barnes & Noble, Inc. nor barnesandnoble.com llc infringes U.S. Patent No. 7,477,633, and to add causes of action seeking a declaratory judgment that each of the eleven patents-in-suit is invalid. On November 1, 2011, LSI and Agere answered the amended complaint and asserted counterclaims against Barnes & Noble, Inc. and barnesandnoble.com llc, alleging infringement of the eleven patents-in-suit. On November 28, 2011, Barnes & Noble, Inc. and barnesandnoble.com llc answered the counterclaims and asserted several affirmative defenses, including the defense that seven of the patents-in-suit are unenforceable as a result of standard-setting misconduct. The Court has set certain pretrial dates in the case, including a claim construction hearing on March 12, 2013. The Court has not yet set a trial date in the case.

Dustin Torrez, an individual, on behalf of himself and all others similarly situated v. Barnes & Noble, Inc.

On October 11, 2011, a complaint was filed in the Superior Court for the State of California, County of San Francisco against the Company. The complaint is styled as a California state-wide class action. It alleges violations of California Civil Code section 1747.08 (the Song-Beverly Credit Card Act of 1971) due to the Company's alleged improper requesting and recording of zip codes from California customers who used credit cards as payment. The Summons and Complaint have not been served on the Company.

Kevin Khoa Nguyen, an individual, on behalf of himself and all others similarly situated v. Barnes & Noble, Inc.

On April 17, 2012, a complaint was filed in the Superior Court for the State of California, County of Orange against the Company. The complaint is styled as a nationwide class action and includes a California state-wide subclass based on alleged cancellations of orders for HP

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TouchPad Tablets placed on the Company's website in August 2011. The lawsuit alleges claims for unfair business practices and false advertising under both New York and California state law, violation of the Consumer Legal Remedies Act under California law, and breach of contract. The complaint demands specific performance of the alleged contracts to sell HP TouchPad Tablets at a specified price, injunctive relief, and monetary relief, but does not specify an amount. The Company submitted its initial response to the complaint on May 18, 2012.

ITEM 4. MINE SAFETY DISCLOSURE

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

The Company's common stock is traded on the New York Stock Exchange (NYSE) under the symbol "BKS". The following table sets forth, for the quarterly periods indicated, the high and low sales prices of the common stock on the NYSE Composite Tape:

	Fiscal 2012		Fiscal 2011	
	High	Low	High	Low
First Quarter	\$21.06	\$10.40	\$23.20	\$11.89
Second Quarter	17.62	9.75	17.92	12.70
Third Quarter	18.73	9.35	17.29	12.27
Fourth Quarter	14.74	10.45	19.50	8.45

Approximate Number of Holders of Common Equity

<u>Title of Class</u>	Approximate Number of Record Holders as of May 31, 2012
Common stock, \$0.001 par value	2,202

Dividends

The Company paid dividends to preferred shareholders in the amount of \$7,081,000 in fiscal 2012.

During fiscal 2011, the Company paid a dividend of \$0.25 per share on June 30, 2010 to stockholders of record at the close of business on June 11, 2010, on September 30, 2010 to stockholders of record at the close of business on September 9, 2010, and on December 31, 2010 to stockholders of record at the close of business on December 10, 2010. On February 22, 2011, the Company announced that its Board of Directors suspended its quarterly dividend payment of \$0.25 per share. This will provide the Company the financial flexibility to continue investing into its high growth digital strategies.

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During fiscal 2010, the Company paid quarterly cash dividends of \$0.25 per share on June 30, 2009 to stockholders of record at the close of business on June 9, 2009, on September 30, 2009 to stockholders of record at the close of business on September 9, 2009, on December 31, 2009 to stockholders of record at the close of business on December 10, 2009 and on March 31, 2010 to stockholders of record at the close of business on March 10, 2010.

The following table provides information with respect to purchases by the Company of shares of its common stock during the fourth quarter of fiscal 2012:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
January 29, 2012 - February 27, 2012	12,560	\$12.25	—	\$2,470,561
February 28, 2012 - March 28, 2012	16	\$13.39	—	\$2,470,561
March 29, 2012 - April 28, 2012	172,508	\$13.25	—	\$2,470,561
Total	<u>185,084</u>	<u>\$13.18</u>	<u>—</u>	

- (a) All of the shares on this table above were originally granted to employees as restricted stock pursuant to the Company's 2004 and 2009 Incentive Plans. The 2004 and 2009 Incentive Plans provides for the withholding of shares to satisfy tax obligations due upon the vesting of restricted stock, and pursuant to the 2004 Incentive Plan, the shares reflected above were 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.

On May 15, 2007, the Company announced that its Board of Directors authorized a new stock repurchase program for the purchase of up to \$400.0 million of the Company's common stock. The maximum dollar value of common stock that may yet be purchased under the current program is approximately \$2.5 million as of April 28, 2012.

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. As of April 28, 2012, the Company has repurchased 33,722,264 shares at a cost of approximately \$1.1 billion under its stock repurchase programs. The repurchased shares are held in treasury.

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ITEM 6. SELECTED FINANCIAL DATA

The information included in the Company's Annual Report to Shareholders for the fiscal year ended April 28, 2012 included as Exhibit 13.1 to this Annual Report on Form 10-K (the Annual Report) under the section entitled "Selected Consolidated Financial Data" is incorporated herein by reference.

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company limits its interest rate risks by investing certain of its excess cash balances in short-term, highly-liquid instruments with an original maturity of one year or less. The Company does not expect any material losses from its invested cash balances and the Company believes that its interest rate exposure is modest. As of April 28, 2012, the Company's cash and cash equivalents totaled approximately \$54,131,000.

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 credit agreement described in the Annual Report under the section titled "Notes to Consolidated Financial Statements") depending upon certain financial tests. Accordingly, the Company may be exposed to interest rate risk on borrowings under its credit facility. The Company had \$324,200,000 and \$313,100,000 in borrowings under its credit facility at April 28, 2012 and April 30, 2011, respectively.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

N/A

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ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The management of the Company established and maintains disclosure controls and procedures that are designed to ensure that material information relating to the Company and its subsidiaries required to be disclosed in the reports that are filed or submitted under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. 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 officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

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

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

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon the Company's evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of April 28, 2012.

BDO USA, LLP, the independent registered certified public accounting firm that audited the Company's financial statements included in this Annual Report on Form 10-K, has also audited the Company's internal control over financial reporting as of April 28, 2012 as stated in their report incorporated herein as part of the Company's Annual Report.

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(c) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the most recent quarter ended April 28, 2012 that have materially affected, or are reasonably likely to affect, internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information with respect to directors, executive officers, the code of ethics and corporate governance of the Company is incorporated herein by reference to the Company's definitive Proxy Statement relating to the Company's 2012 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the Company's fiscal year ended April 28, 2012 (the Proxy Statement).

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

ITEM 11. EXECUTIVE COMPENSATION

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

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

Table of Contents**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS****Equity Compensation Plan Information**

The following table sets forth equity compensation plan information as of April 28, 2012:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,860,000	\$ 18.76	1,001,000
Equity compensation plans not approved by security holders	—	—	—
Total	3,860,000	\$ 18.76	1,001,000

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

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

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

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements:

- (i) “The Report of Independent Registered Public Accountants” included in the Annual Report is incorporated herein by reference.
- (ii) The information included in the Annual Report under the sections entitled: “Consolidated Statements of Operations,” “Consolidated Balance Sheets,” “Consolidated Statements of Changes in Shareholders’ Equity,” “Consolidated Statements of Cash Flows” and “Notes to Consolidated Financial Statements” are incorporated herein by reference.

2. Schedule:

Valuation and Qualifying Accounts.

For the 52-week period ended April 28, 2012, 52-week period ended April 30, 2011 and the 52-week period ended May 1, 2010 (in thousands):

	Balance at beginning of period	Acquisition of B&N College	Charge (recovery) to costs and expenses	Write-offs	Balance at end of period
Allowance for Doubtful Accounts					
April 28, 2012	\$ 4,565	\$ –	\$ 1,844	\$ (468)	\$ 5,941
April 30, 2011	\$ 2,522	\$ –	\$ 2,096	\$ (53)	\$ 4,565
May 1, 2010	\$ 1,738	\$ 1,097	\$ (181)	\$ (132)	\$ 2,522

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The following are filed as Exhibits to this form:

<u>Exhibit No.</u>	<u>Description</u>
2.1	Stock Purchase Agreement dated as of August 7, 2009 among the Company, Leonard Riggio and Louise Riggio. (1)
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended. (2)
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company, dated June 17, 1998 and filed July 17, 1998. (3)
3.3	Form of Certificate of Designation, dated as of November 17, 2009. (4)
3.4	Amended and Restated By-laws of the Company. (5)
3.5	Amendment to Amended and Restated By-laws of the Company. (6)
4.1	Specimen Common Stock certificate. (2)
4.2	Rights Agreement, dated as of November 17, 2009, between Barnes & Noble, Inc. and Mellon Investor Services LLC, as Rights Agent. (4)
4.3	First Amendment dated as of February 17, 2010, to the Rights Agreement, dated as of November 17, 2009, between the Company and Mellon Investor Services LLC, as Rights Agent. (7)
4.4	Second Amendment dated as of June 23, 2010, to the Rights Agreement, dated as of November 17, 2009, between the Company and Mellon Investor Services LLC, as Rights Agent. (22)
4.5	Third Amendment dated as of October 29, 2010, to the Rights Agreement, dated as of November 17, 2009, between the Company and Mellon Investor Services LLC, as Rights Agent. (25)
4.6	Issuance and sale of Series J Preferred Stock of the Company to Liberty GIC, Inc. as of August 18, 2011, to Liberty GIC, Inc.. (30)
10.1	Credit Agreement, dated April 29, 2011, among the Company, Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and other lenders (Credit Agreement). (28)
10.2	First Amendment to the Amended and Restated Credit Agreement, dated as of April 27, 2012, among Bank of America, N.A., as administrative agent, collateral agent, and other lenders. (31)
10.3	Junior Subordinated Seller Note, dated September 30, 2009, issued by the Company to Leonard Riggio and Louise Riggio. (6)

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<u>Exhibit No.</u>	<u>Description</u>
10.4	The Company' s 2009 Executive Performance Plan. (8)
10.5	The Company' s 2004 Executive Performance Plan. (9)
10.6	First Amendment to the Company' s 2004 Executive Performance Plan. (10)
10.7	The Company' s 2009 Incentive Plan. (8)
10.8	The Company' s 2004 Incentive Plan. (9)
10.9	Amendment to the Company' s 2004 Incentive Plan. (11)
10.10	Second Amendment to the Company' s 2004 Incentive Plan. (10)
10.11	The Company' s Amended and Restated 1996 Incentive Plan. (12)
10.12	Amendment to the Company' s Amended and Restated 1996 Incentive Plan. (11)
10.13	Form of Option Award Agreement of the Company. (13)
10.14	Form of Restricted Stock Award Agreement of the Company. (13)
10.15	The Company' s Amended and Restated Deferred Compensation Plan. (10)
10.16	Employment Agreement between the Company and Leonard Riggio, dated May 12, 2010. (14)
10.17	Employment Agreement between the Company and Stephen Riggio, dated May 12, 2010. (14)
10.18	Employment Agreement between the Company and Stephen Riggio, dated as of February 18, 2002. (15)
10.19	Amendment to Employment Agreement between the Company and Stephen Riggio, dated December 18, 2008. (10)
10.20	Employment Agreement between the Company and William J. Lynch, Jr., dated March 17, 2010. (16)
10.21	Employment Agreement between the Company and William J. Lynch, Jr., dated January 6, 2009. (17)
10.22	Employment Agreement between the Company and Mitchell S. Klipper, dated March 17, 2010. (16)
10.23	Employment Agreement between the Company and Mitchell S. Klipper, dated as of February 18, 2002. (18)
10.24	Amendment to Employment Agreement between the Company and Mitchell S. Klipper, dated as of December 18, 2008. (10)

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<u>Exhibit No.</u>	<u>Description</u>
10.25	Employment Agreement between the Company and Joseph J. Lombardi, dated March 17, 2010. (16)
10.26	Transitional Employment Agreement between the Company and Joseph J. Lombardi, dated October 21, 2011. (32)
10.27	Letter Agreement (including General Release and Waiver) entered into on October 8, 2008, between barnesandnoble.com llc and Marie J. Toulantis. (19)
10.28	Indemnification Agreement between the Company and David G. Golden, dated August 19, 2010. (22)
10.29	Indemnification Agreement between the Company and David A. Wilson, dated August 19, 2010. (22)
10.30	Form of Performance Unit Award Agreement pursuant to the Company' s 2009 Incentive Plan. (23)
10.31	Form of Option Award Agreement pursuant to the Company' s 2009 Incentive Plan. (23)
10.32	Form of Restricted Stock Award Agreement pursuant to the Company' s 2009 Incentive Plan. (23)
10.33	Employment Agreement between the Company and Eugene V. DeFelice, dated September 27, 2010. (25)
10.34	Form of Indemnification Agreement between the Company and Company' s directors and officers, dated January 5, 2011. (26)
10.35	Restricted Stock Unit Award Agreement pursuant to the Company' s 2009 Incentive Plan. (28)
10.36	Employment Agreement between the Company and Michael P. Huseby, dated March 9, 2012. (31)
10.37	Investment Agreement between the Company and Liberty GIC, Inc dated August 18, 2011. (29)
10.38	Investment Agreement between the Company, Morrison Investment Holdings, Inc. and Microsoft Corporation dated April 27, 2012. (30)
13.1	The sections of the Company' s Annual Report entitled: "Selected Consolidated Financial Data," "Management' s Discussion and Analysis of Financial Condition and Results of Operations," "Consolidated Statements of Operations," "Consolidated Balance Sheets," "Consolidated Statements of Changes in Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements" and "The Report of Independent Registered Public Accounting Firm." (33)
14.1	Code of Business Conduct and Ethics. (20)

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<u>Exhibit No.</u>	<u>Description</u>
21.1	List of Subsidiaries. (33)
23.1	Consent of BDO USA, LLP. (33)
23.2	Report of BDO USA, LLP. (33)
31.1	Certification by 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. (33)
31.2	Certification by the Chief Financial 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. (33)
32.1	Certification of 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. (33)
32.2	Certification of Chief Financial 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. (33)
101.INS	XBRL Instance Document. (33)
101.SCH	XBRL Taxonomy Extension Schema Document. (33)
101.CAL	XBRL Taxonomy Calculation Linkbase Document. (33)
101.DEF	XBRL Taxonomy Definition Linkbase Document. (33)
101.LAB	XBRL Taxonomy Label Linkbase Document. (33)
101.PRE	XBRL Taxonomy Presentation Linkbase Document. (33)
(1)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on August 10, 2009.
(2)	Previously filed as an exhibit to the Company' s Registration Statement on Form S-4 (Commission File No. 33-59778) filed with the SEC on March 22, 1993.
(3)	Previously filed as an exhibit to the Company' s Form 10-Q for the fiscal quarter ended August 1, 1998.
(4)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on November 18, 2009.

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<u>Exhibit No.</u>	<u>Description</u>
(5)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on April 14, 2008.
(6)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on October 1, 2009.
(7)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on February 17, 2010.
(8)	Previously filed as an exhibit to the Company' s Definitive Proxy Statement on Schedule 14A filed with the SEC on April 16, 2009.
(9)	Previously filed as an exhibit to the Company' s Form 10-Q for the fiscal quarter ended May 1, 2004.
(10)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on December 19, 2008.
(11)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on December 21, 2006.
(12)	Previously filed as an exhibit to the Company' s Registration Statement on Form S-8 (Commission File No. 333-90538) filed with the SEC on June 14, 2002.
(13)	Previously filed as an exhibit to the Company' s Form 10-K for the fiscal year ended January 29, 2005.
(14)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on May 13, 2010.
(15)	Previously filed as an exhibit to the Company' s Form 10-K for the fiscal year ended February 1, 2003.
(16)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on March 19, 2010.
(17)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on January 8, 2009.
(18)	Previously filed as an exhibit to the Company' s Form 10-K for the fiscal year ended February 2, 2002.
(19)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on October 10, 2008.
(20)	Previously filed as an exhibit to the Company' s Form 10-K for the fiscal year ended January 31, 2009.

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<u>Exhibit No.</u>	<u>Description</u>
(21)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on June 23, 2010.
(22)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on August 23, 2010.
(23)	Previously filed as an exhibit to the Company' s Form 10-Q for the fiscal quarter ended July 31, 2010.
(24)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on October 29, 2010.
(25)	Previously filed as an exhibit to the Company' s Form 10-Q for the fiscal quarter ended October 30, 2010.
(26)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on January 10, 2011.
(27)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on May 2, 2011.
(28)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on May 25, 2011.
(29)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on August 18, 2011.
(30)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on April 30, 2012.
(31)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on March 8, 2012.
(32)	Previously filed as an exhibit to the Company' s Form 8-K filed with the SEC on October 21, 2012.
(33)	Filed herewith.

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SIGNATURES

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

BARNES & NOBLE, INC.

(Registrant)

By: /s/ William J. Lynch, Jr.

William J. Lynch, Jr.
Chief Executive Officer
June 27, 2012

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

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Leonard Riggio</u> Leonard Riggio	Chairman of the Board	June 27, 2012
<u>/s/ William J. Lynch, Jr.</u> William J. Lynch, Jr.	Chief Executive Officer (principal executive officer)	June 27, 2012
<u>/s/ Michael P. Huseby</u> Michael P. Huseby	Chief Financial Officer (principal financial officer)	June 27, 2012
<u>/s/ Allen W. Lindstrom</u> Allen W. Lindstrom	Vice President, Corporate Controller (principal accounting officer)	June 27, 2012
<u>/s/ George Campbell Jr.</u> George Campbell Jr.	Director	June 27, 2012
<u>/s/ Mark D. Carleton</u> Mark D. Carleton	Director	June 27, 2012
<u>/s/ William Dillard II</u> William Dillard II	Director	June 27, 2012
<u>/s/ David G. Golden</u> David G. Golden	Director	June 27, 2012
<u>/s/ Patricia L. Higgins</u> Patricia L. Higgins	Director	June 27, 2012
<u>/s/ Gregory B. Maffei</u> Gregory B. Maffei	Director	June 27, 2012

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/s/ Irene R. Miller Director June 27, 2012
Irene R. Miller

/s/ David A. Wilson Director June 27, 2012
David A. Wilson

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data of Barnes & Noble, Inc. and its subsidiaries (collectively, the Company) set forth on the following pages should be read in conjunction with the consolidated financial statements and notes included elsewhere in this report. On September 29, 2009, the Board of Directors of Barnes & Noble, Inc. authorized a change in the Company's fiscal year end from the Saturday closest to the last day of January to the Saturday closest to the last day of April. The change in fiscal year, which became effective on September 30, 2009 upon the closing of the acquisition of Barnes & Noble College Booksellers, Inc. (B&N College) by Barnes & Noble, Inc. (the Acquisition), gives the Company and B&N College the same fiscal year. The change was intended to better align the Company's fiscal year with the business cycles of both Barnes & Noble, Inc. and B&N College. As a result of the change in the Company's fiscal year end, the Company is providing financial data for the transition period and comparable prior period as defined below.

The Statement of Operations Data for the 52 weeks ended April 28, 2012 (fiscal 2012), 52 weeks ended April 30, 2011 (fiscal 2011), 52 weeks ended May 1, 2010 (fiscal 2010), and the Balance Sheet Data as of April 28, 2012 and April 30, 2011 are derived from, and are qualified by reference to, audited consolidated financial statements which are included elsewhere in this report. The Statement of Operations Data for the 13 weeks ended May 2, 2009 (transition period), 52 weeks ended January 31, 2009 (fiscal 2008) and 52 weeks ended February 2, 2008 (fiscal 2007) and the Balance Sheet Data as of May 1, 2010, May 2, 2009, January 31, 2009 and February 2, 2008 are derived from audited consolidated financial statements not included in this report. The Statement of Operations Data for the 13 weeks ended May 3, 2008 are derived from unaudited consolidated financial statements not included elsewhere in this report.

Fiscal Year				13 weeks	13 weeks		
	(In thousands of dollars, except per share data)			ended	ended	Fiscal	Fiscal
	Fiscal	Fiscal	Fiscal	May 2,	May 3,	2008	2007
	2012	2011	2010	2009	2008	2008	2007
STATEMENT OF OPERATIONS DATA:							
Sales							
Barnes & Noble Retail	\$4,852,913	\$4,926,834	4,947,469	1,105,152	1,155,882	5,121,804	5,286,674
Barnes & Noble College (a)	1,743,662	1,778,159	833,648	–	–	–	–
NOOK	933,471	695,182	105,435	–	–	–	–
Elimination (b)	(400,847)	(401,610)	(78,798)	–	–	–	–
Total sales	7,129,199	6,998,565	5,807,754	1,105,152	1,155,882	5,121,804	5,286,674
Cost of sales and occupancy	5,218,383	5,205,712	4,131,009	773,491	807,915	3,540,596	3,679,845
Gross profit	1,910,816	1,792,853	1,676,745	331,661	347,967	1,581,208	1,606,829
Selling and administrative expenses (c)	1,739,452	1,629,465	1,395,725	289,026	308,400	1,264,320	1,236,178
Depreciation and amortization	232,667	228,647	207,774	45,879	41,314	173,557	168,600
Operating profit (loss)	(61,303)	(65,259)	73,246	(3,244)	(1,747)	143,331	202,051
Interest income (expense), net and amortization of deferred financing fees							
(d)	(35,304)	(57,350)	(28,237)	(199)	807	(2,344)	7,483
Earnings (loss) from continuing operations before taxes	(96,607)	(122,609)	45,009	(3,443)	(940)	140,987	209,534
Income taxes	(27,740)	(48,652)	8,365	(1,374)	(374)	55,591	74,623
Earnings (loss) from continuing operations (net of income tax)	(68,867)	(73,957)	36,644	(2,069)	(566)	85,396	134,911
Earnings (loss) from discontinued operations (net of income tax) (e)	–	–	–	(654)	(1,658)	(9,506)	888
Net earnings (loss)	(68,867)	(73,957)	36,644	(2,723)	(2,224)	75,890	135,799
Net loss attributable to noncontrolling interests (f)	–	37	32	30	–	30	–
Net earnings (loss) attributable to Barnes & Noble, Inc.	<u>\$(68,867)</u>	<u>\$(73,920)</u>	<u>36,676</u>	<u>(2,693)</u>	<u>(2,224)</u>	<u>75,920</u>	<u>135,799</u>
Earnings (loss) attributable to Barnes & Noble, Inc.							
Earnings (loss) from continuing operations	\$(68,867)	\$(73,957)	36,644	(2,069)	(566)	85,396	134,911
Less loss attributable to noncontrolling interests	–	37	32	30	–	30	–
Net earnings (loss) from continuing operations attributable to Barnes & Noble, Inc.	<u>\$(68,867)</u>	<u>\$(73,920)</u>	<u>36,676</u>	<u>(2,039)</u>	<u>(566)</u>	<u>85,426</u>	<u>134,911</u>
Basic earnings per common share							
Earnings (loss) from continuing operations attributable to Barnes & Noble, Inc.	\$(1.41)	\$(1.31)	0.64	(0.04)	(0.01)	1.50	2.07
Earnings (loss) from discontinued operations attributable to Barnes & Noble, Inc.	–	–	–	(0.01)	(0.03)	(0.17)	0.01
Net earnings (loss) attributable to Barnes & Noble, Inc.	<u>\$(1.41)</u>	<u>\$(1.31)</u>	<u>0.64</u>	<u>(0.05)</u>	<u>(0.04)</u>	<u>1.33</u>	<u>2.08</u>
Diluted earnings per common share							
Earnings (loss) from continuing operations attributable to Barnes & Noble, Inc.	\$(1.41)	\$(1.31)	0.63	(0.04)	(0.01)	1.46	1.99
Earnings (loss) from discontinued operations attributable to Barnes & Noble, Inc.	–	–	–	(0.01)	(0.03)	(0.17)	0.01
Net earnings (loss) attributable to Barnes & Noble, Inc.	<u>\$(1.41)</u>	<u>\$(1.31)</u>	<u>0.63</u>	<u>(0.05)</u>	<u>(0.04)</u>	<u>1.29</u>	<u>2.00</u>
Dividends paid per share	\$–	\$0.75	1.00	0.25	0.15	0.90	0.60
Weighted average common shares outstanding							
Basic	57,337	56,588	55,344	54,759	57,614	55,207	63,662
Diluted	57,337	56,588	56,153	54,759	57,614	56,529	66,221

Fiscal Year (In thousands of dollars, except per share data)	Fiscal		Fiscal		13 weeks ended		13 weeks ended		Fiscal		Fiscal			
	2012	2011	2010	2009	May 2, 2009	May 3, 2008	2008	2007	2008	2007	2008	2007		
OTHER OPERATING DATA:														
Number of stores														
Barnes & Noble stores	691	705	720	726	717	726	713							
Barnes & Noble College	647	636	637	–	–	–	–							
B. Dalton stores	–	–	–	51	83	52	85							
Total	1,338	1,341	1,357	777	800	778	798							
Comparable sales increase (decrease)														
Barnes & Noble Retail (g)	1.4	%	0.7	%	(4.8))%	(5.7))%	(1.5))%	(5.4))%	1.8	%
Barnes & Noble College (h)	(0.3))%	(0.8))%	(0.2))%	–	–	–	–	–	–	–	–
NOOK (i)	45.0	%	589.1	%	n/m	(l)	–	–	–	–	–	–	–	–
Capital expenditures (j)	\$163,552		\$110,502		127,779		22,822		38,278		192,153		193,958	
BALANCE SHEET DATA:														
Total assets	\$3,765,249		\$3,596,466		3,705,686		2,664,279		2,779,006		2,877,864		3,141,247	
Long-term debt	\$324,200		\$313,100		260,400		–		86,700		–		–	
Long-term subordinated note (k)	\$150,000		\$150,000		150,000		–		–		–		–	

- (a) B&N College results are included since the Acquisition on September 30, 2009.
- (b) Represents sales from NOOK to Barnes & Noble Retail and Barnes & Noble College that were sold through to the end user.
- (c) Includes pre-opening expenses.
- (d) Amounts for fiscal 2012, fiscal 2011, fiscal 2010, the transition period, the 13 weeks ended May 3, 2008, fiscal 2008 and fiscal 2007 are net of interest income of \$0, \$320, \$452, \$211, \$1,369, \$1,518 and \$9,169, respectively.
- (e) Represents the results of Calendar Club for all periods presented.
- (f) Noncontrolling interest represents the 50% outside interest in Begin Smart LLC. During the second quarter of fiscal 2011, the Company purchased the remaining 50% outside interest in Begin Smart LLC.
- (g) Comparable store sales increase (decrease) is calculated on a 52-week basis, including sales from stores that have been open for at least 15 months and all eReader device revenue deferred in accordance with ASC 605-25 *Revenue Recognition, Multiple Element Arrangements*, and does not include sales from closed or relocated stores.
- (h) Comparable store sales increase (decrease) is calculated on a 52-week basis, including sales from stores that have been open for at least 15 months and all eReader device revenue deferred in accordance with ASC 605-25 *Revenue Recognition, Multiple Element Arrangements*, and does not include sales from closed or relocated stores. Additionally, for textbook rentals, comparable store sales reflects the retail selling price of a new or used textbook when rented, rather than solely the rental fee received and amortized over the rental period.
- (i) Comparable sales increase (decrease) is calculated on a 52-week basis and includes sales of digital products, including sales through its eReader devices, and all eReader device revenue deferred in accordance with ASC 605-25 *Revenue Recognition, Multiple Element Arrangements*. Additionally, comparable sales reflects the actual retail selling price for eBooks sold under the agency model, rather than solely the commission received.
- (j) Excludes Calendar Club capital expenditures of \$308, \$1,988 and \$2,551 for the 13 weeks ended May 3, 2008, fiscal 2008 and fiscal 2007, respectively.
- (k) See Notes 5 and 14 to the Notes to Consolidated Financial Statements.
- (l) Not meaningful.

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

Barnes & Noble, Inc.'s (Barnes & Noble or the Company) fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. As used in this section, "fiscal 2012" represents the 52 weeks ended April 28, 2012, "fiscal 2011" represents the 52 weeks ended April 30, 2011 and "fiscal 2010" represents the 52 weeks ended May 1, 2010.

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General

Barnes & Noble, one of the nation's largest booksellers,¹ is a leading content, commerce and technology company providing customers easy and convenient access to books, magazines, newspapers and other content across its multi-channel distribution platform. As of April 28, 2012, the Company operated 1,338 bookstores in 50 states, including 647 bookstores on college campuses, and operates one of the Web's largest eCommerce sites and develops digital content products and software. Given the dynamic nature of the book industry, the challenges faced by traditional booksellers, and the robust innovation pipeline fueling new opportunities in hardware, software and content creation and delivery, Barnes & Noble is utilizing the strength of its retail footprint to bolster its leadership and fuel sales growth across multiple channels.

Of the 1,338 bookstores, 691 operate primarily under the Barnes & Noble Booksellers trade name. Barnes & Noble College Booksellers, LLC (B&N College), a wholly-owned subsidiary of Barnes & Noble, operates 647 college bookstores at colleges and universities across the United States. Barnes & Noble Retail (B&N Retail) operates the 691 retail bookstores and includes the Company's eCommerce site. B&N Retail also includes Sterling Publishing Co., Inc. (Sterling or Sterling Publishing), a leader in general trade book publishing. The NOOK segment represents the Company's digital business, including the development and support of the Company's NOOK product offerings. The digital business includes digital content such as eBooks, digital newsstand, apps, and sales of NOOK[®] devices and accessories to third party distribution partners, as well as B&N Retail and B&N College. The Company employed approximately 35,000 full and part-time employees as of April 28, 2012.

The Company's principal business is the sale of trade books (generally hardcover and paperback consumer titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, eBooks and other digital content, NOOK[®] (references to NOOK[™] include the Company's NOOK 1st Edition[™], NOOK Wi-Fi 1st Edition[™], NOOK Color[™], NOOK Simple Touch[™], NOOK Tablet[™] and NOOK Simple Touch[™] with GlowLight[™] eBook Reader devices)² and related accessories, bargain books, magazines, gifts, café products and services, educational toys & games, music and movies direct to customers through its bookstores or on barnesandnoble.com. On September 30, 2009 Barnes & Noble completed the acquisition of Barnes & Noble College Booksellers, Inc. from Leonard Riggio and Louise Riggio pursuant a Stock Purchase Agreement dated as of August 7, 2009 among the Company and the Sellers (the Acquisition). The Acquisition of B&N College has allowed the Company to expand into sales of textbooks and course-related materials, emblematic apparel and gifts, trade books, computer products, NOOK products and related accessories, school and dorm supplies, and convenience and café items on college and university campuses. In fiscal year ending April 30, 2011 (fiscal 2011), B&N College began offering a textbook rental option to its customers, and expanded its electronic textbooks and other course materials through a proprietary digital platform (NOOK Study[™]). B&N College offers its customers a full suite of textbook options—new, used, digital and rental. The Company previously licensed the “Barnes & Noble” trade name from B&N College under certain agreements. The Acquisition gave the Company exclusive ownership of its trade name.

To address dynamic changes in the book selling industry, Barnes & Noble has been transforming its business from a store-based model to a multi-channel model centered on its retail stores, Internet and digital commerce. Barnes & Noble is currently the only enterprise to offer readers the option of store visits, eCommerce, and digital delivery of books to Barnes & Noble-branded devices or other devices of their choosing.

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

² Any reference to NOOK[®], NOOK 1st Edition[™], NOOK Wi-Fi 1st Edition[™], NOOK Color[™], NOOK Simple Touch[™], NOOK Tablet[™] and NOOK Simple Touch with GlowLight[™] includes the trademark symbol (® or ™, as applicable) even if a symbol is not included.

Barnes & Noble' s strategy is to:

- continue to invest in the digital business to fuel NOOK and content sales;
- use its infrastructure to deliver digital content to customers wirelessly and online;
- utilize the strong Barnes & Noble brand and retail footprint to attract customers to its multi-channel platform; and
- expand its distribution channels through strategic partnerships with world-class hardware and software companies and retail partners.

The Company has a multi-channel marketing strategy that deploys various merchandising programs and promotional activities to drive traffic to both its stores and website. At the center of this program is the Company' s website, barnesandnoble.com.

On April 27, 2012, the Company entered into an investment agreement among the Company, Morrison Investment Holdings, Inc. (Morrison), and Microsoft Corporation (Microsoft) pursuant to which the Company will form a Delaware limited liability company (NewCo), and transfer to NewCo the Company' s digital device, digital content and college bookstore businesses and NewCo will sell to Morrison, and Morrison will purchase, 300 million convertible preferred membership interests in NewCo for an aggregate purchase price of \$300.0 million. Concurrently with its entry into this agreement, the Company has also entered into a commercial agreement with Microsoft, pursuant to which, among other things, NewCo will develop and distribute a Windows 8 application for e-reading and digital content purchases, and an intellectual property license and settlement agreement with Microsoft and Microsoft Licensing GP.

As part of the partnership with Microsoft described above, the Company, through NewCo, plans to launch the NOOK digital bookstore in 10 countries within 12 months, putting NOOK.com websites onto the screens of tens of millions of Windows users. Once the NOOK digital bookstore is launched, customers in these countries will have access to one of the world' s largest marketplaces of digital copyright content and reading technologies, enabling them to buy and consume books, magazines and other forms of content on the world' s best mobile platforms, including Windows™, IOS™, and Android™. The Company is also exploring opportunities to give consumers outside of the U.S. access to its award-winning NOOK portfolio of reading products through potential distribution partnerships yet to be announced. While there can be no assurances, the Company intends to have one or more distribution agreements in place to sell NOOK™ devices in certain countries outside the U.S. prior to the 2012 holiday season.

On August 18, 2011, the Company entered into an investment agreement between the Company and Liberty GIC, Inc. (Liberty) pursuant to which the Company issued and sold to Liberty, and Liberty purchased, 204,000 shares of the Company' s Series J Preferred Stock, par value \$0.001 per share (Preferred Stock), for an aggregate purchase price of \$204.0 million in a private placement exempt from the registration requirements of the 1933 Act. The shares of Preferred Stock will be convertible, at the option of the holders, into shares of Common Stock representing 16.6% of the Common Stock outstanding as of August 29, 2011, (after giving pro forma effect to the issuance of the Preferred Stock), based on the initial conversion rate. The initial conversion rate reflects an initial conversion price of \$17.00 and is subject to adjustment in certain circumstances. The initial dividend rate for the Preferred Stock is equal to 7.75% per annum of the initial liquidation preference of the Preferred Stock to be paid quarterly and subject to adjustment in certain circumstances.

Segments

Prior to year-end, the Company reported an operating segment titled B&N.com, which included

both the NOOK digital business and eCommerce operations. Due to the increased focus on the digital business and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to B&N.com is no longer applicable and has created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical merchandise over the Internet) into the B&N Retail segment. Also as a result of this assessment, certain corporate office and other costs have been allocated to all three segments. The Company's three operating segments are: B&N Retail, B&N College and NOOK.

B&N Retail

This segment includes 691 bookstores as of April 28, 2012, primarily under the Barnes & Noble Booksellers trade name. These stores generally offer a comprehensive title base, a NOOK® department/Boutique/Counter, a café, a Children's department, an Educational Toys & Games department, a Music/DVDs/BluRay department, a gift department, a magazine department, a bargain department and a calendar of ongoing events, including author appearances and children's activities. The B&N Retail segment also includes the Company's eCommerce website, barnesandnoble.com and the publishing operation, Sterling Publishing.

Barnes & Noble stores range in size from 3,000 to 60,000 square feet depending upon market size, with an overall average store size of 26,000 square feet. In fiscal 2012, the Company reduced the Barnes & Noble store base by 0.4 million square feet, bringing the total square footage to 18.0 million square feet, a 1.9% decrease from fiscal 2011. Each Barnes & Noble store features an authoritative selection of books, ranging from 22,000 to 165,000 titles. The comprehensive title selection is diverse and reflects local interests. Bestsellers typically represent between 2% and 5% of Barnes & Noble store sales. BookMaster, the Company's proprietary inventory management database, has more than 13 million titles. By enhancing the Company's existing merchandise replenishment systems, BookMaster allows the Company to achieve high in-stock positions and productivity at the store level through efficiencies in receiving, cashiering and returns processing. Complementing this extensive on-site selection, all Barnes & Noble stores provide customers with access to the millions of books available to online shoppers at barnesandnoble.com while offering an option to have the book sent to the store or shipped directly to the customer. At the center of this eCommerce program is the Company's website, barnesandnoble.com.

Sterling Publishing

Sterling Publishing is a leading publisher of non-fiction trade titles. Founded in 1949, Sterling publishes a wide range of non-fiction and illustrated books and kits across a variety of imprints, in categories such as health & wellness, music & popular culture, food & wine, crafts & photography, puzzles & games and history & current affairs, as well as a large and growing presence in children's books. Sterling with its distinguished heritage, open mind to incubating new businesses and an all-consuming, entrepreneurial zest has a 12,000+ title base of eBooks and print books. In addition, Sterling also distributes 1,600+ titles on behalf of client publishers.

B&N College

B&N College is one of the largest contract operators of bookstores on college and university

campuses across the United States. As of April 28, 2012, B&N College operated 647 stores nationwide. B&N College's customer base, which is mainly comprised of students and faculty, can purchase various items from their campus stores, including textbooks and course-related materials, emblematic apparel and gifts, trade books, computer products, NOOK products and related accessories, school and dorm supplies, convenience and café items, and more recently, textbook rentals. In fiscal 2011, B&N College began offering a textbook rental option to its customers and expanded its electronic textbooks and other course materials through a proprietary digital platform (NOOK Study™). A significant number of textbooks are now available in multiple formats: new, used, rental and digital (rental and ownership), resulting in improved choice and substantial student savings alternatives.

B&N College operates 613 traditional college bookstores and 34 academic superstores, which are generally larger in size, offer cafés and provide a sense of community that engages the surrounding campus and local communities in college activities and culture. The traditional bookstores range in size from 500 to 48,000 square feet. The academic superstores range in size from 8,000 to 75,000 square feet.

B&N College generally operates its stores pursuant to multi-year management service agreements under which a school designates B&N College to operate the official school bookstore on campus and B&N College provides the school with regular payments that represent a percentage of store sales and, in some cases, include a minimum fixed guarantee.

B&N College's business strategy is to maintain long-term relationships with colleges and universities by providing high-quality service to college administrators, faculty and students.

NOOK

This segment represents the Company's digital business, including the development and support of the Company's NOOK product offerings. The digital business includes digital content such as eBooks, digital newsstand, apps, and sales of NOOK® devices and accessories to third party distribution partners, as well as B&N Retail and B&N College.

NOOK produces a number of different eReaders, including NOOK Tablet™, NOOK Color™, NOOK Simple Touch™ and NOOK Simple Touch with GlowLight™. These devices are designed in Palo Alto, California. Barnes & Noble's NOOK eReading software provides customers the ability to purchase digital content and access to their Lifetime Library™ on a wide range of digital platforms, including iPad™, iPhone®, iPod touch®, Android™ smartphones and tablets, as well as most PC and Mac® laptops or full-sized desktop computers. Barnes & Noble has implemented innovative features on its digital platform to ensure that customers have a seamless experience across their devices.

In addition to selling NOOK® devices through its own bookstores, the Company also sells devices through other third-party retail channels. The Company's third-party retail partners include Best Buy, Walmart, Staples, Target, Radio Shack, Books-A-Million, OfficeMax, Fred Meyer, P.C. Richard & Son, Office Depot, Fry's Electronics and Systemax Inc. retailers. These additional retailers expand the reach of the Company's NOOK® devices.

The NOOK digital products group has knowledgeable product development and operational management teams for designing and delivering on its digital products business. NOOK's development office in Palo Alto employs experienced engineers in its digital product area. NOOK digital products management team is focused on next generation strategic products that offer customers with a range of digital reading products to enhance the reading experience. The software, engineering and user interface teams provide for new or upgraded products. NOOK digital products remain competitive as a result of its investments in ongoing research and development efforts.

Results of Operations

	Fiscal Year		Fiscal 2012		Fiscal 2011		Fiscal 2010	
Sales (in thousands)			\$7,129,199		\$6,998,565		5,807,754	
Earnings (Loss) From Continuing Operations Attributable to Barnes & Noble, Inc. (in thousands)			\$(68,867)		\$(73,920)		36,676	
Diluted Earnings (Loss) Per Common Share From Continuing Operations			\$(1.41)		\$(1.31)		0.63	
Comparable Sales Increase (Decrease)								
Barnes & Noble stores (a)	1.4	%	0.7	%	(4.8)%		
Barnes & Noble College stores (b)	(0.3)%	(0.8)%	(0.2)%		
NOOK (c)	45.0	%	589.1	%	n/m	(e)		
Stores Opened								
Barnes & Noble stores	–		1		8			
Barnes & Noble College	32		15		11			
Total	<u>32</u>		<u>16</u>		<u>19</u>			
Stores Closed								
Barnes & Noble stores	14		16		18			
Barnes & Noble College (d)	21		16		6			
B. Dalton stores	–		–		47			
Total	<u>35</u>		<u>32</u>		<u>71</u>			
Number of Stores Open at Year End								
Barnes & Noble stores	691		705		720			
Barnes & Noble College (d)	647		636		637			
Total	<u>1,338</u>		<u>1,341</u>		<u>1,357</u>			
Square Feet of Selling Space at Year End (in millions)								
Barnes & Noble stores	18.0		18.4		18.7			
Total	<u>18.0</u>		<u>18.4</u>		<u>18.7</u>			

(a) Comparable store sales increase (decrease) is calculated on a 52-week basis, including sales from stores that have been open for at least 15 months and all eReader device revenue deferred in accordance with ASC 605-25 *Revenue Recognition, Multiple Element Arrangements*, and does not include sales from closed or relocated stores.

(b) Comparable store sales increase (decrease) is calculated on a 52-week basis, including sales from stores that have been open for at least 15 months and all eReader device revenue deferred in accordance with ASC 605-25 *Revenue Recognition, Multiple Element Arrangements*, and does not include sales from closed or relocated stores. Additionally, for textbook rentals, comparable store sales reflects the retail selling price of a new or used textbook when rented, rather than solely the rental fee received and amortized over the rental period.

- (c) Comparable sales increase (decrease) is calculated on a 52-week basis and includes sales of digital products, including sales through its eReader devices, and all eReader device revenue deferred in accordance with ASC 605-25 *Revenue Recognition, Multiple Element Arrangements*. Additionally, comparable sales reflects the actual retail selling price for eBooks sold under the agency model, rather than solely the commission received.
- (d) Represents the number of B&N College stores opened and closed since the Acquisition date.
- (e) Not meaningful.

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

Fiscal Year	Fiscal 2012	Fiscal 2011	Fiscal 2010
Sales	100.0 %	100.0 %	100.0 %
Cost of sales and occupancy	73.2	74.4	71.1
Gross margin	26.8	25.6	28.9
Selling and administrative expenses	24.4	23.3	24.0
Depreciation and amortization	3.3	3.3	3.6
Operating margin (loss)	(0.9)	(1.0)	1.3
Interest income, net and amortization of deferred financing fees	0.5	0.8	0.5
Earnings (loss) from continuing operations before taxes	(1.4)	(1.8)	0.8
Income taxes	(0.4)	(0.7)	0.1
Earnings (loss) from continuing operations (net of income tax)	(1.0)%	(1.1)%	0.7 %

Business Overview

The Company's financial performance has been significantly impacted in recent years by a number of factors, including the economic downturn, increased competition and the expanding digital market. However, recently the Company has benefited from reduced physical bookstore competition in the marketplace, as well as the successful execution of new marketing strategies.

The Company's core business is the operation of B&N Retail and B&N College stores, from which it derives the majority of its sales and net income. B&N Retail comparable store sales trends have improved as one of B&N Retail's largest competitors in the sale of physical books, Borders Group, Inc. (Borders), completed liquidating all of its stores under Chapter 11 of the Bankruptcy Code in early fiscal 2012. While the Company expects declining physical book trends to continue industry wide as consumer

spending shifts further online and toward digital products, it expects to be the beneficiary of further market consolidation as other non-book retailers reduce their presence in the book category. Additionally, the Company continues to experience positive trends in its juvenile, gift and toys & games businesses as a result of the successful execution of new marketing strategies. Other categories such as Café and Newsstand also improved as a result of increased store traffic.

The Company has leveraged its unique assets, iconic brands and reach to become a leader in the distribution of digital content. In 2009, the Company entered the eBook market with its acquisition of Fictionwise, Inc., a leader in the eBook marketplace, and the popularity of its eBook site continues to grow. Since then, the Company launched its NOOK™ brand of eReading products, which provide a fun, easy-to-use and immersive digital reading experience. With NOOK®, customers gain access to the Company's expansive NOOK Bookstore™ of more than two million digital titles, and the ability to enjoy content access to a wide array of popular devices. The Company's eBook market share has grown to over 27.0%.

In October 2010, Barnes & Noble introduced NOOK Color™, the first full-color touch Reader's Tablet™, complementing its NOOK 1st Edition™ and NOOK Wi-Fi 1st Edition™ devices, which offer a paper-like reading experience with a color touch screen for navigation. In May 2011, the Company has introduced The All-New NOOK™, The Simple Touch Reader™, the easiest-to-use, most intuitive eReader available that is ultra light, features best-in-class battery performance, a 6-inch full touchscreen and the most advanced E Ink Pearl display at a desirable market price point. On November 7, 2011, Barnes & Noble launched NOOK Tablet™, the Company's fastest and lightest tablet with the best in entertainment. On February 21, 2012, Barnes & Noble launched NOOK Tablet™ - 8GB, a new addition to the highly rated NOOK Tablet™ line. On April 12, 2012, the Company introduced NOOK Simple Touch with GlowLight™, the world's first E Ink device with patent-pending lighting technology that lets you read in the dark.

In addition to NOOK® devices, the Company makes it easy for customers to enjoy any book, anytime, anywhere with its free line of NOOK® software specific application, which has won the Webby People's Voice Award. Customers can use Barnes & Noble's eReading software to access and read books from their personal Barnes & Noble digital library on devices including iPad™, iPhone®, Android™ smartphones and tablets, PC and Mac®. The Lifetime Library™ helps ensure that Barnes & Noble customers will always be able to access their digital libraries on NOOK® products and software-enabled devices and B&N.com. The Company also offers NOOK Newsstand™, which provides an extensive selection of digital newspapers and magazines, available in both subscription and single copy format, NOOK Kids™, a collection of digital picture and chapter books for children and NOOK Study™, an innovative study platform and software solution for higher education.

As digital and electronic sales become a larger part of its business, the Company believes its footprint of more than 1,300 stores will continue to be a major competitive asset. The Company plans to integrate its traditional retail, trade book and college bookstores businesses with its electronic and Internet offerings, using retail stores in attractive geographic markets to promote and sell digital devices and content. Customers can see, feel and experiment with the NOOK® in the Company's stores.

Although the stores will be just a part of the offering, they will remain a key driver of sales and cash flow as the Company expands its multi-channel relationships with its customers. The Company does not expect to open retail stores in new geographic markets or expand the total number of retail stores in the near future.

B&N College provides direct access to a large and well-educated demographic group, enabling the Company to build relationships with students throughout their college years and beyond. The Company also expects to be the beneficiary of market consolidation as more and more schools outsource their bookstore management. The Company is in a unique market position to benefit from this trend given its full suite of services: bookstore management, textbook rental and digital delivery.

Although the Company believes cash on hand, cash flows from operating activities, funds available from its senior credit facility and short-term vendor financing provide the Company with adequate liquidity and capital resources for seasonal working capital requirements, the Company may raise additional capital to support the growth of its digital businesses.

52 Weeks Ended April 28, 2012 Compared with 52 Weeks Ended April 30, 2011

Sales

The following table summarizes the Company's sales for the 52 weeks ended April 28, 2012 and April 30, 2011:

<i>Dollars in thousands</i>	52 weeks ended			
	April 28,		April 30,	
	2012	% Total	2011	% Total
B&N Retail	\$4,852,913	68.1 %	\$4,926,834	70.4 %
B&N College	1,743,662	24.4 %	1,778,159	25.4 %
NOOK	933,471	13.1 %	695,182	9.9 %
Elimination	(400,847)	(5.6 %)	(401,610)	(5.7 %)
Total Sales	\$7,129,199	100.0%	\$6,998,565	100.0%

The Company's sales increased \$130.6 million, or 1.9%, during fiscal 2012 to \$7.13 billion from \$7.00 billion during fiscal 2011. The increase or (decrease) by segment is as follows:

B&N Retail sales for fiscal 2012 decreased \$73.9 million, or 1.5%, to \$4.85 billion from \$4.92 billion during fiscal 2011, and accounted for 68.1% of total Company sales. During fiscal 2012 comparable store sales increased 1.4%, which increased sales by \$58.1 million, offset by closed stores that decreased sales by \$59.2 million. Comparable physical book sales, including trade, juvenile and bargain, were essentially flat as the Company benefited from the Borders liquidation. The increase in comparable store sales was primarily attributable to the strategic expansion of non-book categories, such as NOOK® devices and accessories, Toys & Games and Gift products. B&N Retail also includes its eCommerce business and third-party sales of Sterling Publishing Co., Inc.

B&N College sales decreased \$34.5 million, or 1.9%, to \$1.74 billion during fiscal 2012 from \$1.78 billion during fiscal 2011. The decrease in sales was primarily due to a higher mix of textbook rentals, which have a lower price than new or used textbooks. During fiscal 2012 comparable store sales decreased 0.3%, primarily due to lower textbook sales and partially offset by higher general merchandise sales. Closed stores decreased sales by \$38.6 million offset by new B&N College stores contributing to an increase in sales of \$49.9 million.

NOOK sales increased \$238.3 million, or 34.3%, to \$933.5 million during fiscal 2012 from \$695.2 million during fiscal 2011. Comparable sales for NOOK increased 45.0% in fiscal 2012. This increase in sales was primarily due to higher sales of digital content and hardware.

The elimination represents sales from NOOK to B&N Retail and B&N College that were sold through to the end user. These amounts remained flat year over year despite NOOK's top line increase due to higher sales to third party distribution channels.

In fiscal 2012, the Company closed 14 Barnes & Noble stores, bringing its total number of Barnes & Noble stores to 691 with 18.0 million square feet. In fiscal 2012, the Company added 32 B&N College stores and closed 21, ending the period with 647 B&N College stores. As of April 28, 2012, the Company operated 1,338 stores in the fifty states and the District of Columbia.

Cost of Sales and Occupancy

	52 weeks ended			
	April 28, 2012		April 30, 2011	
<i>Dollars in thousands</i>		% Sales		% Sales
B&N Retail	\$3,405,474	70.2 %	\$3,499,825	71.1 %
B&N College	1,348,350	77.3 %	1,394,690	78.4 %
NOOK	464,559	87.2 %	311,197	106.0%
Total Cost of Sales and Occupancy	<u>\$5,218,383</u>	<u>73.2 %</u>	<u>\$5,205,712</u>	<u>74.4 %</u>

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

Cost of sales and occupancy increased \$12.7 million, or 0.2%, to \$5.22 billion, in fiscal 2012 from \$5.21 billion in fiscal 2011. Cost of sales and occupancy decreased as a percentage of sales to 73.2% in fiscal 2012 from 74.4% in fiscal 2011. The decrease by segment is as follows:

B&N Retail cost of sales and occupancy decreased as a percentage of sales to 70.2% in fiscal 2012 from 71.1% in fiscal 2011. This decrease was primarily attributable to sales mix, higher product margins and lower occupancy costs.

B&N College cost of sales and occupancy decreased as a percentage of sales to 77.3% in fiscal 2012 from 78.4% in fiscal 2011. This decrease was primarily driven by a larger mix of higher margin textbook rentals.

NOOK cost of sales and occupancy decreased as a percentage of sales to 87.2% in fiscal 2012 from 106.0% in fiscal 2011. This decrease was primarily attributable to higher device margins and a heavier mix of higher margin digital content.

Gross Margin

<i>Dollars in thousands</i>	52 weeks ended			
	April 28,		April 30,	
	2012	% of Sales	2011	% of Sales
B&N Retail	\$1,447,440	29.8 %	\$1,427,010	29.0 %
B&N College	395,311	22.7 %	383,468	21.6 %
NOOK	68,065	12.8 %	(17,625)	(6.0 %)
Total Gross Margin	<u>\$1,910,816</u>	<u>26.8 %</u>	<u>\$1,792,853</u>	<u>25.6 %</u>

The Company's consolidated gross margin increased \$118.0 million, or 6.6%, to \$1.91 billion, in fiscal 2012 from \$1.79 billion in fiscal 2011. This increase was due to the matters discussed above.

Selling and Administrative Expenses

<i>Dollars in thousands</i>	52 weeks ended			
	April 28,		April 30,	
	2012	% Sales	2011	% Sales
B&N Retail	\$1,130,311	23.3 %	\$1,167,944	23.7 %
B&N College	279,364	16.0 %	270,022	15.2 %
NOOK	329,777	61.9 %	191,499	65.2 %
Total Selling and Administrative Expenses	<u>\$1,739,452</u>	<u>24.4 %</u>	<u>\$1,629,465</u>	<u>23.3 %</u>

Selling and administrative expenses increased \$110.0 million, or 6.7%, to \$1.74 billion in fiscal 2012 from \$1.63 billion in fiscal 2011. Selling and administrative expenses increased as a percentage of sales to 24.4% in fiscal 2012 from 23.3% in fiscal 2011. The increase or (decrease) by segment is as follows:

B&N Retail selling and administrative expenses decreased slightly as a percentage of sales to 23.3% in fiscal 2012 from 23.7% in fiscal 2011. This decrease was primarily attributable to increased store productivity.

B&N College selling and administrative expenses increased as a percentage of sales to 16.0% in fiscal 2012 from 15.2% in fiscal 2011. This increase was primarily attributable to deleveraging against the increase in textbook rentals, which have a lower price than new or used textbooks.

NOOK selling and administrative expenses decreased as a percentage of sales to 61.9% in fiscal 2012 from 65.2% in fiscal 2011. This decrease was primarily attributable to the leveraging of expenses on the increased sales.

Depreciation and Amortization

<i>Dollars in thousands</i>	52 weeks ended			
	April 28,		April 30,	
	2012	% Sales	2011	% Sales
B&N Retail	\$162,693	3.4 %	\$164,934	3.3 %
B&N College	45,343	2.6 %	43,148	2.4 %
NOOK	24,631	4.6 %	20,565	7.0 %
Total Depreciation and Amortization	<u>\$232,667</u>	<u>3.3 %</u>	<u>\$228,647</u>	<u>3.3 %</u>

Depreciation and amortization increased \$4.0 million, or 1.8%, to \$232.7 million in fiscal 2012 from \$228.6 million in fiscal 2011. This increase was primarily attributable due to amortization of intellectual property assets purchased from Borders and additional capital expenditures.

Operating Profit (Loss)

<i>Dollars in thousands</i>	52 weeks ended			
	April 28,		April 30,	
	2012	% Sales	2011	% Sales
B&N Retail	\$154,436	3.2 %	\$94,131	1.9 %
B&N College	70,604	4.0 %	70,299	4.0 %
NOOK	(286,343)	(53.8 %)	(229,689)	(78.2 %)
Total Operating Loss	<u>\$(61,303)</u>	<u>(0.9 %)</u>	<u>\$(65,259)</u>	<u>(0.9 %)</u>

The Company' s consolidated operating loss decreased \$3.9 million, or 6.1%, to an operating loss of \$61.3 million in fiscal 2012 from an operating loss of \$65.3 million in fiscal 2011. This decrease was due to the matters discussed above.

Interest Expense, Net and Amortization of Deferred Financing Fees

<i>Dollars in thousands</i>	52 weeks ended		
	April 28,	April 30,	% of Change
	2012	2011	
Interest Expense, Net and Amortization of Deferred Financing Fees	<u>\$35,304</u>	<u>\$57,350</u>	<u>(38.4 %)</u>

Net interest expense and amortization of deferred financing fees decreased \$22.0 million, to \$35.3 million in fiscal 2012 from \$57.3 million in fiscal 2011. This decrease was primarily due to more favorable rates on the 2011 Amended Credit Facility under the Company' s credit facility, lower borrowings driven by the Liberty investment, payment of short-term note in December 2010 and a \$6.6 million write-off of deferred financing fees in the prior fiscal year related to the amendment of the Company' s credit facility.

Income Taxes

	52 weeks ended			
	April 28, 2012	Effective Rate	April 30, 2011	Effective Rate
<i>Dollars in thousands</i>				
Income Taxes	<u>\$(27,740)</u>	<u>28.7 %</u>	<u>\$(48,652)</u>	<u>39.7 %</u>

Income tax benefit in fiscal 2012 was \$27.7 million compared with income tax benefit of \$48.7 million in fiscal 2011. The Company's effective tax rate decreased to 28.7% in fiscal 2012 compared with 39.7% in fiscal 2011. The lower effective tax rate in fiscal 2012 was due primarily to additions to the tax reserve and a permanent tax charge related to current and prior year compensation.

Net Loss Attributable to Noncontrolling Interests

Net loss attributable to noncontrolling interests was \$0.04 million in fiscal 2011 and relates to the 50% outside interest in Begin Smart LLC (Begin Smart).

During fiscal 2011, the Company purchased the remaining 50% outside interest in Begin Smart LLC for \$0.3 million. 100% of Begin Smart results of operations for the period subsequent to the Begin Smart acquisition date were included in the consolidated financial statements.

Net Earnings (Loss) Attributable to Barnes & Noble, Inc.

	52 weeks ended			
	April 28, 2012	Diluted EPS	April 30, 2011	Diluted EPS
<i>Dollars in thousands</i>				
Net Loss Attributable to Barnes & Noble, Inc.	<u>\$(68,867)</u>	<u>\$(1.41)</u>	<u>\$(73,920)</u>	<u>\$(1.31)</u>

As a result of the factors discussed above, the Company reported a consolidated net loss of \$68.9 million (or \$1.41 per diluted share) during fiscal 2012, compared with consolidated net loss of \$73.9 million (or \$1.31 per diluted share) during fiscal 2011.

52 Weeks Ended April 30, 2011 Compared with 52 Weeks Ended May 1, 2010

Sales

The following table summarizes the Company's sales for the 52 weeks ended April 30, 2011 and May 1, 2010:

<i>Dollars in thousands</i>	52 weeks ended			
	April 30,		May 1,	
	2011	% Total	2010	% Total
B&N Retail	\$4,926,834	70.4 %	\$4,947,469	85.2 %
B&N College	1,778,159	25.4 %	833,648	14.4 %
NOOK	695,182	9.9 %	105,435	1.8 %
Elimination	(401,610)	(5.7 %)	(78,798)	(1.4 %)
Total Sales	\$6,998,565	100.0%	\$5,807,754	100.0%

The Company's sales increased \$1.19 billion, or 20.5%, during fiscal 2011 to \$7.00 billion from \$5.81 billion during fiscal 2010. The increase by segment is as follows:

B&N Retail sales for fiscal 2011 decreased \$20.6 million, or 0.4%, to \$4.93 billion from \$4.95 billion during fiscal 2010, and accounted for 70.4% of total Company sales. This decrease was primarily attributable to closed stores that decreased sales by \$93.3 million, offset by a 0.7% increase in comparable store sales, which increased sales by \$29.1 million, and new Barnes & Noble stores that contributed to an increase in sales of \$25.0 million. The 0.7% increase in comparable sales was primarily due to the strong sales of digital products and expansion into non-book areas such as Toys & Games, offset by a decline in trade books. B&N Retail also includes its eCommerce business and third-party sales of Sterling Publishing Co., Inc.

B&N College sales increased \$944.5 million, or 113.3%, to \$1.78 billion during fiscal 2011 from \$833.6 million during fiscal 2010. This increase in sales was due to the Acquisition on September 30, 2009. Comparable sales for B&N College decreased 0.8% during fiscal 2011. This decrease in comparable sales was primarily due to lower textbook and trade book sales offset by higher general merchandise sales.

NOOK sales increased \$589.7 million, or 559.3%, to \$695.2 million during fiscal 2011 from \$105.4 million during fiscal 2010. Comparable sales for NOOK increased 589.1% in fiscal 2011. This increase in sales was primarily due to higher device, accessories and digital content sales.

The elimination represents sales from NOOK to B&N Retail and B&N College that were sold through to the end user.

In fiscal 2011, the Company opened one Barnes & Noble store and closed 16, bringing its total number of Barnes & Noble stores to 705 with 18.4 million square feet. In fiscal 2011, the Company added 15 B&N College stores and closed 16, ending the period with 636 B&N College stores. As of April 30, 2011, the Company operated 1,341 stores in the fifty states and the District of Columbia.

Cost of Sales and Occupancy

<i>Dollars in thousands</i>	52 weeks ended			
	April 30,		May 1,	
	2011	% Sales	2010	% Sales
B&N Retail	\$3,499,825	71.1 %	\$3,385,890	68.4 %
B&N College	1,394,690	78.4 %	656,885	78.8 %
NOOK	311,197	106.0%	88,234	331.2%
Total Cost of Sales and Occupancy	<u>\$5,205,712</u>	<u>74.4 %</u>	<u>\$4,131,009</u>	<u>71.1 %</u>

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

Cost of sales and occupancy increased \$1.07 billion, or 26.0%, to \$5.21 billion, in fiscal 2011 from \$4.13 billion in fiscal 2010. Cost of sales and occupancy increased as a percentage of sales to 74.4% in fiscal 2011 from 71.1% in fiscal 2010. The increase or (decrease) by segment is as follows:

B&N Retail cost of sales and occupancy increased as a percentage of sales to 71.1% in fiscal 2011 from 68.4% in fiscal 2010. This increase was primarily attributable to greater NOOK® device sales at B&N stores, which have lower margins.

B&N College cost of sales and occupancy, included since the Acquisition on September 30, 2009, decreased slightly as a percentage of sales to 78.4% in fiscal 2011 from 78.8% in fiscal 2010. This decrease was primarily attributable to higher general merchandise sales that have higher margins.

NOOK cost of sales and occupancy decreased as a percentage of sales to 106.0% in fiscal 2011 from 331.2% in fiscal 2010. This decrease was due to a higher mix of higher margin digital content, as well as improved margins on device and eBooks.

Gross Margin

<i>Dollars in thousands</i>	52 weeks ended			
	April 30,		May 1, 2010	
	2011	% of Sales	2010	% of Sales
B&N Retail	\$1,427,010	29.0 %	\$1,561,578	31.6 %
B&N College	383,468	21.6 %	176,763	21.2 %
NOOK	(17,625)	(6.0 %)	(61,596)	(231.2 %)
Total Gross Margin	<u>\$1,792,853</u>	<u>25.6 %</u>	<u>\$1,676,745</u>	<u>28.9 %</u>

The Company's consolidated gross margin increased \$116.1 million, or 6.9%, to \$1.79 billion in fiscal 2011 from \$1.68 billion in fiscal 2010. This increase was due to the matters discussed above.

Selling and Administrative Expenses

<i>Dollars in thousands</i>	52 weeks ended			
	April 30,		May 1,	
	2011	% Sales	2010	% Sales
B&N Retail	\$1,167,944	23.7 %	\$1,187,337	24.0 %
B&N College	270,022	15.2 %	155,613	18.7 %
NOOK	191,499	65.2 %	52,775	198.1%
Total Selling and Administrative Expenses	<u>\$1,629,465</u>	<u>23.3 %</u>	<u>\$1,395,725</u>	<u>24.0 %</u>

Selling and administrative expenses increased \$233.7 million, or 16.7%, to \$1.63 billion in fiscal 2011 from \$1.39 billion in fiscal 2010. Selling and administrative expenses decreased as a percentage of sales to 23.3% in fiscal 2011 from 24.0% in fiscal 2010. The decrease by segment is as follows:

B&N Retail selling and administrative expenses decreased as a percentage of sales to 23.7% in fiscal 2011 from 24.0% in fiscal 2010 due to improved store productivity.

B&N College selling and administrative expenses, included since the Acquisition on September 30, 2009, decreased as a percentage of sales to 15.2% in fiscal 2011 from 18.7% in fiscal 2010. This decrease was primarily attributable to the inclusion of the Fall back to school rush period in fiscal 2011, resulting in greater leverage on sales. The Acquisition occurred after the Fall rush in 2010.

NOOK selling and administrative expenses decreased as a percentage of sales to 65.2% in fiscal 2011 from 198.1% in fiscal 2010. This decrease was primarily attributable to leveraging on increased sales.

Depreciation and Amortization

<i>Dollars in thousands</i>	52 weeks ended			
	April 30,		May 1,	
	2011	% Sales	2010	% Sales
B&N Retail	\$164,934	3.3 %	\$170,777	3.5 %
B&N College	43,148	2.4 %	24,863	3.0 %
NOOK	20,565	7.0 %	12,134	45.6 %
Total Depreciation and Amortization	<u>\$228,647</u>	<u>3.3 %</u>	<u>\$207,774</u>	<u>3.6 %</u>

Depreciation and amortization increased \$20.9 million, or 10.0%, to \$228.6 million in fiscal 2011 from \$207.8 million in fiscal 2010. This increase was primarily attributable to the inclusion of the B&N College depreciation and amortization since the Acquisition on September 30, 2009, which increased \$18.3 million to \$43.1 million in fiscal 2011 from \$24.9 million during fiscal 2010.

Operating Profit (Loss)

<i>Dollars in thousands</i>	52 weeks ended			
	April 30,		May 1,	
	2011	% Sales	2010	% Sales
B&N Retail	\$94,132	1.9 %	\$203,464	4.1 %
B&N College	70,298	4.0 %	(3,713)	(0.4 %)
NOOK	(229,689)	(78.2 %)	(126,505)	(474.9%)
Total Operating Profit (Loss)	<u>\$(65,259)</u>	<u>(0.9 %)</u>	<u>\$73,246</u>	<u>1.3 %</u>

The Company's consolidated operating profit decreased \$138.5 million, or 189.1%, to an operating loss of \$65.3 million in fiscal 2011 from an operating profit of \$73.2 million in fiscal 2010. This decrease was due to the matters discussed above.

Interest Expense, Net and Amortization of Deferred Financing Fees

<i>Dollars in thousands</i>	52 weeks ended		
	April 30,	May 1,	% of Change
	2011	2010	
Interest Expense, Net and Amortization of Deferred Financing Fees	<u>\$57,350</u>	<u>\$28,237</u>	<u>103.1 %</u>

Net interest expense and amortization of deferred financing fees increased \$29.1 million, to \$57.4 million in fiscal 2011 from \$28.2 million in fiscal 2010. This increase in interest expense was primarily due to interest expense related to debt from the Acquisition of B&N College, investments made in digital and a \$6.6 million write-off of deferred financing fees related to the amendment of the Company's credit facility.

Income Taxes

<i>Dollars in thousands</i>	52 weeks ended			
	April 30,	Effective Rate	May 1,	Effective Rate
	2011		2010	
Income Taxes	<u>\$(48,652)</u>	<u>39.7 %</u>	<u>\$8,365</u>	<u>18.6 %</u>

Income tax benefit in fiscal 2011 was \$48.7 million compared with income tax expense of \$8.4 million in fiscal 2010. The Company's effective tax rate increased to 39.7% in fiscal 2011 compared with 18.6% in fiscal 2010. The lower effective tax rate in fiscal 2010 was due primarily to the recognition of previously unrecognized tax benefits for years settled with the applicable tax authorities. The tax benefit in fiscal 2011 is a result of operating losses incurred during the fiscal year.

Net Loss Attributable to Noncontrolling Interests

Net loss attributable to noncontrolling interests was \$0.04 million in fiscal 2011 compared with \$0.03 million in fiscal 2010, and relates to the 50% outside interest in Begin Smart LLC (Begin Smart).

During fiscal 2011, the Company purchased the remaining 50% outside interest in Begin Smart LLC for \$0.3 million. 100% of Begin Smart results of operations for the period subsequent to the Begin Smart acquisition date are included in the consolidated financial statements.

Net Earnings (Loss) Attributable to Barnes & Noble, Inc.

<i>Dollars in thousands</i>	52 weeks ended			
	April 30, 2011	Diluted EPS	May 1, 2010	Diluted EPS
Net Earnings (Loss) Attributable to Barnes & Noble, Inc.	<u>\$(73,920)</u>	<u>\$ (1.31)</u>	<u>\$36,676</u>	<u>\$ 0.63</u>

As a result of the factors discussed above, the Company reported a consolidated net loss of \$73.9 million (or \$1.31 per diluted share) during fiscal 2011, compared with consolidated net earnings of \$36.7 million (or \$0.63 per diluted share) during fiscal 2010.

Seasonality

The B&N Retail business, like that of many retailers, is seasonal, with the major portion of sales and operating profit realized during the third fiscal quarter, which includes the holiday selling season. The B&N College business is also seasonal, with the major portion of sales and operating profit realized during the second and third fiscal quarters, when college students generally purchase textbooks for the upcoming semesters. The NOOK business, like that of many technology companies, is impacted by the launch of new products and the promotional efforts to support those new products, as well as the traditional retail holiday selling seasonality.

Liquidity and Capital Resources

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

The Company' s cash and cash equivalents were \$54.1 million as of April 28, 2012, compared with \$59.4 million as of April 30, 2011.

Merchandise inventories increased \$186.5 million, or 13.6%, to \$1.562 billion as of April 28, 2012, compared with \$1.375 billion as of April 30, 2011. This increase was primarily due to larger inventories of devices and accessories. Receivables, net increased \$10.2 million or 6.8% to \$160.5 million as of April 28, 2012, compared to \$150.3 million as of April 30, 2011. This increase was primarily due to higher shipments of NOOK products to third party channel partners. Prepaid expenses and other current assets increased \$59.4 million or 36.7% to \$221.3 million as of April 28, 2012, compared to \$161.9 million as of April 30, 2011. This increase was primarily due to an increase in textbook rental inventory and higher short-term deferred taxes. Accounts payable increased \$10.4 million or 1.1% to \$959.4 billion as of April 28, 2012, compared to \$949.0 million as of April 30, 2011. Accounts payable was 61% and 69% of merchandise inventory as of April 28, 2012 and April 30, 2011, respectively. The decline in payable ratios was attributable to the increase in device and accessory inventory paid earlier in the year. Accrued liabilities

increased \$82.2 million or 10.5% to \$867.9 million as of April 28, 2012, compared to \$785.7 million as of April 30, 2011. This increase was primarily due to several factors, including accrued taxes and deferred income (higher device and textbook rental sales).

Cash Flow

Cash flows provided by (used in) operating activities were \$(24.1) million, \$199.1 million and \$128.4 million, during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. The decrease in cash flows from operating activities in fiscal 2012 from fiscal 2011 was primarily attributable to increased device and accessory inventory levels and changes in deferred taxes. The increase in cash flows provided from operating activities in fiscal 2011 from fiscal 2010 was primarily attributable to a \$59.6 million federal tax refund received in fiscal 2011.

Capital Structure

On April 27, 2012, the Company entered into an investment agreement among the Company, Morrison Investment Holdings, Inc. (Morrison), and Microsoft Corporation (Microsoft) pursuant to which the Company will form a Delaware limited liability company (NewCo), and transfer to NewCo the Company's digital device, digital content and college bookstore businesses and NewCo will sell to Morrison, and Morrison will purchase, 300 million convertible preferred membership interests in NewCo for an aggregate purchase price of \$300.0 million. Concurrently with its entry into this agreement, the Company has also entered into a commercial agreement with Microsoft, pursuant to which, among other things, NewCo will develop and distribute a Windows 8 application for e-reading and digital content purchases, and an intellectual property license and settlement agreement with Microsoft and Microsoft Licensing GP.

On August 18, 2011, the Company entered into an investment agreement between the Company and Liberty GIC, Inc. (Liberty) pursuant to which the Company issued and sold to Liberty, and Liberty purchased, 204,000 shares of the Company's Series J Preferred Stock, par value \$0.001 per share (Preferred Stock), for an aggregate purchase price of \$204.0 million in a private placement exempt from the registration requirements of the 1933 Act. The shares of Preferred Stock will be convertible, at the option of the holders, into shares of Common Stock representing 16.6% of the Common Stock outstanding as of August 29, 2011, (after giving pro forma effect to the issuance of the Preferred Stock), based on the initial conversion rate. The initial conversion rate reflects an initial conversion price of \$17.00 and is subject to adjustment in certain circumstances. The initial dividend rate for the Preferred Stock is equal to 7.75% per annum of the initial liquidation preference of the Preferred Stock to be paid quarterly and subject to adjustment in certain circumstances.

On September 30, 2009, in connection with the closing of the Acquisition described in Note 14 to the Consolidated Financial Statements contained herein, the Company issued the Sellers (i) a senior subordinated note (the Senior Seller Note) in the principal amount of \$100.0 million, payable in full on December 15, 2010, with interest of 8% per annum payable on the unpaid principal amount, and (ii) a junior subordinated note (the Junior Seller Note) in the principal amount of \$150.0 million, payable in full on the fifth anniversary of the closing of the Acquisition, with interest of 10% per annum payable on the unpaid principal amount. Pursuant to a settlement agreed to on June 13, 2012 and described in Note 18 to the Consolidated Financial Statements contained herein, the Sellers have agreed to waive their right to receive \$22.75 million in principal amount (and interest on such principal amount) of the Junior Seller Note, subject to receipt of court approval. On December 22, 2009, the Company consented to the pledge and assignment of the Senior Seller Note by the Sellers as collateral security. The Senior Seller Note was paid on its scheduled due date, December 15, 2010.

On April 27, 2012, the Company entered into an amendment (the 2012 Amended Credit Facility)

to its existing agreement with Bank of America, N.A. entered into on April 29, 2011, as administrative agent, collateral agent and swing line lender, and other lenders in order to permit the transactions contemplated by the investment agreement among the Company, Morrison Investment Holdings, Inc., and Microsoft Corporation (See Note 11) and to make certain other changes to the Company's 2011 Amended Credit Agreement in connection therewith.

On April 29, 2011, the Company entered into an amended and restated credit agreement (the 2011 Amended Credit Agreement) with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and other lenders, which amended and restated the credit agreement (the 2009 Credit Agreement) entered into on September 30, 2009 with Bank of America N.A., as administrative agent, collateral agent and swing line lender, and other lenders. Under the 2011 Amended Credit Agreement, Lenders provided up to \$1.0 billion in aggregate commitments under a five-year asset-backed revolving credit facility (the 2011 Amended Credit Facility), which is secured by eligible inventory with the ability to include eligible real estate and accounts receivable and related assets. Borrowings under the 2011 Amended Credit Agreement were limited to a specified percentage of eligible inventories with the ability to include eligible real estate, accounts receivable and accrued interest, at the election of the Company, at Base Rate or LIBO Rate, plus, in each case, an Applicable Margin (each term as defined in the 2011 Amended Credit Agreement). In addition, the Company has the option to request an increase in commitments under the 2011 Amended Credit Agreement by up to \$300.0 million, subject to certain restrictions.

The 2011 Amended Credit Agreement requires Availability (as defined in the 2011 Amended Credit Agreement) to be greater than the greater of (i) 10% of the Loan Cap (as defined in the 2011 Amended Credit Agreement) and (ii) \$50.0 million. In addition, the 2011 Amended Credit Agreement contains covenants that limit, among other things, the Company's ability to incur indebtedness, create liens, make investments, make restricted payments, merge or acquire assets, and contains default provisions that are typical for this type of financing, among other things. Proceeds from the 2011 Amended Credit Facility are used for general corporate purposes, including seasonal working capital needs.

As a result of the 2011 Amended Credit Agreement, \$6.6 million of deferred financing fees related to the 2009 Credit Facility were written off in fiscal 2011, and included in net interest expenses. The remaining unamortized deferred costs of \$16.3 million and new charges of \$10.2 million relating to the Company's 2011 Amended Credit Facility were deferred and are being amortized over the five-year term of the 2011 Amended Credit Facility.

On September 30, 2009, the Company had entered into the 2009 Credit Agreement under which the lenders committed to provide up to \$1.0 billion in commitments under a four-year asset-backed revolving credit facility (the 2009 Credit Facility) and which was secured by eligible inventory and accounts receivable and related assets. Borrowings under the 2009 Credit Agreement were limited to a specified percentage of eligible inventories, accounts receivable and accrued interest, at the election of the Company, at Base Rate or LIBO Rate, plus, in each case, an Applicable Margin (each term as defined in the 2009 Credit Agreement). In addition, the Company had the option to request the increase in commitments under the 2009 Credit Agreement by up to \$300.0 million subject to certain restrictions.

Selected information related to the Company's 2012 Amended Credit Facility, 2011 Amended Credit Facility and 2009 Credit Facility (in thousands):

	Fiscal					
	Fiscal 2012		2011		Fiscal 2010	
Credit facility at period end	\$324,200		313,100		260,400	
Average balance outstanding during the period	\$306,038		338,971		107,504	
Maximum borrowings outstanding during the period	\$582,000		622,800		512,500	
Weighted average interest rate during the period	3.34	%	4.30	%	4.38	%
Interest rate at end of period	3.32	%	5.13	%	4.13	%

Fees expensed with respect to the unused portion of the 2012 Amended Credit Facility, 2011 Amended Credit Facility and 2009 Credit Facility were \$3.3 million, \$5.5 million and \$4.2 million during fiscal 2012, fiscal 2011, and fiscal 2010, respectively.

The Company has no agreements to maintain compensating balances.

Capital Investment

Capital expenditures were \$163.6 million, \$110.5 million and \$127.8 million during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Capital expenditures planned for fiscal 2013 primarily relate to the Company's digital initiatives, buildout of its Palo Alto facilities, new stores, maintenance of existing stores and system enhancements for the retail and college stores. The capital expenditures are expected to be approximately \$175.0 million for fiscal 2013, although commitment to many of such expenditures has not yet been made.

Based on planned operating levels and capital expenditures for fiscal 2013, management believes cash and cash equivalents on hand, cash flows generated from operating activities, short-term vendor financing and borrowing capacity under the credit facility will be sufficient to meet the Company's working capital and debt service requirements, and support the development of its short- and long-term strategies for at least the next 12 months. However, the Company may determine to raise additional capital to support the growth of online and digital businesses.

On May 15, 2007, the Company announced that its Board of Directors authorized a stock repurchase program for the purchase of up to \$400.0 million of the Company's common stock. The maximum dollar value of common stock that may yet be purchased under the current program is approximately \$2.5 million as of April 28, 2012.

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. As of April 28, 2012, the Company has repurchased 33,722,264 shares at a cost of approximately \$1.1 billion under its stock repurchase programs. The repurchased shares are held in treasury.

On December 29, 2011, the Company sold its distribution facility located in South Brunswick, New Jersey for \$18.0 million, which resulted in a loss of \$2.2 million.

Contractual Obligations

The following table sets forth the Company's contractual obligations as of April 28, 2012 (in millions):

Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt	\$324.2	\$-	\$-	\$324.2	\$-
Capital lease obligations	3.0	1.0	1.7	0.3	-
Operating lease obligations (a)	1,944.7	404.5	643.8	432.0	464.4
Purchase obligations	48.8	30.3	11.7	3.6	3.2
Interest obligations (b)	57.1	20.2	31.9	5.0	-
Other long-term liabilities reflected on the Company's balance sheet under GAAP (c)	150.0	-	150.0	-	-
Total	\$2,527.8	\$456.0	\$839.1	\$765.1	\$467.6

(a) Excludes obligations under store leases for insurance, taxes and other maintenance costs, which obligations totaled approximately 16% of the minimum rent payments under those leases.

(b) Represents commitment fees related to the Company's 2012 Amended Credit Facility and interest obligations on the Seller Notes issued in connection with the Acquisition.

(c) Excludes \$17.0 million of unrecognized tax benefits for which the Company cannot make a reasonably reliable estimate of the amount and period of payment. See Note 9 to the Notes to Consolidated Financial Statements.

See also Note 8 to the Notes to Consolidated Financial Statements for information concerning the Company's Pension and Postretirement Plans.

Off-Balance Sheet Arrangements

As of April 28, 2012, the Company had no off-balance sheet arrangements as defined in Item 303 of Regulation S-K.

Impact of Inflation

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

Certain Relationships and Related Transactions

See Note 19 to the Notes to Consolidated Financial Statements.

Critical Accounting Policies

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

Revenue Recognition

Revenue from sales of the Company’s products is recognized at the time of sale, other than those with multiple elements and FOB destination point shipping terms. The Company’s products are considered delivered once they have been shipped and title and risk of loss have transferred. While the majority of the Company’s shipping terms are FOB shipping point, there are certain third party distribution partners with shipping terms of FOB destination point. Certain of the Company sales agreements with these distribution partners contain rights of inspection or acceptance provisions as is standard in the Company’s industry. The Company accrues for estimated sales returns in the period in which the related revenue is recognized based on historical experience and industry standards. Sales taxes collected from retail customers are excluded from reported revenues. 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.

In accordance with Accounting Standards Codification (ASC) 605-25, *Revenue Recognition, Multiple Element Arrangements* and Accounting Standards Updates (ASU) 2009-13 and 2009-14, for multiple-element arrangements that involve tangible products that contain software that is essential to the tangible product’s functionality, undelivered software elements that relate to the tangible product’s essential software and other separable elements, the Company allocates revenue to all deliverables using the relative selling-price method. Under this method, revenue is allocated at the time of sale to all deliverables based on their relative selling price using a specific hierarchy. The hierarchy is as follows: vendor-specific objective evidence, third-party evidence of selling price, or best estimate of selling price. NOOK® eBook Reader revenue (which includes revenue from the Company’s NOOK 1st Edition™, NOOK Wi-Fi 1st Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Tablet™ and NOOK Simple Touch with GlowLight™ eBook Reader devices) is recognized at the segment point of sale.

The Company includes post-service customer support (PCS) in the form of software updates and potential increased functionality on a when-and-if-available basis, as well as wireless access and wireless connectivity with the purchase of NOOK® from the Company. Using the relative selling price described above, the Company allocates revenue based on the best estimate of selling price for the deliverables as no vendor-specific objective evidence or third-party evidence exists for any of the elements. Revenue allocated to NOOK® and the software essential to its functionality is recognized at the time of sale, provided all other conditions for revenue recognition are met. Revenue allocated to the PCS and the wireless access is deferred and recognized on a straight-line basis over the 2-year estimated life of NOOK®.

The average percentage of a NOOK's sales price that is deferred for undelivered items and recognized over its 2-year estimated life ranges between 2% and 5%, depending on the type of device sold. The amount of NOOK®-related deferred revenue as of April 28, 2012 and April 30, 2011 was \$19.8 million and \$18.2 million, respectively. These amounts are classified on the Company's balance sheet in accrued liabilities for the portion that is subject to deferral for one year or less and other long-term liabilities for the portion that is subject to deferral for more than one year.

The Company also pays certain vendors who distribute NOOK® a commission on the content sales sold through that device. The Company accounts for these transactions as a reduction in the sales price of the NOOK® based on historical trends of content sales and a liability is established for the estimated commission expected to be paid over the life of the product. The Company recognizes revenue of the content at the point of sale of the content. The Company records revenue from sales of digital content, sales of third-party extended warranties, service contracts and other products, for which the Company is not obligated to perform, and for which the Company does not meet the criteria for gross revenue recognition under ASC 605-45-45, *Reporting Revenue Gross as a Principal versus Net as an Agent*, on a net basis. All other revenue is recognized on a gross basis.

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

The Barnes & Noble Member 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 twelve-month period based upon historical spending patterns for Barnes & Noble Members.

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market. Cost is determined primarily by the retail inventory method under both the first-in, first-out (FIFO) basis and the last-in, first-out (LIFO) basis. B&N College's textbook and trade book inventories are valued using the LIFO method, where the related reserve was not material to the recorded amount of the Company's inventories or results of operations.

Market is determined based on the estimated net realizable value, which is generally the selling price. Reserves for non-returnable inventory are based on the Company's history of liquidating non-returnable inventory. The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate the non-returnable inventory reserve. However, if assumptions based on the Company's history of liquidating non-returnable inventory are incorrect, it may be exposed to losses or gains that could be material. A 10% change in actual non-returnable inventory would have affected net earnings by approximately \$0.9 million in fiscal 2012.

The Company also estimates and accrues shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends. The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate shortage rates. However, if the Company's estimates

regarding shortage rates are incorrect, it may be exposed to losses or gains that could be material. A 10% change in actual shortage rates would have affected net earnings by approximately \$0.9 million in fiscal 2012.

Research and Development Costs for Software Products

Software development costs for products to be sold, leased, or otherwise marketed are capitalized in accordance with ASC 985-20, *Cost of Software to Be Sold, Leased or 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 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.

Stock-Based Compensation

The calculation of stock-based employee compensation expense involves estimates that require management's judgment. These estimates include the fair value of each of the stock option awards granted, which is estimated on the date of grant using a Black-Scholes option pricing model. There are two significant inputs into the Black-Scholes option pricing model: expected volatility and expected term. The Company estimates expected volatility based on traded option volatility of the Company's stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from historical exercise experience under the Company's stock option plans and represents the period of time that stock option awards granted are expected to be outstanding. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate, and only recognize expense for those shares expected to vest. If the Company's actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period. See Note 3 to the Consolidated Financial Statements for a further discussion on stock-based compensation.

The Company does not believe there is a reasonable likelihood there will be a material change in the future estimates or assumptions used to determine stock-based compensation expense. However, if actual results are not consistent with the Company's estimates or assumptions, the Company may be exposed to changes in stock-based compensation expense that could be material. If actual results are not consistent with the assumptions used, the stock-based compensation expense reported in the Company's financial statements may not be representative of the actual economic cost of the stock-based compensation. A 10% change in the Company's stock-based compensation expense for the year ended April 28, 2012 would not have had a material impact on the Company's results of operations in fiscal 2012.

Other Long-Lived Assets

The Company's other long-lived assets include property and equipment and amortizable intangibles. At April 28, 2012, the Company had \$622.7 million of property and equipment, net of accumulated depreciation, and \$249.3 million of amortizable intangible assets, net of amortization, accounting for approximately 23.2% of the Company's total assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360-10). The Company evaluates long-lived assets for impairment at

the individual Barnes & Noble store level, except for B&N College long-lived assets, which are evaluated for impairment at the university contract combined store level, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the Company will first compare the carrying amount of the assets to the individual store's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the assets to the individual store's fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Impairment losses included in selling and administrative expenses totaled \$11.7 million, \$2.9 million and \$12.1 million during fiscal 2012, fiscal 2011 and fiscal 2010, and are related to individual store locations. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate long-lived asset impairment losses. However, if actual results are not consistent with estimates and assumptions used in estimating future cash flows and asset fair values, the Company may be exposed to losses that could be material. A 10% decrease in the Company's estimated discounted cash flows would not have had a material impact on the Company's results of operations in fiscal 2012.

Goodwill and Unamortizable Intangible Assets

At April 28, 2012, the Company had \$519.7 million of goodwill and \$314.7 million of unamortizable intangible assets (those with an indefinite useful life), accounting for approximately 22.2% of the Company's total assets. ASC 350-30, *Goodwill and Other Intangible Assets*, requires that goodwill and other unamortizable intangible assets no longer be amortized, but instead be tested for impairment at least annually or earlier if there are impairment indicators. The Company performs a two-step process for impairment testing of goodwill as required by ASC 350-30. The first step of this test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount. The second step (if necessary) measures the amount of the impairment. The Company completed its annual goodwill impairment test as of the first day of the third quarter. In performing the valuations, the Company used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions. Based on the results of the Company's step one testing, the fair values of the B&N Retail, B&N College and B&N.com reporting units exceeded their carrying values; therefore, the second step of the impairment test was not required to be performed and no goodwill impairment was recognized. During the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical merchandise over the Internet) into the B&N Retail segment. The Company's three operating segments are: B&N Retail, B&N College and NOOK. As a result of this evaluation, \$20.3 million of goodwill was re-allocated between B&N Retail and NOOK segments. There were no subsequent indicators of impairment prior to or after the reallocation of goodwill. The Company tests unamortizable intangible assets by comparing the fair value and the carrying value of such assets. The Company also completed its annual impairment tests for its other unamortizable intangible assets by comparing the estimated fair value to the carrying value of such assets and determined that no impairment was necessary. Changes in market conditions, among other factors, could have a material impact on these estimates. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate goodwill and unamortizable intangible asset impairment losses. However, if actual results are not consistent with estimates and assumptions used in estimating future cash flows and asset fair values, the Company may be exposed to losses that could be material. A 10% decrease in the Company's estimated discounted cash flows would have no impact on the Company's evaluation of goodwill and unamortizable intangible assets, except for the Company's publishing contracts.

Publishing contracts include the value of long-standing relationships with authors, agents and

publishers established upon the Company's acquisition of Sterling in 2003. Given Sterling's strong history of maintaining such relationships, the Company believes they produce value indefinitely without an identifiable remaining useful life. However, given recent declines in the physical book business, these contracts were at risk of impairment as of its most recent impairment testing date and may be at risk in the future if declines in sales continue. A 10% decrease in Sterling sales trends would have resulted in a \$5.4 million impairment charge on the Company's results of operations in fiscal 2012.

Gift Cards

The Company sells gift cards which can be used in its stores or on Barnes & Noble.com. 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. Over time, some portion of the gift cards issued is not redeemed. 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. The Company records this amount in income on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. If actual redemption patterns vary from the Company's estimates, actual gift card breakage may differ from the amounts recorded. The Company recognized gift card breakage of \$29.3 million, \$25.9 million and \$21.3 million during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. The Company had gift card liabilities of \$321 million and \$311 million as of April 28, 2012 and April 30, 2011, respectively, which amounts are included in accrued liabilities. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to recognize revenue associated with gift cards. However, if estimates regarding the Company's history of gift card breakage are incorrect, it may be exposed to losses or gains that could be material. A 10% change in the Company's gift card breakage rate at April 28, 2012 would have affected net earnings by approximately \$1.7 million in fiscal 2012.

Income Taxes

Judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, tax issues may arise where the ultimate outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various tax authorities. Consequently, changes in the Company's estimates for contingent tax liabilities may materially impact the Company's results of operations or financial position. A 1% variance in the Company's effective tax rate would not have had a material impact to the Company's results of operations in fiscal 2012.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendment requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. In addition, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (ASU 2011-12). ASU 2011-12 effectively defers only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. All other requirements in ASU 2011-05 are not affected by this update. These ASUs are effective for the Company's financial statements for annual and interim periods beginning on or after December 15, 2011 and must be applied retrospectively. The Company has early adopted both ASU 2011-05 and ASU 2011-12.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment* (ASU 2011-08). ASU 2011-08 gives the Company the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. This ASU is effective for the Company's financial statements for annual and interim periods beginning on or after December 15, 2011. The adoption is not expected to have an impact on the Company's Fiscal 2013 Consolidated Financial Statements.

Disclosure Regarding Forward-Looking Statements

This report may contain certain forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act)) and information relating to the Company that are based on the beliefs of the management of the Company as well as assumptions made by and information currently available to the management of the Company. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," "will" and similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company 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 the Company's products, low growth or declining sales and net income due to various factors, risk that international expansion will not be successfully achieved or may be achieved later than expected, possible disruptions in the Company's computer systems, telephone systems or supply chain, possible risks associated with data privacy, information security and intellectual property, possible work stoppages or increases in labor costs, possible increases in shipping rates or interruptions in shipping service, effects of competition, possible risks that inventory in channels of distribution may be larger than able to be sold, possible risk that returns from consumers or channels of distribution may be greater than estimated, the risk that the expected sales lift from Borders' store closures is not achieved in whole or part, the risk that digital sales growth is less than expectations and the risk that it does not exceed the rate of investment spend, higher-than-anticipated store closing or relocation costs, higher interest rates, the performance of the Company's online, digital and other initiatives, the performance and successful integration of acquired businesses, the success of the Company's strategic investments, unanticipated increases in merchandise, component or occupancy costs, unanticipated adverse litigation results or effects, product and component shortages, the potential adverse impact on the business resulting from the review of a potential separation of the NOOK digital business, the risk that the transactions contemplated by the partnership with Microsoft Corporation (Microsoft) to form a new Company subsidiary (NewCo) to be comprised of NOOK and B&N College, including with respect to any spin-off, split-off or other disposition by the Company of its interest in NewCo, are not able to be implemented on the terms contemplated or at all, the risk that the transactions do not achieve the expected benefits for the parties including the risk that NewCo's applications are not commercially successful or that the expected distribution of those applications is not achieved, the risk that the separation of the digital and college businesses or any subsequent spin-off, split-off or other disposition by the Company of its interest in NewCo results in adverse impacts on the Company or NewCo (including as a result of termination of agreements and other adverse impacts), the potential impact on the Company's retail business of the separation, the potential tax consequences for the Company and its shareholders of a subsequent spin-off, split-off or other disposition by the Company of its interest in NewCo, the risk that the international expansion contemplated by the relationship is not successful, the risk that NewCo is not able to perform its obligations under the commercial agreement, including with respect to the development of applications and international expansion, and the consequences thereof, the costs and disruptions arising out of any

such separation of NOOK and the B&N College, the risk that the Company may not recoup its investments in NOOK as part of any separation transaction, the risks, difficulties, and uncertainties that may result from the separation of businesses that were previously co-mingled including necessary ongoing relationships, and potential for adverse customer impacts and other factors which may be outside of the Company's control, including those factors discussed in detail in Item 1A, "Risk Factors," in the Company's Form 10-K for the fiscal year ended April 28, 2012, and in the Company's other filings made hereafter from time to time with the SEC. The forward-looking statements relating to international expansion are also subject to the following risks, among others that may affect the introduction, success and timing of the NOOK® eReader and content in countries outside the United States: the Company may not be successful in reaching agreements with international companies, the terms of agreements that the Company reach may not be advantageous to it, the Company's NOOK® device may require technological changes to comply with applicable laws, and marketplace acceptance and other companies have already entered the marketplace with products that have achieved some customer acceptance. 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 the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Annual Report.

CONSOLIDATED STATEMENTS OF OPERATIONS

	(In thousands, except per share data)	Fiscal 2012	Fiscal 2011	Fiscal 2010
Sales		\$7,129,199	6,998,565	5,807,754
Cost of sales and occupancy		5,218,383	5,205,712	4,131,009
Gross profit		1,910,816	1,792,853	1,676,745
Selling and administrative expenses		1,739,452	1,629,465	1,395,725
Depreciation and amortization		232,667	228,647	207,774
Operating profit (loss)		(61,303)	(65,259)	73,246
Interest income (expense), net and amortization of deferred financing fees		(35,304)	(57,350)	(28,237)
Earnings (loss) before income taxes (benefit)		(96,607)	(122,609)	45,009
Income taxes (benefit)		(27,740)	(48,652)	8,365
Net earnings (loss)		(68,867)	(73,957)	36,644
Net loss attributable to noncontrolling interests		-	37	32
Net earnings (loss) attributable to Barnes & Noble, Inc.		\$(68,867)	(73,920)	36,676
Earnings (loss) attributable to Barnes & Noble, Inc.				
Earnings (loss)		\$(68,867)	(73,957)	36,644
Less loss attributable to noncontrolling interests		-	37	32
Net earnings (loss) attributable to Barnes & Noble, Inc.		\$(68,867)	(73,920)	36,676
Basic earnings (loss) per common share				
Net earnings (loss) attributable to Barnes & Noble, Inc.		\$(1.41)	(1.31)	0.64
Diluted earnings (loss) per common share				
Net earnings (loss) attributable to Barnes & Noble, Inc.		\$(1.41)	(1.31)	0.63
Weighted average common shares outstanding				
Basic		57,337	56,588	55,344
Diluted		57,337	56,588	56,153

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<u>(In thousands)</u>	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>
Net earnings (loss)	\$(68,867)	(73,957)	36,644
Other comprehensive earnings (loss), net of tax:			
(Increase) decrease in minimum pension liability (net of deferred tax benefit (expense) of \$3,336, (\$1,055) and \$798, respectively)	<u>(5,005)</u>	<u>1,582</u>	<u>(1,197)</u>
Total comprehensive earnings (loss)	(73,872)	(72,375)	35,447
Comprehensive loss attributable to noncontrolling interest	-	37	32
Total comprehensive earnings (loss) attributable to Barnes & Noble, Inc.	<u><u>\$(73,872)</u></u>	<u><u>(72,338)</u></u>	<u><u>35,479</u></u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	(In thousands, except per share data)	April 28, 2012	April 30, 2011
Assets			
Current assets:			
Cash and cash equivalents		\$54,131	59,429
Receivables, net		160,497	150,294
Merchandise inventories, net		1,561,841	1,375,362
Prepaid expenses and other current assets		221,324	161,936
Total current assets		<u>\$1,997,793</u>	<u>1,747,021</u>
Property and equipment:			
Land and land improvements		2,541	8,617
Buildings and leasehold improvements		1,196,764	1,204,108
Fixtures and equipment		1,784,492	1,670,488
		<u>2,983,797</u>	<u>2,883,213</u>
Less accumulated depreciation and amortization		<u>2,361,142</u>	<u>2,178,562</u>
Net property and equipment		<u>622,655</u>	<u>704,651</u>
Goodwill		519,685	524,113
Intangible assets, net		564,054	566,578
Other noncurrent assets		61,062	54,103
Total assets		<u>\$3,765,249</u>	<u>3,596,466</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		\$959,423	949,010
Accrued liabilities		546,495	474,575
Gift card liabilities		321,362	311,092
Total current liabilities		<u>1,827,280</u>	<u>1,734,677</u>
Long-term debt		324,200	313,100
Deferred taxes		268,774	280,132
Other long-term liabilities		405,065	448,647
Redeemable Preferred Shares; \$.001 par value; 5,000 shares authorized; 204 and zero shares issued, respectively		192,273	-
Shareholders' equity:			
Common stock; \$.001 par value; 300,000 shares authorized; 91,376 and 90,465 shares issued, respectively		91	90
Additional paid-in capital		1,340,909	1,323,263
Accumulated other comprehensive loss		(16,635)	(11,630)
Retained earnings		481,574	562,379
Treasury stock, at cost, 33,722 and 33,410 shares, respectively		<u>(1,058,282)</u>	<u>(1,054,192)</u>
Total Shareholders' equity		<u>747,657</u>	<u>819,910</u>
Commitments and contingencies		-	-
Total liabilities and shareholders' equity		<u>\$3,765,249</u>	<u>3,596,466</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)	Barnes & Noble, Inc. Shareholders' Equity							
	Noncontrolling Interest	Common Stock	Additional Paid-In Capital	Accumulated		Retained Earnings	Treasury Stock at Cost	Total
				Comprehensive Gains (Losses)	Other			
Balance at May 2, 2009	\$ 1,582	88	1,274,454	(12,015)	697,042	(1,049,328)	\$911,823	
Net earnings (loss)	(32)	-	-	-	36,676	-	36,644	
Minimum pension liability, net of tax	-	-	-	(1,197)	-	-	(1,197)	
Exercise of 313 common stock options	-	1	4,362	-	-	-	4,363	
Stock options and restricted stock tax benefits	-	-	(3,557)	-	-	-	(3,557)	
Stock-based compensation expense	-	-	15,723	-	-	-	15,723	
Sale of Calendar Club	-	-	(4,767)	-	4,767	-	-	
Cash dividend paid to stockholders	-	-	-	-	(57,403)	-	(57,403)	
Treasury stock acquired, 137 shares	-	-	-	-	-	(3,028)	(3,028)	
Balance at May 1, 2010	1,550	89	1,286,215	(13,212)	681,082	(1,052,356)	903,368	
Net loss	(37)	-	-	-	(73,920)	-	(73,957)	
Minimum pension liability, net of tax	-	-	-	1,582	-	-	1,582	
Purchase of noncontrolling interest	(1,513)	-	1,213	-	-	-	(300)	
Exercise of 1,024 common stock options	-	1	17,232	-	-	-	17,233	
Stock options and restricted stock tax benefits	-	-	(2,375)	-	-	-	(2,375)	
Stock-based compensation expense	-	-	20,978	-	-	-	20,978	
Cash dividend paid to stockholders	-	-	-	-	(44,783)	-	(44,783)	
Treasury stock acquired, 125 shares	-	-	-	-	-	(1,836)	(1,836)	
Balance at April 30, 2011	<u>\$ -</u>	<u>90</u>	<u>1,323,263</u>	<u>(11,630)</u>	<u>562,379</u>	<u>(1,054,192)</u>	<u>\$819,910</u>	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

(In thousands)	Barnes & Noble, Inc. Shareholders' Equity					
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Gains (Losses)	Retained Earnings	Treasury Stock at Cost	Total
Balance at April 30, 2011	\$ 90	1,323,263	(11,630)	562,379	(1,054,192)	\$819,910
Net loss	-	-	-	(68,867)	-	(68,867)
Minimum pension liability, net of tax	-	-	(5,005)	-	-	(5,005)
Exercise of 92 common stock options	1	1,096	-	-	-	1,097
Stock options and restricted stock tax benefits	-	(4,225)	-	-	-	(4,225)
Stock-based compensation expense	-	20,775	-	-	-	20,775
Accretive dividend on preferred stockholders	-	-	-	(894)	-	(894)
Accrued/paid dividends for preferred stockholders	-	-	-	(11,044)	-	(11,044)
Treasury stock acquired, 313 shares	-	-	-	-	(4,090)	(4,090)
Balance at April 28, 2012	<u>\$ 91</u>	<u>1,340,909</u>	<u>(16,635)</u>	<u>481,574</u>	<u>(1,058,282)</u>	<u>\$747,657</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Year	Fiscal	Fiscal	Fiscal
(In thousands)	2012	2011	2010
Cash flows from operating activities:			
Net earnings (loss)	\$(68,867)	(73,957)	36,644
Adjustments to reconcile net earnings (loss) to net cash flows provided by (used in) operating activities:			
Depreciation and amortization (including amortization of deferred financing fees)	238,048	244,734	214,464
Stock-based compensation expense	20,775	20,978	15,723
Property and equipment impairment charge	11,747	2,857	12,102
Deferred taxes	(37,570)	1,614	(57,170)
Loss on disposal of property and equipment	2,590	893	2,388
Decrease in other long-term liabilities	(43,582)	(57,256)	(35,222)
Changes in operating assets and liabilities, net	(147,253)	59,209	(60,528)
Net cash flows provided by (used in) operating activities	<u>(24,112)</u>	<u>199,072</u>	<u>128,401</u>
Cash flows from investing activities:			
Proceeds from sale of distribution center	18,000	-	-
Purchases of property and equipment	(163,552)	(110,502)	(127,779)
Net increase in other noncurrent assets	(13,326)	(1,466)	(3,568)
Purchase of Borders Group, Inc. intellectual property	(14,528)	-	-
Fictionwise earn-out payments	-	(7,508)	(2,612)
Purchase of non-controlling interest	-	(300)	-
Acquisition of Barnes & Noble College Booksellers, Inc. (net of cash acquired)	-	-	(185,928)
Acquisition of Tikatok Inc. (net of cash acquired)	-	-	(2,261)
Net cash flows used in investing activities	<u>(173,406)</u>	<u>(119,776)</u>	<u>(322,148)</u>
Cash flows from financing activities:			
Net proceeds from issuance of Redeemable Preferred Shares	191,379	-	-
Net increase in credit facility	11,100	52,700	260,400
Cash dividends paid to shareholders	(7,081)	(44,783)	(57,403)
Proceeds from exercise of common stock options	1,097	17,233	4,363
Purchase of treasury stock	(4,090)	(1,836)	(3,028)
Excess tax benefit from stock-based compensation	193	34	855
Financing fees paid	(378)	(10,180)	(37,069)
Payment of short term note payable	-	(100,000)	-
Payment received for Calendar Club note receivable	-	6,000	-
Net cash flows provided by (used in) financing activities	<u>192,220</u>	<u>(80,832)</u>	<u>168,118</u>
Decrease in cash and cash equivalents	(5,298)	(1,536)	(25,629)
Cash and cash equivalents at beginning of year	<u>59,429</u>	<u>60,965</u>	<u>86,594</u>
Cash and cash equivalents at end of year	<u>\$54,131</u>	<u>59,429</u>	<u>60,965</u>
Changes in operating assets and liabilities, net:			
Receivables, net	\$(10,203)	(43,718)	119,358
Merchandise inventories	(186,479)	(5,251)	228,822
Prepaid expenses and other current assets	(59,388)	19,889	(56,675)
Accounts payable and accrued liabilities	108,817	88,289	(352,033)
Changes in operating assets and liabilities, net	<u>\$(147,253)</u>	<u>59,209</u>	<u>(60,528)</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Fiscal Year		Fiscal	Fiscal	Fiscal
	(In thousands)	2012	2011	2010
Supplemental cash flow information:				
Cash paid (received) during the period for:				
	Interest paid	\$28,298	45,604	12,305
	Income taxes (net of refunds)	\$1,615	(41,681)	31,461
Supplemental disclosure of subsidiaries acquired:				
	Assets acquired (net of cash acquired)	\$-	1,513	1,416,134
	Liabilities assumed	-	1,213	1,227,945
	Cash paid	<u>\$-</u>	<u>300</u>	<u>188,189</u>
Noncash financing activity:				
	Notes payable on Acquisition of B&N College	-	-	250,000
	Accrued dividend on redeemable preferred shares	\$3,963	-	-

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars, except per share data)

For the 52 weeks ended April 28, 2012 (fiscal 2012), April 30, 2011 (fiscal 2011), and May 1, 2010 (fiscal 2010).

1. Summary of Significant Accounting Policies

Business

Barnes & Noble, one of the nation's largest booksellers,³ is a leading content, commerce and technology company providing customers easy and convenient access to books, magazines, newspapers and other content across its multi-channel distribution platform. As of April 28, 2012, the Company operated 1,338 bookstores in 50 states, including 647 bookstores on college campuses, one of the Web's largest eCommerce sites and develops digital content products and software. Given the dynamic nature of the book industry, the challenges faced by traditional booksellers, and the robust innovation pipeline fueling new opportunities in hardware, software and content creation and delivery, Barnes & Noble is utilizing the strength of its retail footprint to bolster its leadership and fuel sales growth across multiple channels.

Of the 1,338 bookstores, 691 operate primarily under the Barnes & Noble Booksellers® trade name. Barnes & Noble College Booksellers, LLC (B&N College), a wholly-owned subsidiary of Barnes & Noble, operates 647 college bookstores at colleges and universities across the United States. Barnes & Noble Retail (B&N Retail) operates the 691 retail bookstores. B&N Retail also includes the Company's eCommerce site, and Sterling Publishing Co., Inc. (Sterling or Sterling Publishing), a leader in general trade book publishing. The NOOK 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, apps, and sales of NOOK® devices and accessories to third party distribution partners, B&N Retail and B&N College.

The Company's principal business is the sale of trade books (generally hardcover and paperback consumer titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, eBooks and other digital content, NOOK® (references to NOOK™ include the Company's NOOK 1st Edition™, NOOK Wi-Fi 1st Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Tablet™ and NOOK Simple Touch with GlowLight™ eBook Reader devices),⁴ and related accessories, bargain books, magazines, gifts, café products and services, educational toys & games, music and movies direct to customers through its bookstores or on Barnes & Noble.com. The acquisition of B&N College (see Note 14) has allowed the Company to expand into sales of textbooks and course-related materials, emblematic apparel and gifts, trade books, computer products, school and dorm supplies, and convenience and café items on college and university campuses. In fiscal 2011, B&N College began offering a textbook rental option to its customers, and expanded its electronic textbooks and other course materials through a proprietary digital platform (NOOK Study™). B&N College offers its customers a full suite of textbook options - new, used, digital and rental.

Prior to year-end, the Company reported an operating segment titled B&N.com which included both its digital business and eCommerce operations. Due to the increased focus on the digital business

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

⁴ Any reference to NOOK®, NOOK 1st Edition™, NOOK Wi-Fi 1st Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Tablet™ and NOOK Simple Touch with GlowLight™ includes the trademark symbol (® or ™, as applicable) even if a symbol is not included.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical non-NOOK merchandise over the Internet) into the B&N Retail segment. Also, as a result of this assessment, certain corporate office and other costs have been allocated to all three segments. The Company's three operating segments are: B&N Retail, B&N College and NOOK.

Consolidation

The consolidated financial statements include the accounts of Barnes & Noble, Inc. and its wholly and majority-owned subsidiaries. Investments in affiliates in which ownership interests range from 20% to 50%, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

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

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market. Cost is determined primarily by the retail inventory method under both the first-in, first-out (FIFO) basis and the last-in, first-out (LIFO) basis. B&N College's textbook and trade book inventories are valued using the LIFO method, where the related reserve was not material to the recorded amount of the Company's inventories or results of operations.

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

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

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. For financial reporting purposes, depreciation is computed using the straight-line method over estimated useful lives. For tax purposes, different methods are used. Maintenance and repairs are expensed as

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

incurred, while major maintenance and remodeling costs are capitalized. Leasehold improvements are capitalized and amortized over the shorter of their estimated useful lives or the terms of the respective leases. Capitalized lease acquisition costs are being amortized over the lease terms of the underlying leases. Costs incurred in purchasing management information systems are capitalized and included in property and equipment. These costs are amortized over their estimated useful lives from the date the systems become operational.

Other Long-Lived Assets

The Company's other long-lived assets include property and equipment and amortizable intangibles. At April 28, 2012, the Company had \$622,655 of property and equipment, net of accumulated depreciation, and \$249,318 of amortizable intangible assets, net of amortization, accounting for approximately 23.2% of the Company's total assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with Accounting Standards Codification (ASC) 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360-10). The Company evaluates long-lived assets for impairment at the individual Barnes & Noble store level, except for B&N College long-lived assets, which are evaluated for impairment at the school contract combined store level, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the Company will first compare the carrying amount of the assets to the individual store's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the assets to the individual store's fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Impairment losses included in selling and administrative expenses totaled \$11,747, \$2,857, and \$12,102 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively, and are related to individual store locations.

Goodwill and Unamortizable Intangible Assets

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

At April 28, 2012, the Company had \$519,685 of goodwill and \$314,736 of unamortizable intangible assets (those with an indefinite useful life), accounting for approximately 22.2% of the Company's total assets. ASC 350-30, *Goodwill and Other Intangible Assets*, requires that goodwill and other unamortizable intangible assets no longer be amortized, but instead be tested for impairment at least annually or earlier if there are impairment indicators. The Company performs a two-step process for impairment testing of goodwill as required by ASC 350-30. The first step of this test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount. The second step (if necessary) measures the amount of the impairment. The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2012. In performing the valuations, the Company used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions. Based on the results of the Company's step one testing, the fair values of the B&N Retail, B&N College and B&N.com reporting units as of that date exceeded their carrying values; therefore, the second step of the impairment test was not required to be performed and no goodwill impairment was recognized. During the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical merchandise over the Internet) into the B&N Retail segment. The Company's three operating segments are: B&N Retail, B&N College and NOOK. As a result of this evaluation, \$20,279 of goodwill was re-allocated between B&N Retail and NOOK segments. There were no subsequent indicators of impairment prior to or after the reallocation of goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company tests unamortizable intangible assets by comparing the fair value and the carrying value of such assets. The Company also completed its annual impairment tests for its other unamortizable intangible assets by comparing the estimated fair value to the carrying value of such assets and determined that no impairment was necessary. Changes in market conditions, among other factors, could have a material impact on these estimates, except for the Company's publishing contracts.

Publishing contracts include the value of long-standing relationships with authors, agents and publishers established upon the Company's acquisition of Sterling in 2003. Given Sterling's strong history of maintaining such relationships, the Company believes they produce value indefinitely without an identifiable remaining useful life. However, given recent declines in the physical book business, these contracts were at risk of impairment as of its most recent impairment testing date and may be at risk in the future if declines in sales continue.

Deferred Charges

Costs incurred to obtain long-term financing are amortized over the terms of the respective debt agreements using the straight-line method, which approximates the interest method. Unamortized costs included in other noncurrent assets as of April 28, 2012 and April 30, 2011 were \$21,522 and \$26,525, respectively. Amortization expense included in interest and amortization of deferred financing fees was \$5,381, \$16,087, and \$5,925 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

Revenue Recognition

Revenue from sales of the Company's products is recognized at the time of sale, other than those with multiple elements and FOB destination point shipping terms. The Company's products are considered delivered once they have been shipped and title and risk of loss have transferred. While the majority of the Company's shipping terms are FOB shipping point, there are certain third party distribution partners with shipping terms of FOB destination point. Certain of the Company sales agreements with these distribution partners contain rights of inspection or acceptance provisions as is standard in the Company's industry. The Company accrues for estimated sales returns in the period in which the related revenue is recognized based on historical experience and industry standards. Sales taxes collected from retail customers are excluded from reported revenues. 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.

In accordance with ASC 605-25, *Revenue Recognition, Multiple Element Arrangements* and Accounting Standards Updates (ASU) 2009-13 and 2009-14, for multiple-element arrangements that involve tangible products that contain software that is essential to the tangible product's functionality, undelivered software elements that relate to the tangible product's essential software and other separable elements, the Company allocates revenue to all deliverables using the relative selling-price method. Under this method, revenue is allocated at the time of sale to all deliverables based on their relative selling price using a specific hierarchy. The hierarchy is as follows: vendor-specific objective evidence, third-party evidence of selling price, or best estimate of selling price. NOOK™ eBook Reader revenue (which includes revenue from the Company's NOOK® products) is recognized at the segment point of sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company includes post-service customer support (PCS) in the form of software updates and potential increased functionality on a when-and-if-available basis, as well as wireless access and wireless connectivity with the purchase of NOOK® from the Company. Using the relative selling price described above, the Company allocates revenue based on the best estimate of selling price for the deliverables as no vendor-specific objective evidence or third-party evidence exists for any of the elements. Revenue allocated to NOOK® and the software essential to its functionality is recognized at the time of sale, provided all other conditions for revenue recognition are met. Revenue allocated to the PCS and the wireless access is deferred and recognized on a straight-line basis over the 2-year estimated life of NOOK®.

The average percentage of a NOOK®'s sales price that is deferred for undelivered items and recognized over its 2-year estimated life ranges between 2% and 5%, depending on the type of device sold. The amount of NOOK®-related deferred revenue as of April 28, 2012 and April 30, 2011 was \$19,785 and \$18,184, respectively. These amounts are classified on the Company's balance sheet in accrued liabilities for the portion that is subject to deferral for one year or less and other long-term liabilities for the portion that is subject to deferral for more than one year.

The Company also pays certain vendors who distribute NOOK® a commission on the content sales sold through that device. The Company accounts for these transactions as a reduction in the sales price of the NOOK® based on historical trends of content sales and a liability is established for the estimated commission expected to be paid over the life of the product. The Company recognizes revenue of the content at the point of sale of the content. The Company records revenue from sales of digital content, sales of third-party extended warranties, service contracts and other products, for which the Company is not obligated to perform, and for which the Company does not meet the criteria for gross revenue recognition under ASC 605-45-45, *Reporting Revenue Gross as a Principal versus Net as an Agent*, on a net basis. All other revenue is recognized on a gross basis.

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

The Barnes & Noble Member 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 twelve-month period based upon historical spending patterns for Barnes & Noble Members.

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 software development costs 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Advertising Costs

The costs of advertising are expensed as incurred during the year pursuant to ASC 720-35, *Advertising Costs*. Advertising costs charged to selling and administrative expenses were \$116,388, \$73,417, and \$37,600 during fiscal 2012, fiscal 2011, and fiscal 2010, respectively.

The Company receives payments and credits from vendors pursuant to co-operative advertising and other programs, including payments for product placement in stores, catalogs and online. In accordance with ASC 605-50-25-10, *Customer's Accounting for Certain Consideration Received from a Vendor*, the Company classifies certain co-op advertising received as a reduction in costs of sales and occupancy. The gross advertising expenses noted above were completely offset by allowances received from vendors and the excess allowances received were recorded as a reduction of cost of goods sold or inventory, as appropriate.

Closed Store Expenses

When the Company closes or relocates a store, the Company charges unrecoverable costs to expense. Such costs include the net book value of abandoned fixtures and leasehold improvements and, when a store is closed prior to the expiration of the lease, a provision for future lease obligations, net of expected sublease recoveries. Costs associated with store closings of \$551, \$3,899, and \$4,503 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively, are included in selling and administrative expenses in the accompanying consolidated statements of operations.

Net Earnings (Loss) Per Common Share

Basic earnings per share represent net earnings (loss) attributable to common shareholders divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the impact of common shares issuable upon exercise of the Company's outstanding stock options. The Company's unvested restricted shares, unvested restricted stock units and common shares issuable under the Company's deferred compensation plan are deemed participating securities and are excluded from the dilutive impact of common equivalent shares outstanding under the two-class method since these shares are entitled to participate in dividends declared on common shares. Under the two-class method, earnings (loss) attributable to unvested restricted shares, unvested restricted stock units and common shares issuable under the Company's deferred compensation plan are excluded from net earnings (loss) attributable to common shareholders for purposes of calculating basic and diluted earnings (loss) per common share. See Note 7 for further information regarding the calculation of basic and diluted earnings (loss) per common share.

Income Taxes

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance, if determined to be necessary.

Stock-Based Compensation

The calculation of stock-based employee compensation expense involves estimates that require management's judgment. These estimates include the fair value of each of the stock option awards granted, which is estimated on the date of grant using a Black-Scholes option pricing model. There are two significant inputs into the Black-Scholes option pricing model: expected volatility and expected term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company estimates expected volatility based on traded option volatility of the Company's stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from historical exercise experience under the Company's stock option plans and represents the period of time that stock option awards granted are expected to be outstanding. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate, and only recognize expense for those shares expected to vest. If the Company's actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period. See Note 3 to the Consolidated Financial Statements for a further discussion on stock-based compensation.

Gift Cards

The Company sells gift cards which can be used in its stores or on Barnes & Noble.com. 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. Over time, some portion of the gift cards issued is not redeemed. 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. The Company records this amount in income on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. If actual redemption patterns vary from the Company's estimates, actual gift card breakage may differ from the amounts recorded. The Company recognized gift card breakage of \$29,284, \$25,904 and \$21,328 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. The Company had gift card liabilities of \$321,362 and \$311,092 as of April 28, 2012 and April 30, 2011, respectively.

Reclassifications

Certain prior-period amounts have been reclassified for comparative purposes to conform with the fiscal 2012 presentation.

Reporting Period

The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. The reporting periods ended April 28, 2012, April 30, 2011 and May 1, 2010 all contained 52 weeks.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendment requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. In addition, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (ASU 2011-12). ASU 2011-12 effectively defers only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

accumulated other comprehensive income. All other requirements in ASU 2011-05 are not affected by this update. These ASUs are effective for the Company's financial statements for annual and interim periods beginning on or after December 15, 2011 and must be applied retrospectively. The Company has early adopted both ASU 2011-05 and ASU 2011-12.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment* (ASU 2011-08). ASU 2011-08 gives the Company the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. This ASU is effective for the Company's financial statements for annual and interim periods beginning on or after December 15, 2011. The adoption is not expected to have an impact on the Company's Fiscal 2013 Consolidated Financial Statements.

2. Credit Facility

On April 27, 2012, the Company entered into an amendment (the 2012 Amended Credit Facility) to its existing agreement with Bank of America, N.A. entered into on April 29, 2011, as administrative agent, collateral agent and swing line lender, and other lenders in order to permit the transactions contemplated by the investment agreement among the Company, Morrison Investment Holdings, Inc., and Microsoft Corporation (See Note 11) and to make certain other changes to the Company's 2011 Amended Credit Agreement in connection therewith.

On April 29, 2011, the Company entered into an amended and restated credit agreement (the 2011 Amended Credit Agreement) with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and other lenders, which amended and restated the credit agreement (the 2009 Credit Agreement) entered into on September 30, 2009 with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and other lenders. Under the 2011 Amended Credit Agreement, Lenders provided up to \$1,000,000 in aggregate commitments under a five-year asset-backed revolving credit facility, which is secured by eligible inventory with the ability to include eligible real estate and accounts receivable and related assets. Borrowings under the 2011 Amended Credit Agreement were limited to a specified percentage of eligible inventories and accounts receivable and accrued interest, at the election of the Company, at Base Rate or LIBO Rate, plus, in each case, an Applicable Margin (each term as defined in the 2011 Amended Credit Agreement). In addition, the Company has the option to request an increase in commitments under the 2011 Amended Credit Agreement by up to \$300,000, subject to certain restrictions.

The 2011 Amended Credit Agreement requires Availability (as defined in the 2011 Amended Credit Agreement) to be greater than the greater of (i) 10% of the Loan Cap (as defined in the 2011 Amended Credit Agreement) and (ii) \$50,000. In addition, the 2011 Amended Credit Agreement contains covenants that limit, among other things, the Company's ability to incur indebtedness, create liens, make investments, make restricted payments, merge or acquire assets, and contains default provisions that are typical for this type of financing, among other things. Proceeds from the 2011 Amended Credit Facility are used for general corporate purposes, including seasonal working capital needs.

As a result of the 2011 Amended Credit Agreement, \$6,580 of deferred financing fees related to the 2009 Credit Facility were written off in fiscal 2011, and included in net interest expenses. The remaining unamortized deferred costs of \$16,341 and new charges of \$10,180 relating to the Company's 2011 Amended Credit Facility were deferred and are being amortized over the five-year term of the 2011 Amended Credit Facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

On September 30, 2009, the Company had entered into the 2009 Credit Agreement, under which the lenders committed to provide up to \$1,000,000 in commitments under a four-year asset-backed revolving credit facility (the 2009 Credit Facility), which was secured by eligible inventory and accounts receivable and related assets. Borrowings under the 2009 Credit Agreement were limited to a specified percentage of eligible inventories and accounts receivable and accrued interest, at the election of the Company, at Base Rate or LIBO Rate, plus, in each case, an Applicable Margin (each term as defined in the 2009 Credit Agreement). In addition, the Company had the option to request the increase in commitments under the 2009 Credit Agreement by up to \$300,000, subject to certain restrictions.

Selected information related to the Company's 2012 Amended Credit Facility, 2011 Amended Credit Facility and 2009 Credit Facility:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Credit facility at period end	\$324,200	313,100	260,400
Average balance outstanding during the period	\$306,038	338,971	107,504
Maximum borrowings outstanding during the period	\$582,000	622,800	512,500
Weighted average interest rate during the period	3.34 %	4.30 %	4.38 %
Interest rate at end of period	3.32 %	5.13 %	4.13 %

Fees expensed with respect to the unused portion of the 2012 Amended Credit Facility, 2011 Amended Credit Facility and 2009 Credit Facility were \$3,343, \$5,466 and \$4,198 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

The Company has no agreements to maintain compensating balances.

3. Stock-Based Compensation

The Company maintains three share-based incentive plans: the 1996 Incentive Plan, the 2004 Incentive Plan and the 2009 Incentive Plan. Prior to June 2, 2009, the Company issued restricted stock and stock options under the 1996 and 2004 Incentive Plans. On June 2, 2009, the Company's shareholders approved the 2009 Incentive Plan. Under the 2009 Incentive Plan, the Company has issued restricted stock units, restricted stock and stock options. The maximum number of shares issuable under the 2009 Incentive Plan is 950,000, plus shares that remain available under the Company's shareholder-approved 2004 Incentive Plan. At April 28, 2012, there were approximately 1,001,440 shares of common stock available for future grants under the 2009 Incentive Plan.

A restricted stock award is an award of common stock that is subject to certain restrictions during a specified period. Restricted stock awards are independent of option grants and are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the shares before the restricted shares vest. Shares of unvested restricted stock have the same voting rights as common stock, are entitled to receive dividends and other distributions thereon and are considered to be currently issued and outstanding. The Company's restricted stock awards vest over a period of one to five years. The Company expenses the cost of the restricted stock awards, which is determined to be the fair

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

market value of the shares at the date of grant, straight-line over the period during which the restrictions lapse. For these purposes, the fair market value of the restricted stock is determined based on the closing price of the Company's common stock on the grant date.

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

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

The Company recognizes stock-based compensation costs, net of estimated forfeitures, for only those shares expected to vest on a straight-line basis over the requisite service period of the award. The Company estimates the forfeiture rates based on its historical experience.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The weighted average assumptions relating to the valuation of the Company's stock options for fiscal years 2012 and 2010 are shown below. No stock options were granted during fiscal 2011.

Fiscal Year	2012	2010
Weighted average fair value of grants	\$9.85	\$5.72
Volatility	78.52 %	41.30 %
Risk-free interest rate	0.92 %	2.59 %
Expected life	5 years	5 years
Expected dividend yield	0.00 %	4.53 %

Stock-Based Compensation Activity

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

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Balance, May 2, 2009	5,561	\$20.14	3.83 years	\$33,633
Granted	500	22.07		
Exercised	(313)	13.96		
Forfeited	(250)	30.69		
Balance, May 1, 2010	5,498	20.19	3.49 years	\$13,782
Exercised	(1,024)	16.83		
Forfeited	(598)	20.57		
Balance, April 30, 2011	3,876	21.02	3.40 years	-
Granted	1,563	15.70		
Exercised	(92)	11.89		
Forfeited	(1,487)	21.86		
Balance, April 28, 2012	3,860	\$18.76	5.70 years	\$574
Vested and expected to vest in the future at April 28, 2012	3,860	\$18.76	5.70 years	\$574
Exercisable at April 28, 2012	2,132	\$20.74	2.68 years	\$515
Available for grant at April 28, 2012	1,001			

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the related fiscal year and the exercise price, multiplied by the related in-the-money options) that would have been received by the option holders had they exercised their options at the end of the fiscal year. This amount changes based

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

on the market value of the Company's common stock. Total intrinsic value of options exercised for fiscal 2012, fiscal 2011 and fiscal 2010 (based on the difference between the Company's stock price on the exercise date and the respective exercise price, multiplied by the number of options exercised) was \$521, \$124 and \$2,321, respectively.

As of April 28, 2012, there was \$20,384 of total unrecognized compensation expense related to unvested stock options granted under the Company's share-based compensation plans. That expense is expected to be recognized over a weighted average period of 3.4 years.

The Company's Chief Executive Officer was granted 500,000 stock options, with an exercise price of \$22.07 per share, on April 1, 2010 and a grant of 1,000,000 stock options, with an exercise price of \$16.00 per share, was approved on December 9, 2011. However, the Company subsequently determined that 500,000 of the stock options approved on December 9, 2011 were not validly granted pursuant to the Company's 2009 Incentive Plan because they exceeded the limit on the number of options that may be granted to any individual participant within any 36-month period. Accordingly, the attempted grant of these excess options was ineffective, and they were never granted to the Company's Chief Executive Officer. The estimated liability recorded for the invalid grant in the quarter was not significant.

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

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, May 2, 2009	1,235	\$ 30.86
Granted	1,647	21.93
Vested	(429)	33.18
Forfeited	(123)	30.41
Balance, May 1, 2010	2,330	24.15
Granted	684	16.65
Vested	(435)	27.99
Forfeited	(154)	24.76
Balance, April 30, 2011	2,425	21.31
Granted	83	13.23
Vested	(1,073)	22.78
Forfeited	(51)	21.52
Balance, April 28, 2012	<u>1,384</u>	\$ 19.68

Total fair value of shares of restricted stock that vested during fiscal 2012, fiscal 2011 and fiscal 2010 was \$14,067, \$6,163 and \$9,408, respectively. As of April 28, 2012, there was \$21,561 of unrecognized stock-based compensation expense related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted average period of 1.4 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, April 30, 2011	–	\$ –
Granted	969	16.64
Forfeited	(5)	18.59
Balance, April 28, 2012	<u>964</u>	\$ 16.63

No restricted stock units were granted prior to fiscal 2012 and there were no vestings during fiscal 2012. As of April 28, 2012, there was \$14,200 of unrecognized stock-based compensation expense related to nonvested restricted stock units. That cost is expected to be recognized over a weighted average period of 3.1 years.

For fiscal 2012, fiscal 2011 and fiscal 2010, stock-based compensation expense of \$20,775, \$20,978 and \$15,723, respectively, is included in selling and administrative expenses.

4. Receivables, Net

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

	April 28, 2012	April 30, 2011
Trade accounts	\$91,476	81,577
Credit/debit card receivables	36,042	42,982
Advertising	3,911	5,877
Receivables from landlords for leasehold improvements	374	867
Other receivables	28,694	18,991
Total receivables, net	<u>\$160,497</u>	<u>150,294</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Long-Term Liabilities

Other long-term liabilities consist primarily of deferred rent and obligations under the Junior Seller Note (see Notes 14 and 19). 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 accrued pension liabilities, store closing expenses and long-term deferred revenues. The Company had the following long-term liabilities at April 28, 2012, April 30, 2011 and May 1, 2010:

	April 28, 2012	April 30, 2011
Deferred Rent	\$220,875	271,451
Junior Seller Note (see Note 14 and Note 19)	150,000	150,000
Other	34,190	27,196
Total long-term liabilities	<u>\$405,065</u>	<u>448,647</u>

6. Fair Values of Financial Instruments

In accordance with ASC 820, *Fair Value Measurements and Disclosures*, 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 following table presents the changes in Level 3 contingent consideration liability:

	Acquisition of Fictionwise
Beginning balance, May 2, 2009	\$8,165
Payments	(2,612)
Losses	1,712
Balance, May 1, 2010	\$7,265
Payments	(7,508)
Losses	243
Balance, April 30, 2011 and April 28, 2012	<u>\$-</u>

Fair Value of Financial Instruments

The Company's financial instruments, other than those presented in the disclosures above, include cash, receivables, other investments and accounts payable. The fair values of cash, receivables, and accounts payable approximated carrying values because of the short-term nature of these instruments. The Company believes that its 2012 Amended Credit Facility approximates fair value since interest rates are adjusted to reflect current rates. The Company believes that the terms and conditions of the remaining Seller Notes is consistent with comparable market debt issues.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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*, the Company's unvested restricted shares, unvested restricted stock units and shares issuable under the Company's deferred compensation plan are considered participating securities. During periods of net income, the calculation of earnings per share for common stock are reclassified to exclude the income attributable to the unvested restricted shares, unvested restricted stock units and shares issuable under the Company's deferred compensation plan from the numerator and exclude the dilutive impact of those shares from the denominator.

During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. Due to the net loss during fiscal 2012 and 2011, participating securities in the amounts of 3,463 and 3,228, respectively, were excluded in the calculation of loss per share using the two-class method because the effect would be antidilutive. The Company's outstanding stock options and accretion/payments of dividends on preferred shares were also 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 earnings per share calculation:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Numerator for basic earnings (loss) per share:			
Income (loss) attributable to Barnes & Noble, Inc.	\$(68,867)	(73,920)	36,676
Preferred stock dividends	(11,044)	-	-
Accretion of dividends on preferred stock	(894)	-	-
Less allocation of earnings and dividends to participating securities	-	-	(1,279)
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,397
Numerator for diluted earnings (loss) per share:			
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,397
Effect of dilutive options	-	-	(10)
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,387
Denominator for basic and diluted earnings (loss) per share:			
Basic weighted average common shares	57,337	56,588	55,344
Average dilutive options	-	-	809
Diluted weighted average common shares	57,337	56,588	56,153
Basic earnings (loss) per common share			
Net income (loss) attributable to Barnes & Noble, Inc. available for common shareholders	\$(1.41)	(1.31)	0.64
Diluted earnings (loss) per common share			
Net income (loss) attributable to Barnes & Noble, Inc. available for common shareholders	\$(1.41)	(1.31)	0.63

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**8. Employees' Retirement and Defined Contribution Plans**

As of December 31, 1999, substantially all employees of the Company were covered under a noncontributory defined benefit pension plan (the Pension Plan). As of January 1, 2000, the Pension Plan was amended so that employees no longer earn benefits for subsequent service. Effective December 31, 2004, the Barnes & Noble.com Employees' Retirement Plan (the B&N.com Retirement Plan) was merged with the Pension Plan. Substantially all employees of Barnes & Noble.com were covered under the B&N.com Retirement Plan. As of July 1, 2000, the B&N.com Retirement Plan was amended so that employees no longer earn benefits for subsequent service. Subsequent service continues to be the basis for vesting of benefits not yet vested at December 31, 1999 and June 30, 2000 for the Pension Plan and the B&N.com Retirement Plan, respectively, and the Pension Plan will continue to hold assets and pay benefits. The actuarial assumptions used to calculate pension costs are reviewed annually. Pension expense was \$1,970, \$2,558 and \$1,951 for fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

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 \$15,273, \$14,212 and \$12,954 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. In addition, the Company provides certain health care and life insurance benefits (the Postretirement Plan) to retired employees, limited to those receiving benefits or retired as of April 1, 1993. Total Company contributions charged to employee benefit expenses for the Postretirement Plan were \$150, \$150 and (\$111) during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

9. Income Taxes

The Company files a consolidated federal return with all subsidiaries owned 80% or more. Federal and state income tax provisions (benefits) for fiscal 2012, fiscal 2011 and fiscal 2010 are as follows:

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>
Current:			
Federal	\$6,228	(47,825)	51,343
State	3,602	(2,441)	14,192
Total current	<u>9,830</u>	<u>(50,266)</u>	<u>65,535</u>
Deferred:			
Federal	(28,504)	8,057	(45,903)
State	(9,066)	(6,443)	(11,267)
Total deferred	<u>(37,570)</u>	<u>1,614</u>	<u>(57,170)</u>
Total	<u>\$(27,740)</u>	<u>(48,652)</u>	<u>8,365</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	Fiscal 2012		Fiscal 2011		Fiscal 2010
Federal statutory income tax rate	35.0	%	35.0	%	35.0
State income taxes, net of federal income tax benefit	4.4		4.8		3.8
Additions to unrecognized tax benefits	(1.0)	(2.5)	11.2
Reductions to unrecognized tax benefits	0.7		1.3		(31.8
Excess 162(m) limitation (a)	(9.3)	-		-
Other, net	(1.1)	1.1		0.4
Effective income tax rate	<u>28.7</u>	<u>%</u>	<u>39.7</u>	<u>%</u>	<u>18.6</u>

(a) Relates to 162(m) compensation in excess of limitation for the current year and prior year.

The tax effects of temporary differences that give rise to significant components of the Company's deferred tax assets and liabilities as of April 28, 2012 and April 30, 2011 are as follows:

	April 28, 2012	April 30, 2011
Deferred tax liabilities:		
Investment in Barnes & Noble.com	\$(95,051	(95,051
Property & equipment	(63,216	(57,156
Goodwill and intangible asset amortization	(233,322)	(236,845)
Prepaid expenses	(7,827	(7,125
Other	(6,226	(4,861
Total deferred tax liabilities	<u>(405,642)</u>	<u>(401,038)</u>
Deferred tax assets:		
Loss and credit carryovers	75,817	57,751
Lease transactions	30,043	32,986
Estimated accruals	88,823	52,868
Stock-based compensation	9,946	11,508
Insurance liability	11,105	11,396
Pension	11,953	10,254
Inventory	19,674	18,996
Investments in equity securities	1,282	1,282
Total deferred tax assets	<u>248,643</u>	<u>197,041</u>
Net deferred tax liabilities	<u>\$(156,999)</u>	<u>(203,997)</u>
Balance Sheet caption reported in:		
Prepaid expenses and other current assets	\$111,775	76,135
Deferred tax liabilities	(268,774)	(280,132)
Net deferred tax liabilities	<u>\$(156,999)</u>	<u>(203,997)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At April 28, 2012, the Company had federal and state net operating loss carryforwards (NOLs) of approximately \$86,000 that expire beginning in 2018 through 2022, the utilization of which is limited to approximately \$6,700 on an annual basis. Additionally, the Company had approximately \$37,000 of federal NOLs and \$134,000 of state NOLs that have no annual limitation and expire beginning in 2030 through 2031. These NOLs account for \$57,773 of the \$75,817 of loss and credit carryover deferred tax assets at April 28, 2012, with the remainder relating primarily to other state NOLs and federal credits.

As of April 28, 2012, the Company had \$17,032 of unrecognized tax benefits, all of which, if recognized, would affect the Company's effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits for fiscal 2012, fiscal 2011 and fiscal 2010 is as follows:

Balance at May 2, 2009	\$24,541
Additions for tax positions of the current period	2,457
Additions for tax positions of prior periods	2,563
Other reductions for tax positions of prior periods	(14,293)
Balance at May 1, 2010	<u>\$15,268</u>
Additions for tax positions of the current period	1,809
Additions for tax positions of prior periods	1,199
Reductions due to settlements	(508)
Other reductions for tax positions of prior periods	(1,053)
Balance at April 30, 2011	<u>\$16,715</u>
Additions for tax positions of prior periods	993
Reductions due to settlements	(228)
Other reductions for tax positions of prior periods	(448)
Balance at April 28, 2012	<u>\$17,032</u>

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of April 28, 2012 and April 30, 2011, the Company had accrued \$3,897 and \$3,236, respectively, for net interest and penalties, which is included in the \$17,032 and \$16,715 of unrecognized tax benefits noted above. The change in the amount accrued for net interest and penalties includes \$974 in additions for net interest and penalties recognized in income tax expense in the Company's fiscal 2012 statement of operations.

The Company is subject to U.S. federal income tax as well as income tax in jurisdictions of each state having an income tax. The tax years that remain subject to examination are primarily from fiscal 2007 and forward. Some earlier years remain open for a small minority of states.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Intangible Assets and Goodwill

	Useful Life	As of April 30, 2011		
		Gross Carrying	Accumulated	Total
		Amount	Amortization	
<u>Amortizable intangible assets</u>				
Customer relationships	5-25	\$ 257,410	\$(17,962)	\$239,448
Author contracts	10	18,461	(15,204)	3,257
Technology	5-10	5,850	(1,624)	4,226
Distribution contracts	10	8,325	(4,304)	4,021
Other	3-10	4,639	(3,924)	715
		<u>\$ 294,685</u>	<u>\$(43,018)</u>	<u>\$251,667</u>
<u>Unamortizable intangible assets</u>				
Trade name				\$293,400
Copyrights				175
Publishing contracts				21,336
				<u>\$314,911</u>

	Useful Life	As of April 28, 2012		
		Gross Carrying	Accumulated	Total
		Amount	Amortization	
<u>Amortizable intangible assets</u>				
Customer relationships	5-25	\$ 271,938	\$(32,398)	\$239,540
Author contracts	10	18,461	(17,049)	1,412
Technology	5-10	5,850	(2,427)	3,423
Distribution contracts	10	8,325	(4,932)	3,393
Other	3-10	6,178	(4,628)	1,550
		<u>\$ 310,751</u>	<u>\$(61,433)</u>	<u>\$249,318</u>
<u>Unamortizable intangible assets</u>				
Trade name				\$293,400
Publishing contracts				21,336
				<u>\$314,736</u>

All amortizable intangible assets are being amortized over their useful life on a straight-line basis, with the exception of certain items such as customer relationships and other acquired intangibles, which are amortized on an accelerated basis.

<u>Aggregate Amortization Expense:</u>	
For the 52 weeks ended April 28, 2012	\$18,415
For the 52 weeks ended April 30, 2011	\$14,512
For the 52 weeks ended May 1, 2010	\$11,350

<u>Estimated Amortization Expense:</u>	
(12 months ending on or about April 30)	
2013	\$19,464
2014	\$17,213
2015	\$13,277
2016	\$11,241
2017	\$10,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The changes in the carrying amount of goodwill by segment for fiscal 2012 are as follows:

	B&N Retail Segment	B&N College Segment	B&N.com Segment	NOOK Segment	Total Company
Balance as of May 1, 2010	\$254,471	274,070	–	–	\$528,541
Benefit of excess tax amortization (a)	–	–	(4,428)	–	(4,428)
Re-allocation of Goodwill (b)	(29,135)	–	29,135	–	–
Balance as of April 30, 2011	\$225,336	274,070	24,707	–	\$524,113
Benefit of excess tax amortization (a)	–	–	(4,428)	–	(4,428)
Re-allocation of Goodwill (c)	–	–	(20,279)	20,279	–
Balance as of April 28, 2012	\$225,336	274,070	–	20,279	\$519,685

- (a) The tax basis of goodwill arising from an acquisition during the 52 weeks ended January 29, 2005 exceeded the related basis for financial reporting purposes by approximately \$96,576. In accordance with ASC 740-10-30, *Accounting for Income Taxes*, the Company is recognizing the tax benefits of amortizing such excess as a reduction of goodwill as it is realized on the Company's income tax return.
- (b) Due to the increased focus on the internet and digital businesses, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, the Company determined that it has three operating segments: B&N Retail, B&N College and B&N.com. As a result of this evaluation, \$29,135 of goodwill was re-allocated between B&N Retail and B&N.com segments.
- (c) Prior to April 28, 2012, the Company reported an operating segment titled B&N.com, which included both its NOOK digital business and eCommerce operations. Due to the increased focus on the digital business and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012, the Company created a new segment titled NOOK to report upon its digital business, moving the eCommerce business into the B&N Retail segment. The Company's three operating segments are: B&N Retail, B&N College and NOOK. As a result of this evaluation, \$20,279 of goodwill was re-allocated between B&N.com and NOOK segments.

On October 17, 2011, the Company finalized the purchase of certain intellectual property assets from the Borders Group, Inc. Chapter 11 Bankruptcy for \$14,528 including acquisition related fees. These intellectual property assets include a customer list, trade names and URLs. The Company accounted for the transaction as an asset purchase, and these assets are included on its consolidated balance sheet as Intangible Assets. The intangible assets are being amortized on an accelerated basis over a three year period, commencing October 17, 2011. Amortization expense related to the acquisition of these assets for fiscal 2012 was \$3,935.

11. Microsoft Investment

On April 27, 2012, the Company entered into an investment agreement among the Company, Morrison Investment Holdings, Inc. (Morrison), and Microsoft Corporation (Microsoft) pursuant to which the Company will form a Delaware limited liability company (NewCo), and transfer to NewCo the Company's digital device, digital content and college bookstore businesses and NewCo will sell to Morrison, and Morrison will purchase, 300,000 convertible preferred membership interests in NewCo (Series A Preferred) for an aggregate purchase price of \$300,000.

Concurrently with its entry into this agreement, the Company has also entered into a commercial agreement with Microsoft, pursuant to which, among other things, NewCo will develop and distribute a Windows 8 application for e-reading and digital content purchases, and an intellectual property license and settlement agreement with Microsoft and Microsoft Licensing GP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The closing conditions are set forth in the definitive documents between the parties. While there can be no assurance that the transaction will close or close by a particular date certain, the Company is actively pursuing work in connection with the closing conditions and is working to try and complete the required conditions prior to the required date set forth in the definitive agreement.

Investment Agreement

Pursuant to the agreement, Microsoft would invest \$300,000 in NewCo in exchange for 300,000 Series A Preferred interest, representing approximately 17.6% of the common membership interest in NewCo on an as-converted basis. Following Microsoft's investment, the Company would retain the common membership interest in NewCo, representing approximately 82.4% of the common membership interests in NewCo (after giving effect to the conversion of the Series A Preferred interests into common membership interests).

Commercial Agreement

Under the commercial agreement, NewCo will develop certain applications for Windows 8 for purchasing the consumption of digital reading content. The commercial agreement also requires NewCo to use its good faith efforts to undertake an international expansion of the digital business.

As part of the commercial agreement, NewCo and Microsoft would share in the revenues, net of certain items, from digital content purchased from NewCo by customers using the NewCo Windows 8 applications or through certain Microsoft products and services that may be developed in the future and are designed to interact with the NewCo online bookstore. Microsoft will make certain nonrefundable advance payments to NewCo in connection with such revenue sharing. For each of the first three years after the launch of such application for Windows 8, these advance payments would be equal to \$60,000 per year. These advance payments would be subject to deferral under certain circumstances. Microsoft would also pay to NewCo \$25,000 each year for the first five years of the term for purposes of assisting NewCo in acquiring local digital reading content and technology development in the performance of NewCo's obligations under the commercial agreement.

Settlement and License Agreement

The patent agreement provides for Microsoft and its subsidiaries to license to the Company and its affiliates certain intellectual property in exchange for royalty payments based on sales of certain devices. Additionally, the Company and Microsoft will dismiss certain outstanding patent litigation between the Company, Microsoft and their respective affiliates in accordance with the settlement and license agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Liberty Investment

On August 18, 2011, the Company entered into an investment agreement between the Company and Liberty GIC, Inc. (Liberty), a subsidiary of Liberty Media Corporation, pursuant to which the Company issued and sold to Liberty, and Liberty purchased, 204,000 shares of the Company's Series J Preferred Stock, par value \$0.001 per share (Preferred Stock), for an aggregate purchase price of \$204,000, in a private placement exempt from the registration requirements of the 1933 Act. The shares of Preferred Stock will be convertible, at the option of the holders, into shares of Common Stock representing 16.6% of the Common Stock outstanding as of August 29, 2011, (after giving pro forma effect to the issuance of the Preferred Stock), based on the initial conversion rate. The initial conversion rate reflects an initial conversion price of \$17.00 and is subject to adjustment in certain circumstances. The initial dividend rate for the Preferred Stock is equal to 7.75% per annum of the initial liquidation preference of the Preferred Stock, to be paid quarterly and subject to adjustment in certain circumstances. The Preferred Stock is mandatorily redeemable on August 18, 2021 and may be redeemed at the discretion of the Company anytime after August 17, 2016. Starting August 18, 2013, if the closing price of the Common Stock exceeds 150% of the then-applicable conversion price of the Preferred Stock for 20 consecutive trading days, the Company may require conversion of all the Preferred Stock to Common Stock.

The holders of the Preferred Stock have the same voting rights as holders of the Company Common Stock and are entitled to elect one or two directors to the board of directors of the Company as long as certain Preferred Share ownership requirements are met.

The entry into the investment agreement and the issuance and sale of the Preferred Stock was approved by the Company's Board of Directors following a recommendation made by a Special Committee of the Board of Directors. The terms, rights, obligations and preferences of the Preferred Stock are set forth in a Certificate of Designations of the Company, which was filed with the Secretary of State of the State of Delaware on August 18, 2011. On August 18, 2011, the Company amended the Rights Agreement to reflect the issuance of the Preferred Stock.

The Preferred Stock does not meet the categories of ASC 480-10, *Distinguishing Liabilities from Equity*, and is therefore reported as temporary equity for classification purposes. The related issuance costs, which include advisory, legal and accounting fees, of \$12,621 were recorded in temporary equity as a reduction of the proceeds from the Liberty investment. The Company will be required to accrete these fees on a straight line basis as dividends over the ten year term. This is in line with ASC 480-10-S99 for SEC registrants, which requires shares to be classified outside of permanent equity as temporary equity or mezzanine equity when there are events not solely within the control of the issuer that could trigger redemption. The Company has determined that the various embedded options did not require bifurcation from the Preferred Stock. Additionally, the Company concluded that a beneficial conversion feature did not exist as the effective conversion price was greater than the Company's share price on the commitment date.

13. Acquisition of Noncontrolling Interest

Sterling Publishing had a 50% joint venture interest in Begin Smart LLC (Begin Smart), to develop, sell, and distribute books for infants, toddlers, and children under the brand name BEGIN SMART®. During fiscal 2011, the Company purchased the remaining 50% outside interest in Begin Smart for \$300. 100% of Begin Smart results of operations for the period subsequent to the Begin Smart acquisition date are included in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Acquisition of B&N College

On September 30, 2009, the Company completed the acquisition of B&N College from Leonard Riggio and Louise Riggio (Sellers) pursuant a Stock Purchase Agreement dated as of August 7, 2009 among the Company and the Sellers. Mr. Riggio is the Chairman of the Company's Board of Directors and a significant stockholder. As part of the transaction, the Company acquired the Barnes & Noble trade name that had been owned by B&N College and licensed to the Company.

On September 30, 2009, in connection with the closing of the Acquisition described above, the Company issued the Sellers (i) a senior subordinated note in the principal amount of \$100,000, payable in full on December 15, 2010, with interest of 8% per annum payable on the unpaid principal amount (the Senior Seller Note) and (ii) a junior subordinated note in the principal amount of \$150,000, payable in full on the fifth anniversary of the closing of the Acquisition, with interest of 10% per annum payable on the unpaid principal amount (the Junior Seller Note; and together with the Senior Seller Note, the Seller Notes). On December 22, 2009, the Company consented to the pledge and assignment of the Senior Seller Note by the Sellers as collateral security. The Senior Seller Note was paid on its scheduled due date, December 15, 2010.

The purchase price paid to the Sellers was \$596,000, consisting of \$346,000 in cash and \$250,000 in Seller Notes. However, the cash paid to the Sellers was reduced by \$82,352 in cash bonuses paid by B&N College to 192 members of its management team and employees, not including Leonard Riggio. The Company financed the Acquisition through \$250,000 of seller financing, \$150,000 from the 2009 Credit Facility and the remainder from both the Company's and B&N College's cash on hand.

Pursuant to a settlement agreed to on June 13, 2012 and described in Note 18, the Sellers have agreed to waive \$22,750 of the purchase price by waiving a corresponding principal amount (and interest on) of the Junior Seller Note, subject to receipt of court approval.

The Acquisition was accounted for as a business purchase pursuant to Accounting Standards Codification (ASC) 805, *Business Combinations* (ASC 805). Acquisition-related expenses totaled \$10,400 and have been recorded as selling and administrative expenses in the Company's consolidated statement of operations in fiscal 2010. As required by ASC 805-20, the Company allocated the purchase price to assets and liabilities based on their estimated fair value at the Acquisition date. The following table represents the allocation of the purchase price to the acquired net assets and resulting adjustment to goodwill:

Cash Paid	\$263,648
Seller Notes	250,000
Fair value of total consideration	<u>\$513,648</u>
Allocation of purchase price:	
Current assets	\$609,786
Non-current assets	114,683
Trade name	245,000
Customer relationships	255,000
Goodwill	<u>274,070</u>
Total assets acquired	\$1,498,539
Deferred taxes	234,631
Liabilities assumed	<u>750,260</u>
	<u>\$513,648</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Acquired intangible assets consisted primarily of the trade name and customer relationships.

Trade Name

The Company previously licensed the “Barnes & Noble” trade name from B&N College under certain agreements. The Acquisition gave the Company exclusive ownership of its trade name. The estimated fair value ascribed to the trade name of \$245,000 represents solely the estimated incremental value acquired as part of the Acquisition, which is not representative of the value of the “Barnes & Noble” trade name taken as a whole. The trade name has been classified as an unamortizable intangible asset.

Customer Relationships

The estimated fair value of customer relationships of B&N College is \$255,000. Customers are comprised of existing college and university contractual relationships at the date of the Acquisition.

Amortization of Fair Value Ascribed to Customer Relationships

Historical customer attrition rates imply a life of 50 years; however, the useful life was shortened to 25 years since the majority of the value of discounted cash flows are captured in this period. The \$255,000 is being amortized evenly over the 25-year period. The Company recorded \$10,200, \$10,200 and \$5,950 in amortization related to these intangibles during the 52 weeks ended April 28, 2012, April 30, 2011 and May 1, 2010, respectively.

The Company also recorded a short-term deferred tax liability of \$26,810 and a long-term deferred tax liability of \$207,821 related to the difference between the book basis and the tax basis of the net assets acquired. In addition, the Company stepped up the value of other assets and liabilities, resulting in goodwill of \$272,879, which is not deductible for income tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Shareholders' Equity

On November 17, 2009, the Board of Directors of the Company declared a dividend, payable to stockholders of record on November 27, 2009 of one right (a Right) per each share of outstanding Common Stock of the Company, par value \$0.001 per share (Common Stock), to purchase 1/1000th of a share of Series I Preferred Stock, par value \$0.001 per share, of the Company (the Preferred Stock), at a price of \$100.00 per share (such amount, as may be adjusted from time to time as provided in the Rights Agreement described below, the Purchase Price). In connection therewith, on November 17, 2009, the Company entered into a Rights Agreement, dated November 17, 2009 (as amended February 17, 2010, June 23, 2010, October 29, 2010 and August 18, 2011 and as may be further amended from time to time, the Rights Agreement) with Mellon Investor Services LLC, as Rights Agent. The Rights will be exercisable upon the earlier of (i) such date the Company learns that a person or group, without Board approval, acquires or obtains the right to acquire beneficial ownership of 20% or more of the Company's outstanding common stock or a person or group that already beneficially owns 20% or more of the Company's outstanding common stock at the time the Rights Agreement was entered into, without Board approval, acquires any additional shares (other than pursuant to the Company's compensation or benefit plans) (any person or group specified in this sentence, an Acquiring Person) and (ii) such date a person or group announces an intention to commence or following the commencement of (as designated by the Board) a tender or exchange offer which could result in the beneficial ownership of 20% or more of the Company's outstanding common stock. The Rights will expire on November 17, 2012, unless earlier redeemed or canceled by the Company. If a person or group becomes an Acquiring Person, each Rights holder (other than the Acquiring Person) will be entitled to receive, upon exercise of the Right and payment of the Purchase Price, that number of 1/1000ths of a share of Preferred Stock equal to the number of shares of Common Stock which at the time of the applicable triggering transaction would have a market value of twice the Purchase Price. In the event the Company is acquired in a merger or other business combination by an Acquiring Person, or 50% or more of the Company's assets are sold to an Acquiring Person, each Right will entitle its holder (other than an Acquiring Person) to purchase common shares in the surviving entity at 50% of the market price.

On May 15, 2007, the Company's Board of Directors authorized a stock repurchase program for the purchase of up to \$400,000 of the Company's common stock. The maximum dollar value of common stock that may yet be purchased under the current program is approximately \$2,471 as of April 28, 2012. 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. As of April 28, 2012, the Company has repurchased 33,722,264 shares at a cost of approximately \$1,058,282 under its stock repurchase programs. The repurchased shares are held in treasury.

16. Commitments and Contingencies

The Company leases retail stores, warehouse facilities, office space and equipment. Substantially all of the B&N Retail stores are leased under noncancelable agreements which expire at various dates through 2036 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for both minimum and percentage rentals and require the Company to pay insurance, taxes and other maintenance costs. Percentage rentals are based on sales performance in excess of specified minimums at various stores.

B&N College's contracts are typically for five to ten years, although some extend beyond ten years. Many contracts have a 90 to 120 day cancellation right by B&N College, or by the college or university, without penalty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Rental expense under operating leases is as follows:

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>
Minimum rentals	\$382,386	394,199	363,373
Percentage rentals	107,127	102,735	40,324
	<u>\$489,513</u>	<u>496,934</u>	<u>403,697</u>

Future minimum annual rentals, excluding percentage rentals, required under B&N Retail leases that had initial, noncancelable lease terms greater than one year, and under B&N College leases as of April 28, 2012 are:

<u>Fiscal Year</u>	<u>(a)</u>
2013	\$405,484
2014	357,907
2015	287,659
2016	238,840
2017	193,447
After 2017	464,397
	<u>\$1,947,734</u>

- (a) Includes B&N College capital lease obligations of \$1,005, \$1,000, \$744, \$234, \$20 and \$0 for 2013, 2014, 2015, 2016, 2017 and after 2017, respectively.

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

On June 26, 2008, the Company exercised its purchase option under a lease on one of its distribution facilities located in South Brunswick, New Jersey from the New Jersey Economic Development Authority. Under the terms of the lease expiring in June 2011, the Company purchased the distribution facility and equipment for approximately \$21,000. Subsequently, on December 29, 2011, the Company sold the distribution facility in South Brunswick, New Jersey for \$18,000, which resulted in a loss of \$2,178.

17. Segment Reporting

Prior to year-end, the Company reported an operating segment titled B&N.com which included both its digital business and eCommerce operations. Due to the increased focus on the digital business and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and has created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical merchandise over the Internet) into the B&N Retail segment. Also as a result of this assessment, certain corporate office and other costs have been allocated to all three segments. The Company's three operating segments are: B&N Retail, B&N College and NOOK.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B&N Retail

This segment includes 691 bookstores as of April 28, 2012, primarily under the Barnes & Noble Booksellers trade name. The 691 Barnes & Noble stores generally offer a NOOK® department/Boutique/Counter, a comprehensive trade book title base, a café, a Children's department, a Toys & Games department, a DVDs/BluRay department, a music department, a magazine department, and bargain department and a calendar of ongoing events, including author appearances and children's activities. The B&N Retail segment also includes the Company's eCommerce website, barnesandnoble.com, and the publishing operation, Sterling Publishing.

B&N College

This segment includes 647 stores as of April 28, 2012, that are primarily school-owned stores operated under contracts by B&N College. The 647 B&N College stores generally sell textbooks and course-related materials, emblematic apparel and gifts, trade books, computer products, NOOK® products and related accessories, school and dorm supplies, and convenience and café items.

NOOK

This segment represents the Company's digital business, including the development and support of the Company's NOOK product offerings. The digital business includes digital content such as eBooks, digital newsstand, apps and sales of NOOK® devices and accessories to third party distribution partners, B&N Retail and B&N College.

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

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<i>Sales by Segment</i>			
B&N Retail	\$4,852,913	\$4,926,834	\$4,947,469
B&N College (a)	1,743,662	1,778,159	833,648
NOOK	933,471	695,182	105,435
Elimination	(400,847)	(401,610)	(78,798)
Total	<u>\$7,129,199</u>	<u>\$6,998,565</u>	<u>\$5,807,754</u>

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<i>Sales by Product Line</i>			
Media (b)	66 %	70 %	80 %
Digital (c)	15 %	11 %	2 %
Other (d)	19 %	19 %	18 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<u>Depreciation and Amortization</u>			
B&N Retail	\$162,693	\$164,934	\$170,777
B&N College (a)	45,343	43,148	24,863
NOOK	24,631	20,565	12,134
Total	<u>\$232,667</u>	<u>\$228,647</u>	<u>\$207,774</u>

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<u>Operating Profit/(Loss)</u>			
B&N Retail	\$154,436	\$94,132	\$157,591
B&N College (a)	70,604	70,298	(3,713)
NOOK	(286,343)	(229,689)	(80,632)
Total	<u>\$(61,303)</u>	<u>\$(65,259)</u>	<u>\$73,246</u>

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<u>Capital Expenditures</u>			
B&N Retail	\$87,596	\$62,299	\$93,988
B&N College (a)	40,479	35,004	13,716
NOOK	35,477	13,199	20,075
Total	<u>\$163,552</u>	<u>\$110,502</u>	<u>\$127,779</u>

	As of April 28, 2012	As of April 30, 2011
<u>Total Assets (e)</u>		
B&N Retail	\$2,416,318	\$2,183,959
B&N College	972,860	1,170,891
NOOK	376,071	241,616
Total	<u>\$3,765,249</u>	<u>\$3,596,466</u>

- (a) Includes only the financial information of B&N College since the date of the Acquisition on September 30, 2009.
- (b) Includes tangible books, music, movies, rentals and newsstand.
- (c) Includes NOOK, related accessories, eContent and warranties.
- (d) Includes toys & games, café products, gifts and miscellaneous other.
- (e) Excludes intercompany balances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
Reportable segments operating profit (loss)	\$ (61,303)	\$ (65,259)	\$ 73,246
Interest expense, net and amortization of deferred financing costs	(35,304)	(57,350)	(28,237)
Consolidated income (loss) from continuing operations before taxes	<u>\$ (96,607)</u>	<u>\$ (122,609)</u>	<u>\$ 45,009</u>

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.

Minor v. Barnes & Noble Booksellers, Inc. et al.

On May 1, 2009, a purported class action complaint was filed against B&N Booksellers, Inc. in the Superior Court for the State of California alleging wage payments by instruments in a form that did not comply with the requirements of the California Labor Code, allegedly resulting in impermissible wage payment reductions and calling for imposition of statutory penalties. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

complaint also alleges a violation of the California Labor Code's Private Attorneys General Act and seeks restitution of such allegedly unpaid wages under California's unfair competition law, and an injunction compelling compliance with the California Labor Code. The complaint alleges two subclasses of 500 and 200 employees, respectively (there may be overlap among the subclasses), but contains no allegations concerning the number of alleged violations or the amount of recovery sought on behalf of the purported class. The Court granted preliminary approval of the settlement on November 22, 2011 and granted final approval of the settlement on April 6, 2012.

In re Barnes & Noble Stockholder Derivative Litigation (Consolidated Cases Formerly Captioned Separately as: Louisiana Municipal Police Employees Retirement System v. Riggio et al.; Southeastern Pennsylvania Transportation Authority v. Riggio et al.; City of Ann Arbor Employees' Retirement System v. Riggio et al.; Louise Schuman v. Riggio et al.; Virgin Islands Government Employees' Retirement System v. Riggio et al.; Electrical Workers Pension Fund, Local 103, I.B.E.W. v. Riggio et al.)

Between August 17, 2009 and August 31, 2009, five putative shareholder derivative complaints were filed in Delaware Court of Chancery against the Company's directors. The complaints generally allege breach of fiduciary duty, waste of corporate assets and unjust enrichment in connection with the Company's entry into a definitive agreement to purchase Barnes & Noble College Booksellers, which was announced on August 10, 2009 (the Transaction). The complaints generally seek damages in favor of the Company in an unspecified amount; costs, fees and interest; disgorgement; restitution; and equitable relief, including injunctive relief. On September 1, 2009, the Delaware Court of Chancery issued an Order of Consolidation consolidating the five lawsuits (the Consolidated Cases) and directing plaintiffs to file a consolidated amended complaint. In a related development, on August 27, 2009, the Company received a demand pursuant to Delaware General Corporation Law, Section 220, on behalf of the Electrical Workers Pension Fund, Local 103, I.B.E.W., a shareholder, seeking to inspect certain books and records related to the Transaction. On September 18, 2009, this shareholder filed a shareholder derivative complaint in Delaware Court of Chancery against certain of the Company's directors alleging breach of fiduciary duty and unjust enrichment and seeking to enjoin the consummation of the Transaction. On October 6, 2009, the plaintiffs in the Consolidated Cases filed a motion seeking to consolidate the later-filed sixth case with the Consolidated Cases. On November 3, 2009, a Consolidated Complaint was filed in the Consolidated Cases. On December 11, 2009, the court entered an order consolidating all actions and appointing co-lead counsel for plaintiffs. The Company and defendants filed motions to dismiss the Consolidated Complaint on January 12, 2010. Plaintiffs filed an Amended Consolidated Complaint on March 16, 2010. The Company and defendants filed motions to dismiss the Amended Consolidated Complaint on April 30, 2010. Plaintiffs filed their response to the motion to dismiss on June 2, 2010. Oral argument on the motions to dismiss was held on October 21, 2010. Following those arguments, the Court denied the Company's motion to dismiss, denied in part and granted in part the motion to dismiss filed by Defendants Leonard Riggio, Stephen Riggio and Lawrence Zilavy, and denied in part and granted in part the motion to dismiss filed by the remaining defendants, dismissing all claims asserted against Directors George Campbell, Jr. and Patricia Higgins. All defendants except Leonard Riggio moved for summary judgment on December 21, 2011. Briefing on those motions was completed by March 2, 2012. The Court ruled on those motions on March 27, 2012, denying summary judgment as to Defendants Lawrence Zilavy and Michael Del Giudice and granting summary judgment as to, and dismissing all claims against, Defendants Stephen Riggio, Irene R. Miller, Margaret T. Monaco and William Dillard, II. On June 13, 2012, all remaining defendants agreed to settle all remaining claims, subject to receipt of court approval (the Settlement). In the Settlement, the sellers in the Transaction have agreed to waive \$22,750 of the purchase price by waiving a corresponding principal amount (and interest on) of the Junior Seller Note issued by the Company to the sellers as part of the purchase price of the Transaction. If the Settlement Agreement is approved by the Delaware Court of Chancery, the Consolidated Cases will be dismissed, on the merits, with prejudice. Upon approval, the \$22,750 reduction in purchase price will be recorded as a credit to additional paid in capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Whitney Parker v. Leonard Riggio, et al. (formerly Stephen Strugala v. Leonard Riggio, et al.)

On December 21, 2010, a complaint was filed in the United States District Court for the Southern District of New York by Stephen Strugala against the Company's current directors and former directors Lawrence Zilavy and Michael Del Giudice. The complaint is purportedly brought both directly, on behalf of a putative class of shareholders, and derivatively, on behalf of the Company. The complaint generally alleges breaches of fiduciary duties, waste and unjust enrichment in connection with the Company's acquisition of Barnes & Noble College Booksellers, the adoption of the Shareholder Rights Plan, and other unspecified instances of alleged mismanagement and alleged wrongful conduct. The complaint also generally alleges violations of Section 14(a) of the 1934 Act in connection with the issuance of various proxy statements by the Company. The complaint generally seeks declaratory and equitable relief, including injunctive relief, and costs and fees. On January 19, 2011, the Court granted the parties' Stipulation and Order. On February 18, 2011, the plaintiff filed a Notice of Voluntary Dismissal of Claim, dismissing without prejudice his putative class claim for violations of Section 14(a) of the 1934 Act. On March 8, 2011, defendants filed a motion to dismiss all claims in the litigation. On October 4, 2011, the Court granted defendants' motion to dismiss, but also granted plaintiff leave to replead within 30 days. On November 3, 2011, plaintiff requested a pre-motion conference with the Court to discuss an anticipated motion to substitute a new plaintiff, Ms. Whitney Parker, for Mr. Strugala, and simultaneously filed an amended complaint on behalf of Ms. Parker containing substantially the same claims asserted in Mr. Strugala's original complaint. The Court held a pre-motion conference on December 9, 2011, at which the parties agreed that Ms. Parker could be substituted for Mr. Strugala without prejudice to any of defendants' rights. On January 20, 2012, defendants moved to dismiss the amended complaint. Briefing on that motion was completed on May 4, 2012.

Lina v. Barnes & Noble, Inc., and Barnes & Noble Booksellers, Inc. et al.

On August 5, 2011, a purported class action complaint was filed against Barnes & Noble, Inc. and Barnes & Noble Booksellers, Inc. in the Superior Court for the State of California making the following allegations against defendants with respect to salaried Store Managers at Barnes & Noble stores located in the State of California from the period of August 5, 2007 to present: (1) failure to pay wages and overtime; (2) failure to pay for missed meal and/or rest breaks; (3) waiting time penalties; (4) failure to pay minimum wage; (5) failure to provide reimbursement for business expenses; and (6) failure to provide itemized wage statements. The claims are generally derivative of the allegation that these salaried managers were improperly classified as exempt from California's wage and hour laws. The complaint contains no allegations concerning the number of any such alleged violations or the amount of recovery sought on behalf the purported class. The Company was served with the complaint on August 11, 2011. On August 30, 2011, the Company filed an answer in state court, and on August 31, 2011 it removed the action to federal court pursuant to the Class Action Fairness Act of 2005, 28 U.S.C. § 1332(d). On October 28, 2011, the district court granted plaintiff's motion to remand the action back to state court, over the Company's opposition. On November 7, 2011, the Company petitioned the Ninth Circuit for an appeal of the district court's remand order. The Ninth Circuit affirmed the district court's remand order on May 18, 2012.

Barnes & Noble, Inc. and Barnesandnoble.com llc v. LSI Corporation and Agere Systems, Inc.

On June 6, 2011, Barnes & Noble, Inc. filed a complaint against LSI Corporation (LSI) in the United States District Court for the Northern District of California, Case No. 11-CV-2709 EMC. The complaint

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

sought a declaratory judgment that Barnes & Noble, Inc. does not infringe U.S. Patent Nos. 5,546,420; 5,670,730; 5,862,182; 5,920,552; 6,044,073; 6,119,091; 6,404,732; 6,452,958; 6,707,867 and 7,583,582. Barnes & Noble, Inc. amended the complaint on August 10, 2011 to add barnesandnoble.com llc as a plaintiff, to add Agere Systems, Inc. (Agere) as a defendant, to add a cause of action seeking a declaratory judgment that neither Barnes & Noble, Inc. nor barnesandnoble.com llc infringes U.S. Patent No. 7,477,633, and to add causes of action seeking a declaratory judgment that each of the eleven patents-in-suit is invalid. On November 1, 2011, LSI and Agere answered the amended complaint and asserted counterclaims against Barnes & Noble, Inc. and barnesandnoble.com llc, alleging infringement of the eleven patents-in-suit. On November 28, 2011, Barnes & Noble, Inc. and barnesandnoble.com llc answered the counterclaims and asserted several affirmative defenses, including the defense that seven of the patents-in-suit are unenforceable as a result of standard-setting misconduct. The Court has set certain pretrial dates in the case, including a claim construction hearing on March 12, 2013. The Court has not yet set a trial date in the case.

Dustin Torrez, an individual, on behalf of himself and all others similarly situated v. Barnes & Noble, Inc.

On October 11, 2011, a complaint was filed in the Superior Court for the State of California, County of San Francisco against the Company. The complaint is styled as a California state-wide class action. It alleges violations of California Civil Code section 1747.08 (the Song-Beverly Credit Card Act of 1971) due to the Company's alleged improper requesting and recording of zip codes from California customers who used credit cards as payment. The Summons and Complaint have not been served on the Company.

Kevin Khoa Nguyen, an individual, on behalf of himself and all others similarly situated v. Barnes & Noble, Inc.

On April 17, 2012, a complaint was filed in the Superior Court for the State of California, County of Orange against the Company. The complaint is styled as a nationwide class action and includes a California state-wide subclass based on alleged cancellations of orders for HP TouchPad Tablets placed on the Company's website in August 2011. The lawsuit alleges claims for unfair business practices and false advertising under both New York and California state law, violation of the Consumer Legal Remedies Act under California law, and breach of contract. The complaint demands specific performance of the alleged contracts to sell HP TouchPad Tablets at a specified price, injunctive relief, and monetary relief, but does not specify an amount. The Company submitted its initial response to the complaint on May 18, 2012.

19. Certain Relationships and Related Transactions

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

proposed transaction, the Company's rationale for entering the transaction and the terms of comparable transactions with unrelated third parties. In addition, management and internal audit annually analyzes all existing related party agreements and transactions and reviews them with the Audit Committee.

The Company completed the Acquisition of B&N College from Leonard Riggio and Louise Riggio (Sellers) on September 30, 2009 (see Note 14). Mr. Riggio is the Chairman of the Company's Board of Directors and a significant stockholder. The Company is a party to a Stock Purchase Agreement dated as of August 7, 2009 among the Company and the Sellers. As part of the Acquisition, the Company acquired the Barnes & Noble trade name that had been owned by B&N College and licensed to the Company (described below). The purchase price paid to the Sellers was \$596,000, consisting of \$346,000 in cash and \$250,000 in Seller Notes (described below). However, the cash paid to the Sellers was reduced by approximately \$82,352 in cash bonuses paid by B&N College to 192 members of its management team and employees (Bonus Recipients), not including Leonard Riggio. Pursuant to the terms of the Purchase Agreement, prior to the closing of the Acquisition, B&N College distributed to the Sellers certain assets that are not related to B&N College's core business, including common stock in the Company. In connection with such distribution, 667,058 shares of the common stock in the Company previously held by B&N College were transferred to certain of the Bonus Recipients. The Company financed the Acquisition through \$250,000 of Seller Notes, \$150,000 from the 2009 Credit Facility and the remainder from both the Company's and B&N College's cash on hand.

In connection with the closing of the Acquisition, the Company issued the Sellers (i) a senior subordinated note in the principal amount of \$100,000, payable in full on December 15, 2010, with interest of 8% per annum payable on the unpaid principal amount (the Senior Seller Note), and (ii) a junior subordinated note in the principal amount of \$150,000 (the Junior Seller Note), payable in full on the fifth anniversary of the closing of the Acquisition, with interest of 10% per annum payable on the unpaid principal amount. The Senior Seller Note was paid on its scheduled due date, December 15, 2010. The Senior Seller Note was unsecured and subordinated to the obligations under the 2009 Credit Facility and certain other senior obligations. The Company had the right to prepay the Senior Seller Note at any time without premium or penalty to the extent not prohibited by senior debt documents, provided that the Company did not have the right to prepay the Junior Seller Note until the Senior Seller Note had been repaid in full. On December 22, 2009, the Company consented to the pledge and assignment of the Senior Seller Note by the Sellers as collateral security. The Junior Seller Note was and is unsecured and subordinated to the obligations under the 2009 Credit Facility, the 2011 Amended Credit Facility and the 2012 Amended Credit Facility, as applicable, as well as certain other senior obligations. The Company may prepay the Junior Seller Note at any time without premium or penalty to the extent not prohibited by the 2012 Amended Credit Facility and senior debt documents. Pursuant to a settlement agreed to on June 13, 2012 and described in Note 18, the Sellers have agreed to waive \$22,750 of the purchase price by waiving a corresponding principal amount (and interest on) of the Junior Seller Note, subject to receipt of court approval.

Also in connection with the Acquisition, and as set forth in the Purchase Agreement, B&N College made a tax distribution payment of \$54,997 to the Sellers related to taxes imposed on the Sellers' pro rata share of B&N College S corporation taxable earnings from January 1, 2009 through the date of Acquisition.

The Company paid COBRA benefits for certain former employees and family members that were on the B&N College health benefit plan (prior to the Acquisition). Leonard Riggio has reimbursed the Company \$140 to cover such costs, based upon standard COBRA rates, for the period subsequent to Acquisition through fiscal 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In connection with the Acquisition, B&N College and the Company amended and restated B&N College's existing long-term supply agreement (Supply Agreement) with MBS Textbook Exchange, Inc. (MBS), which is majority owned by Leonard Riggio, Stephen Riggio (formerly the Company's Vice Chairman and Chief Executive Officer) and other members of the Riggio family. MBS is a new and used textbook wholesaler, which also sells textbooks online and provides bookstore systems and distant learning distribution services. Pursuant to the Supply Agreement, which has a term of ten years, and subject to availability and competitive terms and conditions, B&N College will continue to purchase new and used printed textbooks for a given academic term from MBS prior to buying them from other suppliers, other than in connection with student buy-back programs. MBS pays B&N College commissions based on the volume of textbooks sold to MBS each year and with respect to the textbook requirements of certain distance learning programs that MBS fulfills on B&N College's behalf. MBS paid B&N College \$10,941, \$13,031 and \$7,014 related to these commissions in fiscal 2012, fiscal 2011 and fiscal 2010 from the date of Acquisition, respectively. In addition, the Supply Agreement contains restrictive covenants that limit the ability of B&N College and the Company to become a used textbook wholesaler and that place certain limitations on MBS's business activities. B&N College and Barnes & Noble.com also entered into an agreement with MBS in fiscal 2011 pursuant to which MBS agrees to purchase at the end of a given semester certain agreed upon textbooks which B&N College and Barnes & Noble.com shall have rented to students during such semester. Total sales to MBS under this program were \$13,339 and \$506 for fiscal 2012 and fiscal 2011, respectively. In addition, B&N College entered into an agreement with MBS in fiscal 2011 pursuant to which MBS purchases books from B&N College, which have no resale value for a flat rate per box. Total sales to MBS under this program were \$364 and \$427 for fiscal 2012 and fiscal 2011, respectively.

The Company purchases new and used textbooks at market prices directly from MBS. Total purchases were \$101,980, \$102,573 and \$24,186 for fiscal 2012, fiscal 2011 and fiscal 2010, respectively. MBS sells used books through the Barnes & Noble.com dealer network. Barnes & Noble.com earned a commission of \$4,661, \$5,474 and \$3,115 on the MBS used book sales in fiscal 2012, fiscal 2011 and fiscal 2010, respectively. In addition, Barnes & Noble.com hosts pages on its website through which Barnes & Noble.com customers are able to sell used books directly to MBS. Barnes & Noble.com is paid a fixed commission on the price paid by MBS to the customer. Total commissions paid to Barnes & Noble.com were \$160, \$184 and \$172 for fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

In fiscal 2010, the Company's wholly owned subsidiary Barnes & Noble Bookquest LLC (Bookquest) entered into an agreement with TXTB.com LLC (TXTB), a subsidiary of MBS, pursuant to which the marketplace database of third party sellers on the Barnes & Noble.com website was made available on the TXTB website. In fiscal 2012, Bookquest was merged into Barnes & Noble.com. Barnes & Noble.com receives a fee from third party sellers for sales of marketplace items and, upon receipt of such fee, Barnes & Noble.com remits a separate fee to TXTB for any marketplace items sold on the TXTB website. Total commissions paid to TXTB were \$559, \$775 and \$0 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Outstanding amounts payable to TXTB were \$6, \$8 and \$33 for fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

In fiscal 2011, Barnes & Noble.com entered into an agreement with TXTB pursuant to which Barnes & Noble.com became the exclusive provider of trade books to TXTB customers through www.textbooks.com. TXTB receives a commission from Barnes & Noble.com on each purchase by a TXTB customer. Total commissions paid to TXTB were \$148 and \$0 during fiscal 2012 and fiscal 2011. Outstanding amounts payable to TXTB were \$1 and \$4 for fiscal 2012 and fiscal 2011.

Prior to the Acquisition, the Company licensed the "Barnes & Noble" name under a royalty-free license agreement dated February 11, 1987, as amended, from B&N College. Barnes & Noble.com licensed the "Barnes & Noble" name under a royalty-free license

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

agreement, dated October 31, 1998, as amended, between Barnes & Noble.com and B&N College (the License Agreement). Pursuant to the License Agreement, Barnes & Noble.com had been granted an exclusive license to use the “Barnes & Noble” name and trademark in perpetuity for the purpose of selling books over the Internet (excluding sales of college textbooks). Under a separate agreement dated as of January 31, 2001 (the Textbook License Agreement), between Barnes & Noble.com, B&N College and Textbooks.com, Barnes & Noble.com was granted the right to sell college textbooks over the Internet using the “Barnes & Noble” name. Pursuant to the Textbook License Agreement, Barnes & Noble.com paid Textbooks.com a royalty on revenues (net of product returns, applicable sales tax and excluding shipping and handling) realized by Barnes & Noble.com from the sale of books designated as textbooks. Royalty expense was \$3,431 during fiscal 2010 prior to the Acquisition, under the terms of the Textbook License Agreement. During fiscal 2010, subsequent to the closing of the Acquisition, Textbooks.com paid \$146 to B&N College for funds that were received by Textbooks.com and were earned by B&N College. In connection with the closing of the Acquisition, the Company terminated the Textbook License Agreement and as a result no longer pays a royalty with respect to online textbook sales.

In fiscal 2010, the Company entered into an Aircraft Time Sharing Agreement with LR Enterprises Management LLC (LR Enterprises), which is owned by Leonard Riggio and Louise Riggio, pursuant to which LR Enterprises granted the Company the right to use a jet aircraft owned by it on a time-sharing basis in accordance with, and subject to the reimbursement of certain operating costs and expenses as provided in, the Federal Aviation Regulations (FAR). Such operating costs were \$1,015, \$932 and \$429 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. LR Enterprises is solely responsible for the physical and technical operation of the aircraft, aircraft maintenance and the cost of maintaining aircraft liability insurance, other than insurance obtained for the specific flight as requested by the Company, as provided in the FAR. Prior to the Acquisition, the Company used a jet aircraft owned by B&N College and paid for the costs and expenses of operating the aircraft based upon the Company’s usage. Such costs which included fuel, insurance and other costs were \$113 during fiscal 2010 prior to the Acquisition, and were included in the accompanying consolidated statements of operations.

The Company has leases for two locations for its corporate offices with related parties: the first location is leased from an entity in which Leonard Riggio has a majority interest and expires in 2013; the second location is leased from an entity in which Leonard Riggio has a minority interest and expires in 2016. The space was rented at an aggregate annual rent including real estate taxes of approximately \$4,843, \$4,868 and \$4,889 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

The Company leases one of its B&N College stores from a partnership owned by Leonard and Stephen Riggio, pursuant to a lease expiring in 2014. Rent of \$862, \$862 and \$512 was paid during fiscal 2012, fiscal 2011 and fiscal 2010 from the date of the Acquisition, respectively.

The Company leases an office/warehouse from a partnership in which Leonard Riggio has a 50% interest, pursuant to a lease expiring in 2023. The space was rented at an annual rent of \$759, \$763 and \$759 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Net of subtenant income, the Company paid \$376, \$246 and \$241 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

Prior to the Acquisition, the Company leased retail space in a building in which B&N College subleased space from the Company, pursuant to a sublease expiring in 2020. Pursuant to such sublease, the Company charged B&N College \$347 for such subleased space and other operating costs incurred on its behalf during fiscal year 2010 prior to the Acquisition. The amount paid by B&N College to the Company exceeded the cost per square foot paid by the Company to its unaffiliated third-party landlord.

Prior to the Acquisition, the Company reimbursed B&N College certain operating costs B&N College incurred on the Company’s behalf. These charges were \$71 during fiscal 2010 prior to the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Acquisition. Prior to the Acquisition, B&N College purchased inventory, at cost plus an incremental fee, of \$25,187 from the Company during fiscal 2010 prior to the Acquisition. Also prior to the Acquisition, B&N College reimbursed the Company \$2,700 for fiscal year 2010 prior to the Acquisition for capital expenditures, business insurance and other operating costs incurred on its behalf.

GameStop Corp. (GameStop), a company in which Leonard Riggio was a member of the Board of Directors and is a minority shareholder, operates departments within some of the Company's bookstores. GameStop pays a license fee to the Company in an amount equal to 7% of the gross sales of such departments, which totaled \$871, \$989 and \$1,061 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. GameStop sold new and used video games and consoles on the Barnes & Noble.com website up until May 1, 2011, when the agreement between GameStop and Barnes & Noble.com terminated. Barnes & Noble.com received a commission on sales made by GameStop. For fiscal 2012, fiscal 2011 and fiscal 2010, the commission earned by Barnes & Noble.com was \$1 (from residual activity after the agreement terminated), \$356 and \$334, respectively. Until June 2005, GameStop participated in the Company's workers' compensation, property and general liability insurance programs. The costs incurred by the Company under these programs were allocated to GameStop based upon GameStop's total payroll expense, property and equipment, and insurance claim history. GameStop reimbursed the Company for these services \$3, \$51 and \$128 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Although GameStop secured its own insurance coverage, costs are continuing to be incurred by the Company on insurance claims which were made under its programs prior to June 2005 and any such costs applicable to insurance claims against GameStop will be charged to GameStop at the time incurred.

The Company is provided with national freight distribution, including trucking services by Argix Direct Inc. (Argix), a company in which a brother of Leonard and Stephen Riggio owns a 20% interest, pursuant to a transportation agreement expiring in 2014 (following an automatic renewal of the agreement by its terms in 2012 for an additional two-year term, although at all times the agreement requires a two-year notice to terminate). The Company paid Argix \$14,414, \$15,890 and \$16,536 for such services during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. At the time of the agreement, the cost of freight delivered to the stores by Argix was comparable to the prices charged by publishers and the Company's other third party freight distributors. However, due to higher contracted fuel surcharge and transportation costs, Argix's rates were higher than the Company's other third party freight distributors. As a result, the Company amended its existing agreement with Argix effective January 1, 2009. The amendment provides the Company with a \$3,000 annual credit to its freight and transportation costs for the remaining life of the existing agreement. The \$3,000 annual credit expired with the April 1, 2012 renewal of the agreement. Argix provides B&N College with transportation services under a separate agreement that expired and was renewed in 2011. The renewed agreement expires in 2013. The Company believes that the transportation costs that B&N College paid to Argix are comparable to the transportation costs charged by third party distributors. B&N College paid Argix \$1,294, \$1,477 and \$658 for such services during fiscal 2012, fiscal 2011 and fiscal 2010 from the date of Acquisition, respectively. Argix also leased office and warehouse space from the Company in Jamesburg, New Jersey, pursuant to a lease expiring in 2011. This lease was renewed for additional space in 2011. However, the Company subsequently sold the warehouse on December 29, 2011 (see Note 16). The Company charged Argix \$1,514, \$2,719 and \$2,646 for such leased space and other operating costs incurred on its behalf prior to the sale of the warehouse during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

The Company used Source Interlink Companies, Inc. (Source Interlink) as its primary supplier of music and DVD/video, as well as magazines and newspapers. Leonard Riggio is an investor in an investment company that formerly owned a minority interest in Source Interlink. Pursuant to the confirmation order of the United States Bankruptcy Court of the District of Delaware, as of June 19, 2009 (the Discharge Date) the equity interests held by the then owners of Source Interlink were discharged,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

cancelled, released and extinguished. The Company paid Source Interlink \$33,979 for merchandise purchased at market prices during fiscal 2010 prior to the Discharge Date. In addition, Source Interlink purchases certain data related to magazine sales of the Company. Source Interlink paid the Company \$20 during fiscal 2010 prior to the Discharge Date.

The Company uses Digital on Demand as its provider of music and video database equipment and services. Leonard Riggio owns a minority interest in Digital on Demand through the same investment company through which he owned a minority interest in Source Interlink. The Company paid Digital on Demand \$185, \$1,932 and \$2,593 for music and video database equipment and services during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. This agreement was terminated on May 31, 2011.

On August 18, 2011, the Company entered into an investment agreement between the Company and Liberty GIC, Inc. (Liberty), a subsidiary of Liberty Media Corporation (Liberty Media), pursuant to which the Company issued and sold to Liberty, and Liberty purchased, 204,000 shares of the Company's Series J Preferred Stock, par value \$0.001 per share, for an aggregate purchase price of \$204,000 in a private placement exempt from the registration requirements of the 1933 Act (see Note 12).

In fiscal 2012, the Company entered into agreements with third parties who sell Barnes & Noble products through QVC and Home Shopping Network (HSN), affiliates of Liberty Media. The Liberty entity that indirectly holds the Barnes & Noble investment (Liberty Media) is a separate public company from the Liberty entity that owns QVC and HSN (Liberty Interactive). Liberty Media was split-off (the Split-Off) from Liberty Interactive on September 28, 2011. No products were sold to the third parties from August 18, 2011, the date of the investment through the date of the Split-Off. The Company purchases trade books, primarily craft/hobbies, from Leisure Arts, Inc. (Leisure Arts), a subsidiary of Liberty Interactive. Total purchases from Leisure Arts following the date of the Liberty investment and prior to the date of the Split-Off were \$16. The Company also purchases Halloween costumes from BuySeasons Inc. (BuySeasons), a subsidiary of Liberty Interactive. Total purchases from BuySeasons following the date of the Liberty investment and prior to the date of the Split-Off were \$33. On July 19, 2011, the Company renewed a one-year contract with Commerce Technologies, Inc. (Commerce Hub), a subsidiary of Liberty Interactive, who provides services to help facilitate and integrate sales with drop-ship vendors. Total fees paid to Commerce Hub following the date of the Liberty investment and prior to the date of the Split-Off were \$22. The Company purchases textbooks from AI2, Inc. (AI2), a subsidiary of Liberty Interactive. There were no purchases from AI2 following the date of the Liberty investment and prior to the date of the Split-Off. The Company paid commissions to Liberty Interactive Advertising (LIA), a subsidiary of Liberty Interactive, who serves as the exclusive premium advertising sales agency for the Company. Total commissions paid to LIA following the date of the Liberty investment and prior to the date of the Split-Off were \$5.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**20. Dividends**

The Company paid a dividend to preferred shareholders in the amount of \$7,081 in fiscal 2012.

During fiscal 2011, the Company paid a dividend of \$0.25 per share on June 30, 2010 to stockholders of record at the close of business on June 11, 2010, on September 30, 2010 to stockholders of record at the close of business on September 9, 2010 and on December 31, 2010 to stockholders of record at the close of business on December 10, 2010. On February 22, 2011, the Company announced that its Board of Directors was suspending its quarterly dividend payment of \$0.25 per share. This provided the Company the financial flexibility to continue investing into its high growth digital strategies.

During fiscal 2010, the Company paid quarterly cash dividends of \$0.25 per share on June 30, 2009 to stockholders of record at the close of business on June 9, 2009, on September 30, 2009 to stockholders of record at the close of business on September 9, 2009, on December 31, 2009 to stockholders of record at the close of business on December 10, 2009 and on March 31, 2010 to stockholders of record at the close of business on March 10, 2010.

21. Selected Quarterly Financial Information (Unaudited)

A summary of quarterly financial information for fiscal 2012, fiscal 2011 and fiscal 2010 is as follows:

Fiscal 2012 Quarter Ended	July On or About	October 2011	January 2012	April 2012	Total Fiscal Year 2012
Sales	\$1,418,404	1,891,961	2,439,124	1,379,710	7,129,199
Gross profit	\$387,558	471,664	652,816	398,778	1,910,816
Net earnings (loss) attributable to Barnes & Noble, Inc.	\$(56,606)	(6,563)	52,031	(57,729)	(68,867)
Basic earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(0.99)	(0.17)	0.78	(1.08)	(1.41)
Diluted earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(0.99)	(0.17)	0.71	(1.08)	(1.41)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Fiscal 2011 Quarter Ended	July	October	January	April	Total
On or About	2010	2010	2011	2011	Fiscal Year 2011
Sales	\$1,395,842	1,904,146	2,323,780	1,374,797	6,998,565
Gross profit	\$351,700	450,120	613,672	377,362	1,792,853
Net earnings (loss) attributable to Barnes & Noble, Inc.	\$(62,518)	(12,568)	60,583	(59,416)	(73,920)
Basic earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(1.12)	(0.22)	1.01	(1.04)	(1.31)
Diluted earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(1.12)	(0.22)	1.00	(1.04)	(1.31)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Barnes & Noble, Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Barnes & Noble, Inc., as of April 28, 2012 and April 30, 2011 and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three fiscal years ended April 28, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Barnes & Noble, Inc. as of April 28, 2012 and April 30, 2011 and the results of its operations and its cash flows for each of the three fiscal years ended April 28, 2012, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Barnes & Noble, Inc.'s internal control over financial reporting as of April 28, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated June 27, 2012 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP

New York, New York
June 27, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Barnes & Noble, Inc.
New York, New York

We have audited Barnes & Noble, Inc.' s internal control over financial reporting as of April 28, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Barnes & Noble, Inc.' s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management' s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the company' s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company' s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company' s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company' s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Barnes & Noble, Inc. maintained, in all material respects, effective internal control over financial reporting as of April 28, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Barnes & Noble, Inc. as of April 28, 2012 and April 30, 2011 and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the three fiscal years ended April 28, 2012, and our report dated June 27, 2012 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP

New York, New York

June 27, 2012

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MANAGEMENT' S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

MANAGEMENT' S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Barnes & Noble, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company' s internal control over financial reporting based on the framework in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the Company' s evaluation, management concluded that the Company' s internal control over financial reporting was effective as of April 28, 2012. The Company' s internal control over financial reporting as of April 28, 2012 has been independently audited by BDO USA, LLP, an independent registered public accounting firm, and their attestation is included herein.

OTHER INFORMATION

The Company has included the Section 302 certifications of the Chief Executive Officer and the Chief Financial Officer of the Company as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for fiscal 2012 filed with the Securities and Exchange Commission, and the Company has submitted to the New York Stock Exchange a certificate of the Chief Executive Officer of the Company certifying that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

Subsidiaries of Barnes & Noble, Inc.

1. Barnes & Noble Booksellers, Inc., a Delaware corporation.
2. Barnes & Noble College Booksellers, LLC, a Delaware limited liability company.
3. Barnes & Noble International LLC, a Delaware limited liability company.
4. Barnes & Noble Marketing Services Corp., a Florida corporation.
5. Barnes & Noble Marketing Services LLC, a Virginia limited liability company.
6. Barnes & Noble Purchasing, Inc., a New York corporation.
7. Barnes & Noble Services, Inc., a New York corporation.
8. barnesandnoble.com llc, a Delaware limited liability company.
9. Sterling Publishing Co., Inc., a New York corporation.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Barnes & Noble, Inc.
New York, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-23855, No. 333-69731, No. 33-84826 and No. 33-89258) and Form S-8 (No. 333-27033, No. 33-89260, No. 333-90538, No. 333-116382, No. 333-59111 and No. 333-160560) of Barnes & Noble, Inc. of our reports dated June 27, 2012, relating to the consolidated financial statements and the effectiveness of Barnes & Noble, Inc.' s internal control over financial reporting, which appear in the Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated June 27, 2012 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ BDO USA, LLP

New York, New York

June 27, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Barnes & Noble, Inc.

The audits referred to in our report dated June 27, 2012 relating to the consolidated financial statements of Barnes & Noble, Inc., which is incorporated in Item 8 of this Form 10-K by reference to the annual report to stockholders for the year ended April 28, 2012 also included the audit of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ BDO USA, LLP

New York, New York

June 27, 2012

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

I, William J. Lynch, Jr., certify that:

1. I have reviewed this report on Form 10-K of Barnes & Noble, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 27, 2012

By: /s/ William J. Lynch, Jr.

William J. Lynch, Jr.
Chief Executive Officer
Barnes & Noble, Inc.

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

I, Michael P. Huseby, certify that:

1. I have reviewed this report on Form 10-K of Barnes & Noble, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 27, 2012

By: /s/ Michael P. Huseby

Michael P. Huseby
Chief Financial Officer
Barnes & Noble, Inc.

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

In connection with the annual report of Barnes & Noble, Inc. (the "Company") on Form 10-K for the period ended April 28, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Lynch, Jr., 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/ William J. Lynch, Jr.

William J. Lynch, Jr.
Chief Executive Officer
Barnes & Noble, Inc.
June 27, 2012

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.

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

In connection with the annual report of Barnes & Noble, Inc. (the "Company") on Form 10-K for the period ended April 28, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. Huseby, Chief Financial 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/ Michael P. Huseby

Michael P. Huseby
Chief Financial Officer
Barnes & Noble, Inc.
June 27, 2012

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.

**Intangible Assets and
Goodwill (Tables)**

**12 Months Ended
Apr. 28, 2012**

Amortizable Intangible Assets
and Unamortizable Intangible
Assets

Amortizable intangible assets	Useful Life	As of April 30, 2011		
		Gross Carrying	Accumulated	Total
		Amount	Amortization	
Customer relationships	5-25	\$ 257,410	\$ (17,962)	\$239,448
Author contracts	10	18,461	(15,204)	3,257
Technology	5-10	5,850	(1,624)	4,226
Distribution contracts	10	8,325	(4,304)	4,021
Other	3-10	4,639	(3,924)	715
		<u>\$ 294,685</u>	<u>\$(43,018)</u>	<u>\$251,667</u>
<u>Unamortizable intangible assets</u>				
Trade name				\$293,400
Copyrights				175
Publishing contracts				21,336
				<u>\$314,911</u>

Amortizable intangible assets	Useful Life	As of April 28, 2012		
		Gross Carrying	Accumulated	Total
		Amount	Amortization	
Customer relationships	5-25	\$ 271,938	\$ (32,398)	\$239,540
Author contracts	10	18,461	(17,049)	1,412
Technology	5-10	5,850	(2,427)	3,423
Distribution contracts	10	8,325	(4,932)	3,393
Other	3-10	6,178	(4,628)	1,550
		<u>\$ 310,751</u>	<u>\$(61,433)</u>	<u>\$249,318</u>
<u>Unamortizable intangible assets</u>				
Trade name				\$293,400
Publishing contracts				21,336
				<u>\$314,736</u>

All amortizable intangible assets are being amortized over their useful life on a straight-line basis, with the exception of certain items such as customer relationships and other acquired intangibles, which are amortized on an accelerated basis.

Aggregate Amortization
Expense

Aggregate Amortization Expense:	
For the 52 weeks ended April 28, 2012	\$18,415
For the 52 weeks ended April 30, 2011	\$14,512
For the 52 weeks ended May 1, 2010	\$11,350

Estimated Amortization
Expense

Estimated Amortization Expense: (12 months ending on or about April 30)	
2013	\$ 19,464
2014	\$ 17,213
2015	\$ 13,277
2016	\$ 11,241
2017	\$ 10,875

Changes in Carrying Amount of Goodwill by Segment

The changes in the carrying amount of goodwill by segment for fiscal 2012 are as follows:

	B&N Retail Segment	B&N College Segment	B&N.com Segment	NOOK Segment	Total Company
Balance as of May 1, 2010	\$254,471	274,070	—	—	\$528,541
Benefit of excess tax amortization (a)	—	—	(4,428)	—	(4,428)
Re-allocation of Goodwill (b)	(29,135)	—	29,135	—	—
Balance as of April 30, 2011	\$225,336	274,070	24,707	—	\$524,113
Benefit of excess tax amortization (a)	—	—	(4,428)	—	(4,428)
Re-allocation of Goodwill (c)	—	—	(20,279)	20,279	—
Balance as of April 28, 2012	<u>\$225,336</u>	<u>274,070</u>	<u>—</u>	<u>20,279</u>	<u>\$519,685</u>

- (a) The tax basis of goodwill arising from an acquisition during the 52 weeks ended January 29, 2005 exceeded the related basis for financial reporting purposes by approximately \$96,576. In accordance with ASC 740-10-30, *Accounting for Income Taxes*, the Company is recognizing the tax benefits of amortizing such excess as a reduction of goodwill as it is realized on the Company's income tax return.
- (b) Due to the increased focus on the internet and digital businesses, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, the Company determined that it has three operating segments: B&N Retail, B&N College and B&N.com. As a result of this evaluation, \$29,135 of goodwill was re-allocated between B&N Retail and B&N.com segments.
- (c) Prior to April 28, 2012, the Company reported an operating segment titled B&N.com, which included both its NOOK digital business and eCommerce operations. Due to the increased focus on the digital business and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012, the Company created a new segment titled NOOK to report upon its digital business, moving the eCommerce business into the B&N Retail segment. The Company's three operating segments are: B&N Retail, B&N College and NOOK. As a result of this evaluation, \$20,279 of goodwill was re-allocated between B&N.com and NOOK segments.

**Changes in Level 3
Contingent Consideration
Liability (Detail) (Significant
Unobservable Inputs (Level
3), USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

**Apr. 30, 2011 May 01,
2010**

Significant Unobservable Inputs (Level 3)

**Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis,
Valuation Techniques [Line Items]**

<u>Beginning balance</u>	\$ 7,265	\$ 8,165
<u>Payments</u>	(7,508)	(2,612)
<u>Losses</u>	243	1,712
<u>Ending Balance</u>		\$ 7,265

**Weighted Average
Assumptions Relating to
Valuation of Stock Options
(Detail) (USD \$)**

**12 Months Ended
Apr. 28, May 01,
2012 2010
Year Year**

**Share-based Compensation Arrangement by Share-based Payment Award [Line
Items]**

<u>Weighted average fair value of grants</u>	\$ 9.85	\$ 5.72
<u>Volatility</u>	78.52%	41.30%
<u>Risk-free interest rate</u>	0.92%	2.59%
<u>Expected life</u>	5	5
<u>Expected dividend yield</u>	0.00%	4.53%

Liberty Investment - Additional Information (Detail) (USD \$) In Thousands, except Share data, unless otherwise specified	12 Months Ended			Aug. 18, 2011 Private Placement Series J Preferred Stock
	Apr. 28, 2012 Day	Apr. 28, 2012 Private Placement	Aug. 29, 2011 Private Placement	
<u>Subsidiary, Sale of Stock [Line Items]</u>				
<u>Preferred Stock issued, shares</u>				204,000
<u>Preferred stock, par value per share</u>				\$ 0.001
<u>Aggregate purchase price of Preferred Stock</u>				\$ 204,000
<u>Percentage representation of common stock outstanding upon conversion</u>			16.60%	
<u>Preferred stock, initial conversion price</u>		\$ 17.00		
<u>Initial dividend rate for the preferred stock</u>		7.75%		
<u>Percentage of conversion price of the preferred stock</u>	150.00%			
<u>Number of consecutive trading days applicable to the conversion of preferred stock</u>	20			
<u>Issuance cost of investment agreement related to advisory, legal and accounting fees</u>	\$ 12,621			
<u>Professional fees as dividend, accretion period</u>	10 years			

**Net Earnings (Loss) Per
Share - Additional
Information (Detail)
In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 30, 2011 May 01, 2010

Earnings Per Share [Line Items]

<u>Participating securities excluded from the calculation of earnings per share</u>	3,463	3,228
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**Future Minimum Annual
Rentals, Excluding
Percentage Rentals
Noncancelable Lease Terms
Greater Than One Year
(Parenthetical) (Detail) (USD
\$)**

Apr. 28, 2012

**In Thousands, unless
otherwise specified**

Operating Leased Assets [Line Items]

<u>2013</u>	\$ 1,005
<u>2014</u>	1,000
<u>2015</u>	744
<u>2016</u>	234
<u>2017</u>	20
<u>After 2017</u>	\$ 0

**Credit Facility (Detail) (USD
\$)**

**In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

Line of Credit Facility [Line Items]

<u>Credit facility at period end</u>	\$ 324,200	\$ 313,100	\$ 260,400
<u>Average balance outstanding during the period</u>	306,038	338,971	107,504
<u>Maximum borrowings outstanding during the period</u>	\$ 582,000	\$ 622,800	\$ 512,500
<u>Weighted average interest rate during the period</u>	3.34%	4.30%	4.38%
<u>Interest rate at end of period</u>	3.32%	5.13%	4.13%

Stock-Based Compensation (Tables)

12 Months Ended Apr. 28, 2012

[Weighted Average Assumptions Relating to Valuation of Stock Options](#)

The weighted average assumptions relating to the valuation of the Company's stock options for fiscal years 2012 and 2010 are shown below. No stock options were granted during fiscal 2011.

Fiscal Year	2012	2010
Weighted average fair value of grants	\$9.85	\$5.72
Volatility	78.52 %	41.30 %
Risk-free interest rate	0.92 %	2.59 %
Expected life	5 years	5 years
Expected dividend yield	0.00 %	4.53 %

[Summary of Stock Option Activity](#)

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

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Balance, May 2, 2009	5,561	\$20.14	3.83 years	\$33,633
Granted	500	22.07		
Exercised	(313)	13.96		
Forfeited	(250)	30.69		
Balance, May 1, 2010	5,498	20.19	3.49 years	\$13,782
Exercised	(1,024)	16.83		
Forfeited	(598)	20.57		
Balance, April 30, 2011	3,876	21.02	3.40 years	—
Granted	1,563	15.70		
Exercised	(92)	11.89		
Forfeited	(1,487)	21.86		
Balance, April 28, 2012	<u>3,860</u>	\$18.76	5.70 years	\$574
Vested and expected to vest in the future at April 28, 2012	3,860	\$18.76	5.70 years	\$574
Exercisable at April 28, 2012	2,132	\$20.74	2.68 years	\$515
Available for grant at April 28, 2012	1,001			

Restricted Stock

[Summary of Other Than Option Award Activity](#)

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

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, May 2, 2009	1,235	\$ 30.86
Granted	1,647	21.93
Vested	(429)	33.18
Forfeited	(123)	30.41
Balance, May 1, 2010	2,330	24.15

Granted	684	16.65
Vested	(435)	27.99
Forfeited	(154)	24.76
Balance, April 30, 2011	2,425	21.31
Granted	83	13.23
Vested	(1,073)	22.78
Forfeited	(51)	21.52
Balance, April 28, 2012	<u>1,384</u>	\$ 19.68

Restricted Stock Units (RSUs)
[Summary of Other Than Option
Award Activity](#)

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

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, April 30, 2011	—	\$ —
Granted	969	16.64
Forfeited	(5)	18.59
Balance, April 28, 2012	<u>964</u>	\$ 16.63

**Segment Reporting -
Additional Information
(Detail)**

Apr. 28, 2012
Segment
Store

May 01, 2010
Segment

Segment Reporting Information [Line Items]

Number of operating segments 3 3

Number of stores 1,338

B&N Retail

Segment Reporting Information [Line Items]

Number of stores 691

B&N College

Segment Reporting Information [Line Items]

Number of stores 647

**Allocation of Purchase Price
on Acquisition of B&N
College (Detail) (B&N
College, USD \$) Sep. 30, 2009**

**In Thousands, unless
otherwise specified**

Business Acquisition [Line Items]

Cash Paid \$ 263,648

Seller Notes 250,000

Fair value of total consideration 513,648

Allocation of purchase price:

Current assets 609,786

Non-current assets 114,683

Trade name 245,000

Goodwill 274,070

Total assets acquired 1,498,539

Deferred taxes 234,631

Liabilities assumed 750,260

Fair value of total consideration 513,648

Customer Relationships

Allocation of purchase price:

Amortizable intangible assets \$ 255,000

**Employees' Retirement and
Defined Contribution Plans -
Additional Information
(Detail) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

	Apr. 28, 2012	Apr. 30, 2011	May 01, 2010
<u>Defined Benefit Plans and Other Postretirement Benefit Plans [Line Items]</u>			
<u>Pension expense</u>	\$ 1,970	\$ 2,558	\$ 1,951
<u>Company contributions, employee benefit expenses</u>	15,273	14,212	12,954
<u>Company contributions for postretirement plan</u>	\$ 150	\$ 150	\$ (111)

**Rental Expense Under
Operating Leases (Detail)**

(USD \$)

**In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

Operating Leased Assets [Line Items]

<u>Minimum rentals</u>	\$ 382,386	\$ 394,199	\$ 363,373
<u>Percentage rentals</u>	107,127	102,735	40,324
<u>Operating Leases, Rent Expense, Net, Total</u>	\$ 489,513	\$ 496,934	\$ 403,697

**Reconciliation of Operating
Profit From Reportable
Segments to Income (Loss)
From Operations Before
Taxes in Consolidated
Financial Statements (Detail)
(USD \$)**

**In Thousands, unless
otherwise specified**

12 Months Ended

**Apr. 28, Apr. 30, May 01,
2012 2011 2010**

**Segment Reporting, Reconciling Item for Operating Profit (Loss) from
Segment to Consolidated [Line Items]**

<u>Reportable segments operating profit (loss)</u>	\$	\$	\$ 73,246
	(61,303)	(65,259)	
<u>Interest expense, net and amortization of deferred financing costs</u>	(35,304)	(57,350)	(28,237)
<u>Consolidated income (loss) from continuing operations before taxes</u>	\$	\$	\$ 45,009
	(96,607)	(122,609)	

**Future Minimum Annual
Rentals, Excluding
Percentage Rentals
Noncancelable Lease Terms
Greater Than One Year
(Detail) (USD \$)
In Thousands, unless
otherwise specified**

Apr. 28, 2012

Operating Leased Assets [Line Items]

<u>2013</u>	\$ 405,484	[1]
<u>2014</u>	357,907	[1]
<u>2015</u>	287,659	[1]
<u>2016</u>	238,840	[1]
<u>2017</u>	193,447	[1]
<u>After 2017</u>	464,397	[1]
<u>Operating Leases, Future Minimum Payments Due</u>	\$ 1,947,734	[1]

[1] Includes B&N College capital lease obligations of \$1,005, \$1,000, \$744, \$234, \$20 and \$0 for 2013, 2014, 2015, 2016, 2017 and after 2017, respectively.

**Acquisition of
Noncontrolling Interest -
Additional Information
(Detail) (Begin Smart LLC,
USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011

Begin Smart LLC

Noncontrolling Interest [Line Items]

<u>Prior joint venture interest ownership percentage</u>	50.00%
<u>Increase in ownership percentage</u>	50.00%
<u>Purchase price for remaining interest</u>	\$ 300
<u>Ownership percentage, post acquisition</u>	100.00%

**Commitments and
Contingencies**

**12 Months Ended
Apr. 28, 2012**

[Commitments and
Contingencies](#)

16. Commitments and Contingencies

The Company leases retail stores, warehouse facilities, office space and equipment. Substantially all of the B&N Retail stores are leased under noncancelable agreements which expire at various dates through 2036 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for both minimum and percentage rentals and require the Company to pay insurance, taxes and other maintenance costs. Percentage rentals are based on sales performance in excess of specified minimums at various stores.

B&N College's contracts are typically for five to ten years, although some extend beyond ten years. Many contracts have a 90 to 120 day cancellation right by B&N College, or by the college or university, without penalty.

Rental expense under operating leases is as follows:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Minimum rentals	\$382,386	394,199	363,373
Percentage rentals	107,127	102,735	40,324
	<u>\$489,513</u>	<u>496,934</u>	<u>403,697</u>

Future minimum annual rentals, excluding percentage rentals, required under B&N Retail leases that had initial, noncancelable lease terms greater than one year, and under B&N College leases as of April 28, 2012 are:

Fiscal Year	(a)
2013	\$405,484
2014	357,907
2015	287,659
2016	238,840
2017	193,447
After 2017	464,397
	<u>\$1,947,734</u>

(a) Includes B&N College capital lease obligations of \$1,005, \$1,000, \$744, \$234, \$20 and \$0 for 2013, 2014, 2015, 2016, 2017 and after 2017, respectively.

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

On June 26, 2008, the Company exercised its purchase option under a lease on one of its distribution facilities located in South Brunswick, New Jersey from the New Jersey Economic Development Authority. Under the terms of the lease expiring in June 2011, the Company purchased the distribution facility and equipment for approximately \$21,000. Subsequently, on December 29, 2011, the Company sold the distribution facility in South Brunswick, New Jersey for \$18,000, which resulted in a loss of \$2,178.

**Summary of Restricted
Stock Activity (Detail)
(Restricted Stock, USD \$)
In Thousands, except Per
Share data, unless otherwise
specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

Restricted Stock

Number of Shares

<u>Beginning Balance</u>	2,425	2,330	1,235
<u>Granted</u>	83	684	1,647
<u>Vested</u>	(1,073)	(435)	(429)
<u>Forfeited</u>	(51)	(154)	(123)
<u>Ending Balance</u>	1,384	2,425	2,330

Weighted Average Grant Date Fair Value

<u>Beginning Balance</u>	\$ 21.31	\$ 24.15	\$ 30.86
<u>Granted</u>	\$ 13.23	\$ 16.65	\$ 21.93
<u>Vested</u>	\$ 22.78	\$ 27.99	\$ 33.18
<u>Forfeited</u>	\$ 21.52	\$ 24.76	\$ 30.41
<u>Ending Balance</u>	\$ 19.68	\$ 21.31	\$ 24.15

Segment Reporting (Tables)

**12 Months Ended
Apr. 28, 2012**

Summarized Financial Information of Reportable Segments

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

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<i>Sales by Segment</i>			
B&N Retail	\$4,852,913	\$4,926,834	\$4,947,469
B&N College (a)	1,743,662	1,778,159	833,648
NOOK	933,471	695,182	105,435
Elimination	(400,847)	(401,610)	(78,798)
Total	\$7,129,199	\$6,998,565	\$5,807,754

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<i>Sales by Product Line</i>			
Media (b)	66 %	70 %	80 %
Digital (c)	15 %	11 %	2 %
Other (d)	19 %	19 %	18 %
Total	100 %	100 %	100 %

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<i>Depreciation and Amortization</i>			
B&N Retail	\$162,693	\$164,934	\$170,777
B&N College (a)	45,343	43,148	24,863
NOOK	24,631	20,565	12,134
Total	\$232,667	\$228,647	\$207,774

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<i>Operating Profit/(Loss)</i>			
B&N Retail	\$154,436	\$94,132	\$157,591
B&N College (a)	70,604	70,298	(3,713)
NOOK	(286,343)	(229,689)	(80,632)
Total	\$(61,303)	\$(65,259)	\$73,246

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<u>Capital Expenditures</u>			
B&N Retail	\$87,596	\$62,299	\$93,988
B&N College (a)	40,479	35,004	13,716
NOOK	35,477	13,199	20,075
Total	<u>\$163,552</u>	<u>\$110,502</u>	<u>\$127,779</u>

	As of April 28, 2012	As of April 30, 2011
<u>Total Assets (e)</u>		
B&N Retail	\$2,416,318	\$2,183,959
B&N College	972,860	1,170,891
NOOK	376,071	241,616
Total	<u>\$3,765,249</u>	<u>\$3,596,466</u>

(a) Includes only the financial information of B&N College since the date of the Acquisition on September 30, 2009.

(b) Includes tangible books, music, movies, rentals and newsstand.

(c) Includes NOOK, related accessories, eContent and warranties.

(d) Includes toys & games, café products, gifts and miscellaneous other.

(e) Excludes intercompany balances.

Reconciliation of Operating Profit (Loss) from Reportable Segments

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

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
Reportable segments operating profit (loss)	\$ (61,303)	\$ (65,259)	\$ 73,246
Interest expense, net and amortization of deferred financing costs	(35,304)	(57,350)	(28,237)
Consolidated income (loss) from continuing operations before taxes	<u>\$ (96,607)</u>	<u>\$ (122,609)</u>	<u>\$ 45,009</u>

**Commitments and
Contingencies - Additional
Information (Detail) (USD \$)
In Thousands, unless
otherwise specified**

1 Months Ended 12 Months Ended
Dec. 29, 2011 Jun. 30, 2011 Apr. 28, 2012

Commitments and Contingencies [Line Items]

<u>Purchased of distribution facility and equipment</u>		\$ 21,000	
<u>Sale of distribution facility</u>	18,000		18,000
<u>Loss on sale of distribution facility</u>	\$ 2,178		

Minimum

Commitments and Contingencies [Line Items]

<u>Lease contract term</u>		5 years
<u>Lease cancellation period</u>		90 days

Maximum

Commitments and Contingencies [Line Items]

<u>Lease contract term</u>		10 years
<u>Lease cancellation period</u>		120 days

**Net Earnings (Loss) Per
Share (Tables)**

**12 Months Ended
Apr. 28, 2012**

Reconciliation of Basic and Diluted
Loss Per Share

The following is a reconciliation of the Company's basic and diluted earnings per share calculation:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Numerator for basic earnings (loss) per share:			
Income (loss) attributable to Barnes & Noble, Inc.	\$(68,867)	(73,920)	36,676
Preferred stock dividends	(11,044)	—	—
Accretion of dividends on preferred stock	(894)	—	—
Less allocation of earnings and dividends to participating securities	—	—	(1,279)
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,397
Numerator for diluted earnings (loss) per share:			
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,397
Effect of dilutive options	—	—	(10)
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,387
Denominator for basic and diluted earnings (loss) per share:			
Basic weighted average common shares	57,337	56,588	55,344
Average dilutive options	—	—	809
Diluted weighted average common shares	57,337	56,588	56,153
Basic earnings (loss) per common share			
Net income (loss) attributable to Barnes & Noble, Inc. available for common shareholders	\$(1.41)	(1.31)	0.64
Diluted earnings (loss) per common share			
Net income (loss) attributable to Barnes & Noble, Inc. available for common shareholders	\$(1.41)	(1.31)	0.63

Receivables (Detail) (USD \$)
In Thousands, unless
otherwise specified

Apr. 28, 2012 Apr. 30, 2011

Accounts, Notes, Loans and Financing Receivable [Line Items]

<u>Trade accounts</u>	\$ 91,476	\$ 81,577
<u>Credit/debit card receivables</u>	36,042	42,982
<u>Advertising</u>	3,911	5,877
<u>Receivables from landlords for leasehold improvements</u>	374	867
<u>Other receivables</u>	28,694	18,991
<u>Total receivables, net</u>	\$ 160,497	\$ 150,294

**Changes In Carrying
Amount of Goodwill by
Segment (Parenthetical)
(Detail) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

**Apr. 28, 2012 May 01, 2010
Segment Segment**

Goodwill [Line Items]

<u>Tax basis of goodwill in excess of related basis</u>	\$ 96,576	
<u>Number of operating segments</u>	3	3
<u>Goodwill re-allocation</u>	\$ 20,279	\$ 29,135

Income Taxes - Additional Information (Detail) (USD \$) In Thousands, unless otherwise specified	12 Months Ended			
	Apr. 28, 2012	Apr. 30, 2011	May 01, 2010	May 02, 2009
<u>Income Taxes [Line Items]</u>				
<u>Deferred tax assets, NOLs</u>	\$ 57,773			
<u>Deferred tax assets, loss and credit carryovers</u>	75,817	57,751		
<u>Unrecognized tax benefits, all of which, if recognized, would affect effective tax rate</u>	17,032			
<u>Accrued interest and penalties included in unrecognized tax benefits</u>	3,897	3,236		
<u>Unrecognized tax benefits</u>	17,032	16,715	15,268	24,541
<u>Additional net interest and penalties recognized in income tax expense</u>	974			
Subject To Utilization Limitations				
<u>Income Taxes [Line Items]</u>				
<u>Net operating loss carryforwards</u>	86,000			
<u>Net operating loss carryforwards, expiration dates</u>				beginning in 2018 through 2022
<u>Net operating loss carryforwards, limitation on utilization</u>	6,700			
Not Subject to Annual Limitation				
<u>Income Taxes [Line Items]</u>				
<u>Net operating loss carryforwards, expiration dates</u>				Beginning in 2030 through 2031
Not Subject to Annual Limitation Federal				
<u>Income Taxes [Line Items]</u>				
<u>Net operating loss carryforwards</u>	37,000			
Not Subject to Annual Limitation State				
<u>Income Taxes [Line Items]</u>				
<u>Net operating loss carryforwards</u>	\$ 134,000			

Stock-Based Compensation - Additional Information (Detail) (USD \$) In Thousands, except Share data, unless otherwise specified	12 Months Ended			1 Months Ended			12 Months Ended			12 Months Ended												
	Apr. 28, 2012 Compensation Plan	Apr. 30, 2011	May 01, 2010	Dec. 09, 2011 Chief Executive Officer	Apr. 01, 2010 Chief Executive Officer	Apr. 28, 2012 Selling And Administrative Expense	Apr. 30, 2011 Selling And Administrative Expense	May 01, 2010 Selling And Administrative Expense	Apr. 28, 2012 Incentive Plan	Jun. 02, 2009 Incentive Plan	Apr. 28, 2012 Restricted Stock Year	Apr. 30, 2011 Restricted Stock	May 01, 2010 Restricted Stock	Apr. 28, 2012 Restricted Stock Minimum	Apr. 28, 2012 Restricted Stock Maximum	Apr. 28, 2012 Stock Options Year	Apr. 28, 2012 Restricted Stock Units (RSUs)	Apr. 30, 2011 Restricted Stock Units (RSUs)	May 01, 2010 Restricted Stock Units (RSUs)	Apr. 28, 2012 Restricted Stock Units Minimum	Apr. 28, 2012 Restricted Stock Units Maximum	
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]																						
Number of share-based incentive plans	3																					
Number of additional shares authorized								950,000														
Shares of common stock available for future grants	1,001,000							1,001,440														
Vesting period in years													one year	five years	four years	10 years				one year	five years	
Contractual term																						
Total intrinsic value of options exercised	\$ 521		\$ 124	\$ 2,321																		
Total unrecognized compensation expense									21,561						20,384	14,200						
Unrecognized compensation expense, weighted average period									1.4						3.4	3.1						
Option granted, shares	1,563,000		500,000	1,000,000	500,000																	
Option granted, exercise price	\$ 9.85		\$ 5.72	\$ 16.00	\$ 22.07																	
Option granted within months				36	months																	
Total fair value of shares that vested									14,067	6,163	9,408											
Granted									83,000	684,000	1,647,000					969,000	0	0				
Vested									1,073,000	435,000	429,000					0	0					
Stock-based compensation expense	\$ 20,775		\$ 20,978	\$ 15,723		\$ 20,775	\$ 20,978	\$ 15,723														

**CONSOLIDATED
STATEMENTS OF CASH
FLOWS (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

**Apr. 28, Apr. 30, May 01,
2012 2011 2010**

Cash flows from operating activities:

Net earnings (loss)	\$	\$	
	(68,867)	(73,957)	\$ 36,644

Adjustments to reconcile net earnings (loss) to net cash flows provided by (used in) operating activities:

Depreciation and amortization (including amortization of deferred financing fees)	238,048	244,734	214,464
Stock-based compensation expense	20,775	20,978	15,723
Property and equipment impairment charge	11,747	2,857	12,102
Deferred taxes	(37,570)	1,614	(57,170)
Loss on disposal of property and equipment	2,590	893	2,388
Decrease in other long-term liabilities	(43,582)	(57,256)	(35,222)
Changes in operating assets and liabilities, net	(147,253)	59,209	(60,528)
Net cash flows provided by (used in) operating activities	(24,112)	199,072	128,401

Cash flows from investing activities:

Proceeds from sale of distribution center	18,000		
Purchases of property and equipment	(163,552)	(110,502)	(127,779)
Net increase in other noncurrent assets	(13,326)	(1,466)	(3,568)
Purchase of Borders Group, Inc. intellectual property	(14,528)		
Fictionwise earn-out payments		(7,508)	(2,612)
Purchase of non-controlling interest		(300)	
Acquisition of Barnes & Noble College Booksellers, Inc (net of cash acquired)			(185,928)
Acquisition of Tikatok Inc. (net of cash acquired)			(2,261)
Net cash flows used in investing activities	(173,406)	(119,776)	(322,148)

Cash flows from financing activities:

Net proceeds from issuance of Redeemable Preferred Shares	191,379		
Net increase in credit facility	11,100	52,700	260,400
Cash dividends paid to shareholders	(7,081)	(44,783)	(57,403)
Proceeds from exercise of common stock options	1,097	17,233	4,363
Purchase of treasury stock	(4,090)	(1,836)	(3,028)
Excess tax benefit from stock-based compensation	193	34	855
Financing fees paid	(378)	(10,180)	(37,069)
Payment of short term note payable		(100,000)	
Payment received for Calendar Club note receivable		6,000	
Net cash flows provided by (used in) financing activities	192,220	(80,832)	168,118
Decrease in cash and cash equivalents	(5,298)	(1,536)	(25,629)
Cash and cash equivalents at beginning of year	59,429	60,965	86,594
Cash and cash equivalents at end of year	54,131	59,429	60,965

Changes in operating assets and liabilities, net:

<u>Receivables, net</u>	(10,203)	(43,718)	119,358
<u>Merchandise inventories</u>	(186,479)	(5,251)	228,822
<u>Prepaid expenses and other current assets</u>	(59,388)	19,889	(56,675)
<u>Accounts payable and accrued liabilities</u>	108,817	88,289	(352,033)
<u>Changes in operating assets and liabilities, net</u>	(147,253)	59,209	(60,528)
<u>Supplemental cash flow information:</u>			
<u>Interest paid</u>	28,298	45,604	12,305
<u>Income taxes (net of refunds)</u>	1,615	(41,681)	31,461
<u>Supplemental disclosure of subsidiaries acquired:</u>			
<u>Assets acquired (net of cash acquired)</u>		1,513	1,416,134
<u>Liabilities assumed</u>		1,213	1,227,945
<u>Cash paid</u>		300	188,189
<u>Noncash financing activity:</u>			
<u>Notes payable on Acquisition of B&N College</u>			250,000
<u>Accrued dividend on redeemable preferred shares</u>	\$ 3,963		

**Reconciliation of Beginning
and Ending Amount of
Unrecognized Tax Benefits
(Detail) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

Income Tax Contingency [Line Items]

<u>Beginning Balance</u>	\$ 16,715	\$ 15,268	\$ 24,541
<u>Additions for tax positions of the current period</u>		1,809	2,457
<u>Additions for tax positions of prior periods</u>	993	1,199	2,563
<u>Reductions due to settlements</u>	(228)	(508)	
<u>Other reductions for tax positions of prior periods</u>	(448)	(1,053)	(14,293)
<u>Ending Balance</u>	\$ 17,032	\$ 16,715	\$ 15,268

**Selected Quarterly Financial
Information (Tables)**

**12 Months Ended
Apr. 28, 2012**

[Summary of Quarterly
Financial Information](#)

A summary of quarterly financial information for fiscal 2012, fiscal 2011 and fiscal 2010 is as follows:

Fiscal 2012 Quarter Ended On or About	July 2011	October 2011	January 2012	April 2012	Total Fiscal Year 2012
Sales	\$1,418,404	1,891,961	2,439,124	1,379,710	7,129,199
Gross profit	\$387,558	471,664	652,816	398,778	1,910,816
Net earnings (loss) attributable to Barnes & Noble, Inc.	\$(56,606)	(6,563)	52,031	(57,729)	(68,867)
Basic earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(0.99)	(0.17)	0.78	(1.08)	(1.41)
Diluted earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(0.99)	(0.17)	0.71	(1.08)	(1.41)
Fiscal 2011 Quarter Ended On or About	July 2010	October 2010	January 2011	April 2011	Total Fiscal Year 2011
Sales	\$1,395,842	1,904,146	2,323,780	1,374,797	6,998,565
Gross profit	\$351,700	450,120	613,672	377,362	1,792,853
Net earnings (loss) attributable to Barnes & Noble, Inc.	\$(62,518)	(12,568)	60,583	(59,416)	(73,920)
Basic earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(1.12)	(0.22)	1.01	(1.04)	(1.31)
Diluted earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(1.12)	(0.22)	1.00	(1.04)	(1.31)

Dividends

**12 Months Ended
Apr. 28, 2012**

Dividends

20. Dividends

The Company paid a dividend to preferred shareholders in the amount of \$7,081 in fiscal 2012.

During fiscal 2011, the Company paid a dividend of \$0.25 per share on June 30, 2010 to stockholders of record at the close of business on June 11, 2010, on September 30, 2010 to stockholders of record at the close of business on September 9, 2010, and on December 31, 2010 to stockholders of record at the close of business on December 10, 2010. On February 22, 2011, the Company announced that its Board of Directors was suspending its quarterly dividend payment of \$0.25 per share. This provided the Company the financial flexibility to continue investing into its high growth digital strategies.

During fiscal 2010, the Company paid quarterly cash dividends of \$0.25 per share on June 30, 2009 to stockholders of record at the close of business on June 9, 2009, on September 30, 2009 to stockholders of record at the close of business on September 9, 2009, on December 31, 2009 to stockholders of record at the close of business on December 10, 2009 and on March 31, 2010 to stockholders of record at the close of business on March 10, 2010.

Certain Relationships and Related Transactions

12 Months Ended
Apr. 28, 2012

Certain Relationships and Related Transactions

19. Certain Relationships and Related Transactions

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

The Company completed the Acquisition of B&N College from Leonard Riggio and Louise Riggio (Sellers) on September 30, 2009 (see Note 14). Mr. Riggio is the Chairman of the Company's Board of Directors and a significant stockholder. The Company is a party to a Stock Purchase Agreement dated as of August 7, 2009 among the Company and the Sellers. As part of the Acquisition, the Company acquired the Barnes & Noble trade name that had been owned by B&N College and licensed to the Company (described below). The purchase price paid to the Sellers was \$596,000, consisting of \$346,000 in cash and \$250,000 in Seller Notes (described below). However, the cash paid to the Sellers was reduced by approximately \$82,352 in cash bonuses paid by B&N College to 192 members of its management team and employees (Bonus Recipients), not including Leonard Riggio. Pursuant to the terms of the Purchase Agreement, prior to the closing of the Acquisition, B&N College distributed to the Sellers certain assets that are not related to B&N College's core business, including common stock in the Company. In connection with such distribution, 667,058 shares of the common stock in the Company previously held by B&N College were transferred to certain of the Bonus Recipients. The Company financed the Acquisition through \$250,000 of Seller Notes, \$150,000 from the 2009 Credit Facility and the remainder from both the Company's and B&N College's cash on hand.

In connection with the closing of the Acquisition, the Company issued the Sellers (i) a senior subordinated note in the principal amount of \$100,000, payable in full on December 15, 2010, with interest of 8% per annum payable on the unpaid principal amount (the Senior Seller Note), and (ii) a junior subordinated note in the principal amount of \$150,000 (the Junior Seller Note), payable in full on the fifth anniversary of the closing of the Acquisition, with interest of 10% per annum payable on the unpaid principal amount. The Senior Seller Note was paid on its scheduled due date, December 15, 2010. The Senior Seller Note was unsecured and subordinated to the obligations under the 2009 Credit Facility and certain other senior obligations. The Company had the right to prepay the Senior Seller Note at any time without premium or penalty to the extent not prohibited by senior debt documents, provided that the Company did not have the right to

prepay the Junior Seller Note until the Senior Seller Note had been repaid in full. On December 22, 2009, the Company consented to the pledge and assignment of the Senior Seller Note by the Sellers as collateral security. The Junior Seller Note was and is unsecured and subordinated to the obligations under the 2009 Credit Facility, the 2011 Amended Credit Facility and the 2012 Amended Credit Facility, as applicable, as well as certain other senior obligations. The Company may prepay the Junior Seller Note at any time without premium or penalty to the extent not prohibited by the 2012 Amended Credit Facility and senior debt documents. Pursuant to a settlement agreed to on June 13, 2012 and described in Note 18, the Sellers have agreed to waive \$22,750 of the purchase price by waiving a corresponding principal amount (and interest on) of the Junior Seller Note, subject to receipt of court approval.

Also in connection with the Acquisition, and as set forth in the Purchase Agreement, B&N College made a tax distribution payment of \$54,997 to the Sellers related to taxes imposed on the Sellers' pro rata share of B&N College S corporation taxable earnings from January 1, 2009 through the date of Acquisition.

The Company paid COBRA benefits for certain former employees and family members that were on the B&N College health benefit plan (prior to the Acquisition). Leonard Riggio has reimbursed the Company \$140 to cover such costs, based upon standard COBRA rates, for the period subsequent to Acquisition through fiscal 2010.

In connection with the Acquisition, B&N College and the Company amended and restated B&N College's existing long-term supply agreement (Supply Agreement) with MBS Textbook Exchange, Inc. (MBS), which is majority owned by Leonard Riggio, Stephen Riggio (formerly the Company's Vice Chairman and Chief Executive Officer) and other members of the Riggio family. MBS is a new and used textbook wholesaler, which also sells textbooks online and provides bookstore systems and distant learning distribution services. Pursuant to the Supply Agreement, which has a term of ten years, and subject to availability and competitive terms and conditions, B&N College will continue to purchase new and used printed textbooks for a given academic term from MBS prior to buying them from other suppliers, other than in connection with student buy-back programs. MBS pays B&N College commissions based on the volume of textbooks sold to MBS each year and with respect to the textbook requirements of certain distance learning programs that MBS fulfills on B&N College's behalf. MBS paid B&N College \$10,941, \$13,031 and \$7,014 related to these commissions in fiscal 2012, fiscal 2011 and fiscal 2010 from the date of Acquisition, respectively. In addition, the Supply Agreement contains restrictive covenants that limit the ability of B&N College and the Company to become a used textbook wholesaler and that place certain limitations on MBS's business activities. B&N College and Barnes & Noble.com also entered into an agreement with MBS in fiscal 2011 pursuant to which MBS agrees to purchase at the end of a given semester certain agreed upon textbooks which B&N College and Barnes & Noble.com shall have rented to students during such semester. Total sales to MBS under this program were \$13,339 and \$506 for fiscal 2012 and fiscal 2011, respectively. In addition, B&N College entered into an agreement with MBS in fiscal 2011 pursuant to which MBS purchases books from B&N College, which have no resale value for a flat rate per box. Total sales to MBS under this program were \$364 and \$427 for fiscal 2012 and fiscal 2011, respectively.

The Company purchases new and used textbooks at market prices directly from MBS. Total purchases were \$101,980, \$102,573 and \$24,186 for fiscal 2012, fiscal 2011 and fiscal 2010, respectively. MBS sells used books through the Barnes & Noble.com dealer network. Barnes &

Noble.com earned a commission of \$4,661, \$5,474 and \$3,115 on the MBS used book sales in fiscal 2012, fiscal 2011 and fiscal 2010, respectively. In addition, Barnes & Noble.com hosts pages on its website through which Barnes & Noble.com customers are able to sell used books directly to MBS. Barnes & Noble.com is paid a fixed commission on the price paid by MBS to the customer. Total commissions paid to Barnes & Noble.com were \$160, \$184 and \$172 for fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

In fiscal 2010, the Company's wholly owned subsidiary Barnes & Noble Bookquest LLC (Bookquest) entered into an agreement with TXTB.com LLC (TXTB), a subsidiary of MBS, pursuant to which the marketplace database of third party sellers on the Barnes & Noble.com website was made available on the TXTB website. In fiscal 2012, Bookquest was merged into Barnes & Noble.com. Barnes & Noble.com receives a fee from third party sellers for sales of marketplace items and, upon receipt of such fee, Barnes & Noble.com remits a separate fee to TXTB for any marketplace items sold on the TXTB website. Total commissions paid to TXTB were \$559, \$775 and \$0 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Outstanding amounts payable to TXTB were \$6, \$8 and \$33 for fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

In fiscal 2011, Barnes & Noble.com entered into an agreement with TXTB pursuant to which Barnes & Noble.com became the exclusive provider of trade books to TXTB customers through www.textbooks.com. TXTB receives a commission from Barnes & Noble.com on each purchase by a TXTB customer. Total commissions paid to TXTB were \$148 and \$0 during fiscal 2012 and fiscal 2011. Outstanding amounts payable to TXTB were \$1 and \$4 for fiscal 2012 and fiscal 2011.

Prior to the Acquisition, the Company licensed the "Barnes & Noble" name under a royalty-free license agreement dated February 11, 1987, as amended, from B&N College. Barnes & Noble.com licensed the "Barnes & Noble" name under a royalty-free license agreement, dated October 31, 1998, as amended, between Barnes & Noble.com and B&N College (the License Agreement). Pursuant to the License Agreement, Barnes & Noble.com had been granted an exclusive license to use the "Barnes & Noble" name and trademark in perpetuity for the purpose of selling books over the Internet (excluding sales of college textbooks). Under a separate agreement dated as of January 31, 2001 (the Textbook License Agreement), between Barnes & Noble.com, B&N College and Textbooks.com, Barnes & Noble.com was granted the right to sell college textbooks over the Internet using the "Barnes & Noble" name. Pursuant to the Textbook License Agreement, Barnes & Noble.com paid Textbooks.com a royalty on revenues (net of product returns, applicable sales tax and excluding shipping and handling) realized by Barnes & Noble.com from the sale of books designated as textbooks. Royalty expense was \$3,431 during fiscal 2010 prior to the Acquisition, under the terms of the Textbook License Agreement. During fiscal 2010, subsequent to the closing of the Acquisition, Textbooks.com paid \$146 to B&N College for funds that were received by Textbooks.com and were earned by B&N College. In connection with the closing of the Acquisition, the Company terminated the Textbook License Agreement and as a result no longer pays a royalty with respect to online textbook sales.

In fiscal 2010, the Company entered into an Aircraft Time Sharing Agreement with LR Enterprises Management LLC (LR Enterprises), which is owned by Leonard Riggio and Louise Riggio, pursuant to which LR Enterprises granted the Company the right to use a jet aircraft owned by it on a time-sharing basis in accordance with, and subject to the reimbursement of certain operating costs and expenses as provided in, the Federal Aviation Regulations (FAR). Such operating costs were \$1,015, \$932 and \$429 during fiscal 2012, fiscal 2011 and fiscal 2010,

respectively. LR Enterprises is solely responsible for the physical and technical operation of the aircraft, aircraft maintenance and the cost of maintaining aircraft liability insurance, other than insurance obtained for the specific flight as requested by the Company, as provided in the FAR. Prior to the Acquisition, the Company used a jet aircraft owned by B&N College and paid for the costs and expenses of operating the aircraft based upon the Company's usage. Such costs which included fuel, insurance and other costs were \$113 during fiscal 2010 prior to the Acquisition, and were included in the accompanying consolidated statements of operations.

The Company has leases for two locations for its corporate offices with related parties: the first location is leased from an entity in which Leonard Riggio has a majority interest and expires in 2013; the second location is leased from an entity in which Leonard Riggio has a minority interest and expires in 2016. The space was rented at an aggregate annual rent including real estate taxes of approximately \$4,843, \$4,868 and \$4,889 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

The Company leases one of its B&N College stores from a partnership owned by Leonard and Stephen Riggio, pursuant to a lease expiring in 2014. Rent of \$862, \$862 and \$512 was paid during fiscal 2012, fiscal 2011 and fiscal 2010 from the date of the Acquisition, respectively.

The Company leases an office/warehouse from a partnership in which Leonard Riggio has a 50% interest, pursuant to a lease expiring in 2023. The space was rented at an annual rent of \$759, \$763 and \$759 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Net of subtenant income, the Company paid \$376, \$246 and \$241 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

Prior to the Acquisition, the Company leased retail space in a building in which B&N College subleased space from the Company, pursuant to a sublease expiring in 2020. Pursuant to such sublease, the Company charged B&N College \$347 for such subleased space and other operating costs incurred on its behalf during fiscal year 2010 prior to the Acquisition. The amount paid by B&N College to the Company exceeded the cost per square foot paid by the Company to its unaffiliated third-party landlord.

Prior to the Acquisition, the Company reimbursed B&N College certain operating costs B&N College incurred on the Company's behalf. These charges were \$71 during fiscal 2010 prior to the Acquisition. Prior to the Acquisition, B&N College purchased inventory, at cost plus an incremental fee, of \$25,187 from the Company during fiscal 2010 prior to the Acquisition. Also prior to the Acquisition, B&N College reimbursed the Company \$2,700 for fiscal year 2010 prior to the Acquisition for capital expenditures, business insurance and other operating costs incurred on its behalf.

GameStop Corp. (GameStop), a company in which Leonard Riggio was a member of the Board of Directors and is a minority shareholder, operates departments within some of the Company's bookstores. GameStop pays a license fee to the Company in an amount equal to 7% of the gross sales of such departments, which totaled \$871, \$989 and \$1,061 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. GameStop sold new and used video games and consoles on the Barnes & Noble.com website up until May 1, 2011, when the agreement between GameStop and Barnes & Noble.com terminated. Barnes & Noble.com received a commission on sales made by GameStop. For fiscal 2012, fiscal 2011 and fiscal 2010, the commission earned by Barnes & Noble.com was \$1 (from residual activity after the agreement terminated), \$356 and \$334, respectively. Until June 2005, GameStop participated in the Company's workers'

compensation, property and general liability insurance programs. The costs incurred by the Company under these programs were allocated to GameStop based upon GameStop's total payroll expense, property and equipment, and insurance claim history. GameStop reimbursed the Company for these services \$3, \$51 and \$128 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Although GameStop secured its own insurance coverage, costs are continuing to be incurred by the Company on insurance claims which were made under its programs prior to June 2005 and any such costs applicable to insurance claims against GameStop will be charged to GameStop at the time incurred.

The Company is provided with national freight distribution, including trucking services by Argix Direct Inc. (Argix), a company in which a brother of Leonard and Stephen Riggio owns a 20% interest, pursuant to a transportation agreement expiring in 2014 (following an automatic renewal of the agreement by its terms in 2012 for an additional two-year term, although at all times the agreement requires a two-year notice to terminate). The Company paid Argix \$14,414, \$15,890 and \$16,536 for such services during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. At the time of the agreement, the cost of freight delivered to the stores by Argix was comparable to the prices charged by publishers and the Company's other third party freight distributors. However, due to higher contracted fuel surcharge and transportation costs, Argix's rates were higher than the Company's other third party freight distributors. As a result, the Company amended its existing agreement with Argix effective January 1, 2009. The amendment provides the Company with a \$3,000 annual credit to its freight and transportation costs for the remaining life of the existing agreement. The \$3,000 annual credit expired with the April 1, 2012 renewal of the agreement. Argix provides B&N College with transportation services under a separate agreement that expired and was renewed in 2011. The renewed agreement expires in 2013. The Company believes that the transportation costs that B&N College paid to Argix are comparable to the transportation costs charged by third party distributors. B&N College paid Argix \$1,294, \$1,477 and \$658 for such services during fiscal 2012, fiscal 2011 and fiscal 2010 from the date of Acquisition, respectively. Argix also leased office and warehouse space from the Company in Jamesburg, New Jersey, pursuant to a lease expiring in 2011. This lease was renewed for additional space in 2011. However, the Company subsequently sold the warehouse on December 29, 2011 (see Note 16). The Company charged Argix \$1,514, \$2,719 and \$2,646 for such leased space and other operating costs incurred on its behalf prior to the sale of the warehouse during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

The Company used Source Interlink Companies, Inc. (Source Interlink) as its primary supplier of music and DVD/video, as well as magazines and newspapers. Leonard Riggio is an investor in an investment company that formerly owned a minority interest in Source Interlink. Pursuant to the confirmation order of the United States Bankruptcy Court of the District of Delaware, as of June 19, 2009 (the Discharge Date) the equity interests held by the then owners of Source Interlink were discharged, cancelled, released and extinguished. The Company paid Source Interlink \$33,979 for merchandise purchased at market prices during fiscal 2010 prior to the Discharge Date. In addition, Source Interlink purchases certain data related to magazine sales of the Company. Source Interlink paid the Company \$20 during fiscal 2010 prior to the Discharge Date.

The Company uses Digital on Demand as its provider of music and video database equipment and services. Leonard Riggio owns a minority interest in Digital on Demand through the same investment company through which he owned a minority interest in Source Interlink. The Company paid Digital on Demand \$185, \$1,932 and \$2,593 for music and video database

equipment and services during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. This agreement was terminated on May 31, 2011.

On August 18, 2011, the Company entered into an investment agreement between the Company and Liberty GIC, Inc. (Liberty), a subsidiary of Liberty Media Corporation (Liberty Media), pursuant to which the Company issued and sold to Liberty, and Liberty purchased, 204,000 shares of the Company's Series J Preferred Stock, par value \$0.001 per share, for an aggregate purchase price of \$204,000 in a private placement exempt from the registration requirements of the 1933 Act (see Note 12).

In fiscal 2012, the Company entered into agreements with third parties who sell Barnes & Noble products through QVC and Home Shopping Network (HSN), affiliates of Liberty Media. The Liberty entity that indirectly holds the Barnes & Noble investment (Liberty Media) is a separate public company from the Liberty entity that owns QVC and HSN (Liberty Interactive). Liberty Media was split-off (the Split-Off) from Liberty Interactive on September 28, 2011. No products were sold to the third parties from August 18, 2011, the date of the investment through the date of the Split-Off. The Company purchases trade books, primarily craft/hobbies, from Leisure Arts, Inc. (Leisure Arts), a subsidiary of Liberty Interactive. Total purchases from Leisure Arts following the date of the Liberty investment and prior to the date of the Split-Off were \$16. The Company also purchases Halloween costumes from BuySeasons Inc. (BuySeasons), a subsidiary of Liberty Interactive. Total purchases from BuySeasons following the date of the Liberty investment and prior to the date of the Split-Off were \$33. On July 19, 2011, the Company renewed a one-year contract with Commerce Technologies, Inc. (Commerce Hub), a subsidiary of Liberty Interactive, who provides services to help facilitate and integrate sales with drop-ship vendors. Total fees paid to Commerce Hub following the date of the Liberty investment and prior to the date of the Split-Off were \$22. The Company purchases textbooks from AI2, Inc. (AI2), a subsidiary of Liberty Interactive. There were no purchases from AI2 following the date of the Liberty investment and prior to the date of the Split-Off. The Company paid commissions to Liberty Interactive Advertising (LIA), a subsidiary of Liberty Interactive, who serves as the exclusive premium advertising sales agency for the Company. Total commissions paid to LIA following the date of the Liberty investment and prior to the date of the Split-Off were \$5.

Reconciliation of Basic and Diluted Earnings Per Share (Detail) (USD \$) In Thousands, except Per Share data, unless otherwise specified	3 Months Ended						12 Months Ended				
	Apr. 28, 2012	Jan. 28, 2012	Oct. 29, 2011	Jul. 30, 2011	Apr. 30, 2011	Jan. 29, 2011	Oct. 30, 2010	Jul. 31, 2010	Apr. 28, 2012	Apr. 30, 2011	May 01, 2010
Numerator for basic earnings (loss) per share:											
<u>Income (loss) attributable to Barnes & Noble, Inc.</u>	\$ (57,729)	\$ 52,031	\$ (6,563)	\$ (56,606)	\$ (59,416)	\$ 60,583	\$ (12,568)	\$ (62,518)	\$ (68,867)	\$ (73,920)	\$ 36,676
<u>Preferred stock dividends</u>									(11,044)		
<u>Accretion of dividends on preferred stock</u>									(894)		
<u>Less allocation of earnings and dividends to participating securities</u>											(1,279)
<u>Net income (loss) available to common shareholders</u>									(80,805)	(73,920)	35,397
Numerator for diluted earnings (loss) per share:											
<u>Net income (loss) available to common shareholders</u>									(80,805)	(73,920)	35,397
<u>Effect of dilutive options</u>											(10)
<u>Net income (loss) available to common shareholders</u>									\$ (80,805)	\$ (73,920)	\$ 35,387
Denominator for basic and diluted earnings (loss) per share:											
<u>Basic weighted average common shares</u>									57,337	56,588	55,344
<u>Average dilutive options</u>											809
<u>Diluted weighted average common shares</u>									57,337	56,588	56,153
Basic earnings (loss) per common share											
<u>Net income (loss) attributable to Barnes & Noble, Inc. available for common shareholders</u>	\$ (1.08)	\$ 0.78	\$ (0.17)	\$ (0.99)	\$ (1.04)	\$ 1.01	\$ (0.22)	\$ (1.12)	\$ (1.41)	\$ (1.31)	\$ 0.64
Diluted earnings (loss) per common share											
<u>Net income (loss) attributable to Barnes & Noble, Inc. available for common shareholders</u>	\$ (1.08)	\$ 0.71	\$ (0.17)	\$ (0.99)	\$ (1.04)	\$ 1.00	\$ (0.22)	\$ (1.12)	\$ (1.41)	\$ (1.31)	\$ 0.63

Summary of Significant Accounting Policies - Additional Information (Detail) (USD \$)	12 Months Ended		
	Apr. 28, 2012 Month Year Segment Store	Apr. 30, 2011	May 01, 2010
Summary Of Significant Accounting Policies [Line Items]			
Number of stores	1,338		
Short-term, highly liquid instruments purchased with an original maturity Period	3		
Property and equipment, net of accumulated depreciation	\$	\$	
	622,655,000	704,651,000	
Amortizable intangible assets, net of amortization	249,318,000	251,667,000	
Impairment losses on other long lived assets	11,747,000	2,857,000	12,102,000
Goodwill	519,685,000	524,113,000	528,541,000
Unamortizable intangible assets	314,736,000	314,911,000	
Number of operating segments	3		
Re-allocation of goodwill	20,279,000		29,135,000
Deferred financing fees	21,522,000	26,525,000	
Amortization of deferred financing fees	5,381,000	16,087,000	5,925,000
Estimated life of NOOK, years	2		
Advertising costs	116,388,000	73,417,000	37,600,000
Costs associated with store closings	551,000	3,899,000	4,503,000
Gift card breakage	29,284,000	25,904,000	21,328,000
Gift card liabilities	321,362,000	311,092,000	
Annual Fee			
Summary Of Significant Accounting Policies [Line Items]			
Non-refundable, after first 30 days, annual fee	25		
NOOK			
Summary Of Significant Accounting Policies [Line Items]			
Deferred Revenue	19,785,000	18,184,000	
Other Long Lived Assets			
Summary Of Significant Accounting Policies [Line Items]			
Assets accounted as a percentage of Company's total assets	23.20%		
Goodwill and Unamortizable Intangible Assets			
Summary Of Significant Accounting Policies [Line Items]			
Assets accounted as a percentage of Company's total assets	22.20%		
Minimum			
Summary Of Significant Accounting Policies [Line Items]			
Investments in affiliates, percentage of ownership interests	20.00%		
Minimum NOOK			
Summary Of Significant Accounting Policies [Line Items]			
Average Percent, NOOK's Sales price	2.00%		

Maximum

Summary Of Significant Accounting Policies [Line Items]

Investments in affiliates, percentage of ownership interests 50.00%

Maximum | NOOK

Summary Of Significant Accounting Policies [Line Items]

Average Percent, NOOK's Sales price 5.00%

B&N College

Summary Of Significant Accounting Policies [Line Items]

Number of stores 647

Goodwill 274,070,000 274,070,000 274,070,000

B&N Retail

Summary Of Significant Accounting Policies [Line Items]

Number of stores 691

Goodwill 225,336,000 225,336,000 254,471,000

Re-allocation of goodwill \$ 29,135,000 [1]

[1] Due to the increased focus on the internet and digital businesses, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, the Company determined that it has three operating segments: B&N Retail, B&N College and B&N.com. As a result of this evaluation, \$29,135 of goodwill was re-allocated between B&N Retail and B&N.com segments.

**Selected Quarterly Financial
Information**

**12 Months Ended
Apr. 28, 2012**

[Selected Quarterly Financial
Information](#)

21. Selected Quarterly Financial Information (Unaudited)

A summary of quarterly financial information for fiscal 2012, fiscal 2011 and fiscal 2010 is as follows:

Fiscal 2012 Quarter Ended On or About	July 2011	October 2011	January 2012	April 2012	Total Fiscal Year 2012
Sales	\$1,418,404	1,891,961	2,439,124	1,379,710	7,129,199
Gross profit	\$387,558	471,664	652,816	398,778	1,910,816
Net earnings (loss) attributable to Barnes & Noble, Inc.	\$(56,606)	(6,563)	52,031	(57,729)	(68,867)
Basic earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(0.99)	(0.17)	0.78	(1.08)	(1.41)
Diluted earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(0.99)	(0.17)	0.71	(1.08)	(1.41)
Fiscal 2011 Quarter Ended On or About	July 2010	October 2010	January 2011	April 2011	Total Fiscal Year 2011
Sales	\$1,395,842	1,904,146	2,323,780	1,374,797	6,998,565
Gross profit	\$351,700	450,120	613,672	377,362	1,792,853
Net earnings (loss) attributable to Barnes & Noble, Inc.	\$(62,518)	(12,568)	60,583	(59,416)	(73,920)
Basic earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(1.12)	(0.22)	1.01	(1.04)	(1.31)
Diluted earnings (loss) per common share:					
Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders	\$(1.12)	(0.22)	1.00	(1.04)	(1.31)

Summary of Significant Accounting Policies (Policies)

**12 Months Ended
Apr. 28, 2012**

Consolidation

Consolidation

The consolidated financial statements include the accounts of Barnes & Noble, Inc. and its wholly and majority-owned subsidiaries. Investments in affiliates in which ownership interests range from 20% to 50%, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

Use of Estimates

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

Cash and Cash Equivalents

Cash and Cash Equivalents

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

Merchandise Inventories

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market. Cost is determined primarily by the retail inventory method under both the first-in, first-out (FIFO) basis and the last-in, first-out (LIFO) basis. B&N College's textbook and trade book inventories are valued using the LIFO method, where the related reserve was not material to the recorded amount of the Company's inventories or results of operations.

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

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

Property and Equipment

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. For financial reporting purposes, depreciation is computed using the straight-line method over estimated useful lives. For tax purposes, different methods are used. Maintenance and repairs are expensed as incurred, while major maintenance and remodeling costs are capitalized. Leasehold improvements are capitalized and amortized over the shorter of their estimated useful lives or the terms of the respective leases. Capitalized lease acquisition costs are being amortized over the lease terms of the underlying leases. Costs incurred in purchasing management information systems are capitalized and included in property and equipment. These costs are amortized over their estimated useful lives from the date the systems become operational.

Other Long-Lived Assets

Other Long-Lived Assets

The Company's other long-lived assets include property and equipment and amortizable intangibles. At April 28, 2012, the Company had \$622,655 of property and equipment, net of accumulated depreciation, and \$249,318 of amortizable intangible assets, net of amortization, accounting for approximately 23.2% of the Company's total assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with Accounting Standards Codification (ASC) 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360-10). The Company evaluates long-lived assets for impairment at the individual Barnes & Noble store level, except for B&N College long-lived assets, which are evaluated for impairment at the school contract combined store level, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the Company will first compare the carrying amount of the assets to the individual store's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the assets to the individual store's fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Impairment losses included in selling and administrative expenses totaled \$11,747, \$2,857, and \$12,102 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively, and are related to individual store locations.

Goodwill and Unamortizable Intangible Assets

Goodwill and Unamortizable Intangible Assets

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

At April 28, 2012, the Company had \$519,685 of goodwill and \$314,736 of unamortizable intangible assets (those with an indefinite useful life), accounting for approximately 22.2% of the Company's total assets. ASC 350-30, *Goodwill and Other Intangible Assets*, requires that goodwill and other unamortizable intangible assets no longer be amortized, but instead be tested for impairment at least annually or earlier if there are impairment indicators. The Company performs a two-step process for impairment testing of goodwill as required by ASC 350-30. The first step of this test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount. The second step (if necessary) measures the amount of the impairment. The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2012. In performing the valuations, the Company used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions. Based on the results of the Company's step one testing, the fair values of the B&N Retail, B&N College and B&N.com reporting units as of that date exceeded their carrying values; therefore, the second step of the impairment test was not required to be performed and no goodwill impairment was recognized. During the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical merchandise over the Internet) into the B&N Retail segment. The Company's three operating segments are: B&N Retail, B&N College and NOOK. As a result of this evaluation, \$20,279 of goodwill was re-allocated between B&N Retail and NOOK segments. There were no subsequent indicators of impairment prior to or after the reallocation of goodwill.

The Company tests unamortizable intangible assets by comparing the fair value and the carrying value of such assets. The Company also completed its annual impairment tests for its other unamortizable intangible assets by comparing the estimated fair value to the carrying value of such assets and determined that no impairment was necessary. Changes in market conditions, among other factors, could have a material impact on these estimates, except for the Company's publishing contracts.

Publishing contracts include the value of long-standing relationships with authors, agents and publishers established upon the Company's acquisition of Sterling in 2003. Given Sterling's strong history of maintaining such relationships, the Company believes they produce value indefinitely without an identifiable remaining useful life. However, given recent declines in the physical book business, these contracts were at risk of impairment as of its most recent impairment testing date and may be at risk in the future if declines in sales continue.

Deferred Charges

Deferred Charges

Costs incurred to obtain long-term financing are amortized over the terms of the respective debt agreements using the straight-line method, which approximates the interest method. Unamortized costs included in other noncurrent assets as of April 28, 2012 and April 30, 2011 were \$21,522 and \$26,525, respectively. Amortization expense included in interest and amortization of deferred financing fees was \$5,381, \$16,087, and \$5,925 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

Revenue Recognition

Revenue Recognition

Revenue from sales of the Company's products is recognized at the time of sale, other than those with multiple elements and FOB destination point shipping terms. The Company's products are considered delivered once they have been shipped and title and risk of loss have transferred. While the majority of the Company's shipping terms are FOB shipping point, there are certain third party distribution partners with shipping terms of FOB destination point. Certain of the Company sales agreements with these distribution partners contain rights of inspection or acceptance provisions as is standard in the Company's industry. The Company accrues for estimated sales returns in the period in which the related revenue is recognized based on historical experience and industry standards. Sales taxes collected from retail customers are excluded from reported revenues. 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.

In accordance with ASC 605-25, *Revenue Recognition, Multiple Element Arrangements* and Accounting Standards Updates (ASU) 2009-13 and 2009-14, for multiple-element arrangements that involve tangible products that contain software that is essential to the tangible product's functionality, undelivered software elements that relate to the tangible product's essential software and other separable elements, the Company allocates revenue to all deliverables using the relative selling-price method. Under this method, revenue is allocated at the time of sale to all deliverables based on their relative selling price using a specific hierarchy. The hierarchy is as follows: vendor-specific objective evidence, third-party evidence of selling price, or best estimate of selling price. NOOK™ eBook Reader revenue (which includes revenue from the Company's NOOK® products) is recognized at the segment point of sale.

The Company includes post-service customer support (PCS) in the form of software updates and potential increased functionality on a when-and-if-available basis, as well as wireless access and wireless connectivity with the purchase of NOOK® from the Company. Using the relative

selling price described above, the Company allocates revenue based on the best estimate of selling price for the deliverables as no vendor-specific objective evidence or third-party evidence exists for any of the elements. Revenue allocated to NOOK[®] and the software essential to its functionality is recognized at the time of sale, provided all other conditions for revenue recognition are met. Revenue allocated to the PCS and the wireless access is deferred and recognized on a straight-line basis over the 2-year estimated life of NOOK[®].

The average percentage of a NOOK[®]'s sales price that is deferred for undelivered items and recognized over its 2-year estimated life ranges between 2% and 5%, depending on the type of device sold. The amount of NOOK[®]-related deferred revenue as of April 28, 2012 and April 30, 2011 was \$19,785 and \$18,184, respectively. These amounts are classified on the Company's balance sheet in accrued liabilities for the portion that is subject to deferral for one year or less and other long-term liabilities for the portion that is subject to deferral for more than one year.

The Company also pays certain vendors who distribute NOOK[®] a commission on the content sales sold through that device. The Company accounts for these transactions as a reduction in the sales price of the NOOK[®] based on historical trends of content sales and a liability is established for the estimated commission expected to be paid over the life of the product. The Company recognizes revenue of the content at the point of sale of the content. The Company records revenue from sales of digital content, sales of third-party extended warranties, service contracts and other products, for which the Company is not obligated to perform, and for which the Company does not meet the criteria for gross revenue recognition under ASC 605-45-45, *Reporting Revenue Gross as a Principal versus Net as an Agent*, on a net basis. All other revenue is recognized on a gross basis.

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

The Barnes & Noble Member 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 twelve-month period based upon historical spending patterns for Barnes & Noble Members.

[Research and Development Costs for Software Products](#)

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 software development costs 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 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.

[Advertising Costs](#)

Advertising Costs

The costs of advertising are expensed as incurred during the year pursuant to ASC 720-35, *Advertising Costs*. Advertising costs charged to selling and administrative expenses were \$116,388, \$73,417, and \$37,600 during fiscal 2012, fiscal 2011, and fiscal 2010, respectively.

The Company receives payments and credits from vendors pursuant to co-operative advertising and other programs, including payments for product placement in stores, catalogs and online. In accordance with ASC 605-50-25-10, *Customer's Accounting for Certain Consideration Received from a Vendor*, the Company classifies certain co-op advertising received as a reduction in costs of sales and occupancy. The gross advertising expenses noted above were completely offset by allowances received from vendors and the excess allowances received were recorded as a reduction of cost of goods sold or inventory, as appropriate.

Closed Store Expenses

Closed Store Expenses

When the Company closes or relocates a store, the Company charges unrecoverable costs to expense. Such costs include the net book value of abandoned fixtures and leasehold improvements and, when a store is closed prior to the expiration of the lease, a provision for future lease obligations, net of expected sublease recoveries. Costs associated with store closings of \$551, \$3,899, and \$4,503 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively, are included in selling and administrative expenses in the accompanying consolidated statements of operations.

Net Earnings (Loss) Per Common Share

Net Earnings (Loss) Per Common Share

Basic earnings per share represent net earnings (loss) attributable to common shareholders divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the impact of common shares issuable upon exercise of the Company's outstanding stock options. The Company's unvested restricted shares, unvested restricted stock units and common shares issuable under the Company's deferred compensation plan are deemed participating securities and are excluded from the dilutive impact of common equivalent shares outstanding under the two-class method since these shares are entitled to participate in dividends declared on common shares. Under the two-class method, earnings (loss) attributable to unvested restricted shares, unvested restricted stock units and common shares issuable under the Company's deferred compensation plan are excluded from net earnings (loss) attributable to common shareholders for purposes of calculating basic and diluted earnings (loss) per common share. See Note 7 for further information regarding the calculation of basic and diluted earnings (loss) per common share.

Income Taxes

Income Taxes

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance, if determined to be necessary.

Stock-Based Compensation

Stock-Based Compensation

The calculation of stock-based employee compensation expense involves estimates that require management's judgment. These estimates include the fair value of each of the stock

option awards granted, which is estimated on the date of grant using a Black-Scholes option pricing model. There are two significant inputs into the Black-Scholes option pricing model: expected volatility and expected term. The Company estimates expected volatility based on traded option volatility of the Company's stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from historical exercise experience under the Company's stock option plans and represents the period of time that stock option awards granted are expected to be outstanding. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate, and only recognize expense for those shares expected to vest. If the Company's actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period. See Note 3 to the Consolidated Financial Statements for a further discussion on stock-based compensation.

[Gift Cards](#)

Gift Cards

The Company sells gift cards which can be used in its stores or on Barnes & Noble.com. 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. Over time, some portion of the gift cards issued is not redeemed. 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. The Company records this amount in income on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. If actual redemption patterns vary from the Company's estimates, actual gift card breakage may differ from the amounts recorded. The Company recognized gift card breakage of \$29,284, \$25,904 and \$21,328 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. The Company had gift card liabilities of \$321,362 and \$311,092 as of April 28, 2012 and April 30, 2011, respectively.

[Reclassifications](#)

Reclassifications

Certain prior-period amounts have been reclassified for comparative purposes to conform with the fiscal 2012 presentation.

[Reporting Period](#)

Reporting Period

The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. The reporting periods ended April 28, 2012, April 30, 2011 and May 1, 2010 all contained 52 weeks.

[Recent Accounting Pronouncements](#)

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendment requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate

but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. In addition, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*(ASU 2011-12). ASU 2011-12 effectively defers only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. All other requirements in ASU 2011-05 are not affected by this update. These ASUs are effective for the Company's financial statements for annual and interim periods beginning on or after December 15, 2011 and must be applied retrospectively. The Company has early adopted both ASU 2011-05 and ASU 2011-12.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment* (ASU 2011-08). ASU 2011-08 gives the Company the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. This ASU is effective for the Company's financial statements for annual and interim periods beginning on or after December 15, 2011. The adoption is not expected to have an impact on the Company's Fiscal 2013 Consolidated Financial Statements.

**CONSOLIDATED
STATEMENTS OF
CHANGES IN
SHAREHOLDERS'
EQUITY (Parenthetical)
In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

<u>Common stock options exercised, shares</u>	92	1,024	313
<u>Treasury stock acquired, shares</u>	313	125	137

Credit Facility (Tables)

**12 Months Ended
Apr. 28, 2012**

Credit Facility

Selected information related to the Company's 2012 Amended Credit Facility, 2011 Amended Credit Facility and 2009 Credit Facility:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Credit facility at period end	\$324,200	313,100	260,400
Average balance outstanding during the period	\$306,038	338,971	107,504
Maximum borrowings outstanding during the period	\$582,000	622,800	512,500
Weighted average interest rate during the period	3.34 %	4.30 %	4.38 %
Interest rate at end of period	3.32 %	5.13 %	4.13 %

**Acquisition of B&N College
(Tables)**

**12 Months Ended
Apr. 28, 2012**

Allocation of Purchase Price

The following table represents the allocation of the purchase price to the acquired net assets and resulting adjustment to goodwill:

Cash Paid	\$263,648
Seller Notes	<u>250,000</u>
Fair value of total consideration	<u>\$513,648</u>
Allocation of purchase price:	
Current assets	\$609,786
Non-current assets	114,683
Trade name	245,000
Customer relationships	255,000
Goodwill	<u>274,070</u>
Total assets acquired	\$1,498,539
Deferred taxes	234,631
Liabilities assumed	<u>750,260</u>
	<u>\$513,648</u>

Long-Term Liabilities
(Detail) (USD \$)
In Thousands, unless
otherwise specified

Apr. 28, 2012 Apr. 30, 2011

Other Long-Term Liabilities [Abstract]

<u>Deferred Rent</u>	\$ 220,875	\$ 271,451
<u>Junior Seller Note (see Note 14 and Note 19)</u>	150,000	150,000
<u>Other</u>	34,190	27,196
<u>Total long-term liabilities</u>	\$ 405,065	\$ 448,647

Acquisition of B&N College - Additional Information (Detail) (USD \$) In Thousands, unless otherwise specified	12 Months Ended			1 Months Ended		12 Months Ended					1 Months Ended		
	Apr. 28, 2012	May 01, 2010	Sep. 30, 2009	Sep. 30, 2009 Short- term tax liability	Sep. 30, 2009 Long- term tax liability	Sep. 30, 2009 B&N College	Apr. 28, 2012 B&N College	Apr. 30, 2011 B&N College	May 01, 2010 B&N College	Apr. 28, 2012 B&N College Customer Relationships Year	Sep. 30, 2009 B&N College Customer Relationships Senior Notes	Sep. 30, 2009 Junior Subordinated Note	Jun. 13, 2012 Junior Subordinated Note Subsequent Event
Debt, principal amount											\$ 100,000	\$ 150,000	
Debt, interest rate											8.00%	10.00%	
Purchase price paid					596,000								
Cash paid					346,000								
Seller Notes					250,000								
Cash bonuses paid to members					82,352								
Number of members, cash bonuses paid					192								
Credit facility, acquisition financed					150,000								
Settlement waive amount													22,750
Acquisition-related expenses	10,400												
Trade name					245,000								
Amortizable intangible assets										255,000			
Historical customer attrition useful life									50				
Amortization period									25				
Amortization of acquired intangibles	3,935					10,200	10,200	5,950					
Deferred taxes				26,810	207,821	234,631							
Goodwill				\$ 272,879									

**CONSOLIDATED
STATEMENTS OF
OPERATIONS (USD \$)
In Thousands, except Per
Share data, unless otherwise
specified**

12 Months Ended

	Apr. 28, 2012	Apr. 30, 2011	May 01, 2010
<u>Sales</u>	\$ 7,129,199	\$ 6,998,565	\$ 5,807,754
<u>Cost of sales and occupancy</u>	5,218,383	5,205,712	4,131,009
<u>Gross profit</u>	1,910,816	1,792,853	1,676,745
<u>Selling and administrative expenses</u>	1,739,452	1,629,465	1,395,725
<u>Depreciation and amortization</u>	232,667	228,647	207,774
<u>Operating profit (loss)</u>	(61,303)	(65,259)	73,246
<u>Interest income (expense), net and amortization of deferred financing fees</u>	(35,304)	(57,350)	(28,237)
<u>Earnings (loss) before income taxes (benefit)</u>	(96,607)	(122,609)	45,009
<u>Income taxes (benefit)</u>	(27,740)	(48,652)	8,365
<u>Net earnings (loss)</u>	(68,867)	(73,957)	36,644
<u>Net loss attributable to noncontrolling interests</u>		37	32
<u>Net earnings (loss) attributable to Barnes & Noble, Inc.</u>	(68,867)	(73,920)	36,676
<u>Earnings (loss) attributable to Barnes & Noble, Inc.</u>			
<u>Earnings (loss)</u>	(68,867)	(73,957)	36,644
<u>Less loss attributable to noncontrolling interests</u>		37	32
<u>Net earnings (loss) attributable to Barnes & Noble, Inc.</u>	\$ (68,867)	\$ (73,920)	\$ 36,676
<u>Basic earnings (loss) per common share</u>			
<u>Net earnings (loss) attributable to Barnes & Noble, Inc.</u>	\$ (1.41)	\$ (1.31)	\$ 0.64
<u>Diluted earnings (loss) per common share</u>			
<u>Net earnings (loss) attributable to Barnes & Noble, Inc.</u>	\$ (1.41)	\$ (1.31)	\$ 0.63
<u>Weighted average common shares outstanding</u>			
<u>Basic</u>	57,337	56,588	55,344
<u>Diluted</u>	57,337	56,588	56,153

Credit Facility - Additional Information (Detail) (USD \$) In Thousands, unless otherwise specified	12 Months Ended			1 Months Ended	12 Months Ended	1 Months Ended	12 Months Ended
	Apr. 28, 2012	Apr. 30, 2011	May 01, 2010	Apr. 29, 2011 Amended Credit Agreement Year	Apr. 28, 2012 Amended Credit Agreement Year	Sep. 30, 2009 Credit Facility Year	Apr. 28, 2012 Credit Facility
<u>Line of Credit Facility [Line Items]</u>							
<u>Credit facility, borrowing capacity</u>				\$ 1,000,000		\$ 1,000,000	
<u>Credit facility maturity term, in years</u>				5		4	
<u>Increase in commitments under credit agreement, maximum</u>				300,000		300,000	
<u>Percentage of Loan Cap under Amended Credit Agreement</u>				10.00%			
<u>Amount of Loan Cap under Amended Credit Agreement</u>				50,000			
<u>Amortization of deferred financing fees</u>	5,381	16,087	5,925		10,180		6,580
<u>Unamortized deferred costs</u>	21,522	26,525					16,341
<u>Deferrred financing amortization term</u>					5		
<u>Credit facility, fees expensed on unused portion</u>	\$ 3,343	\$ 5,466	\$ 4,198				

**CONSOLIDATED
BALANCE SHEETS
(Parenthetical) (USD \$)
In Thousands, except Per
Share data, unless otherwise
specified**

Apr. 28, 2012 Apr. 30, 2011

<u>Redeemable Preferred Shares, par value</u>	\$ 0.001	\$ 0.001
<u>Redeemable Preferred Shares, shares authorized</u>	5,000	5,000
<u>Redeemable Preferred Shares, shares issued</u>	204	0
<u>Common stock, par value</u>	\$ 0.001	\$ 0.001
<u>Common stock, shares authorized</u>	300,000	300,000
<u>Common stock, shares issued</u>	91,376	90,465
<u>Treasury stock, shares</u>	33,722	33,410

**Reconciliation Between
Effective Income Tax Rate
and Federal Statutory
Income Tax Rate (Detail)**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

<u>Federal statutory income tax rate</u>	35.00%	35.00%	35.00%
<u>State income taxes, net of federal income tax benefit</u>	4.40%	4.80%	3.80%
<u>Additions to unrecognized tax benefits</u>	(1.00%)	(2.50%)	11.20%
<u>Reductions to unrecognized tax benefits</u>	0.70%	1.30%	(31.80%)
<u>Excess 162(m) limitation</u>	(9.30%)	[1]	
<u>Other, net</u>	(1.10%)	1.10%	0.40%
<u>Effective income tax rate</u>	28.70%	39.70%	18.60%

[1] Relates to 162(m) compensation in excess of limitation for the current year and prior year.

**Other Long-Term Liabilities
(Tables)**

**12 Months Ended
Apr. 28, 2012**

[Long-Term Liabilities](#)

The Company had the following long-term liabilities at April 28, 2012, April 30, 2011 and May 1, 2010:

	April 28, 2012	April 30, 2011
Deferred Rent	\$220,875	271,451
Junior Seller Note (see Note 14 and Note 19)	150,000	150,000
Other	34,190	27,196
Total long-term liabilities	<u>\$405,065</u>	<u>448,647</u>

**Estimated Amortization
Expense (Detail) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012

Changes In Intangible Assets And Goodwill [Abstract]

<u>2013</u>	\$ 19,464
<u>2014</u>	17,213
<u>2015</u>	13,277
<u>2016</u>	11,241
<u>2017</u>	\$ 10,875

**Acquisition of
Noncontrolling Interest**

**12 Months Ended
Apr. 28, 2012**

[Acquisition of Noncontrolling
Interest](#)

13. Acquisition of Noncontrolling Interest

Sterling Publishing had a 50% joint venture interest in Begin Smart LLC (Begin Smart), to develop, sell, and distribute books for infants, toddlers, and children under the brand name BEGIN SMART®. During fiscal 2011, the Company purchased the remaining 50% outside interest in Begin Smart for \$300. 100% of Begin Smart results of operations for the period subsequent to the Begin Smart acquisition date are included in the consolidated financial statements.

**Fair Values of Financial
Instruments (Tables)**

**12 Months Ended
Apr. 28, 2012**

[Fair Values of Financial Instruments](#)

The following table presents the changes in Level 3 contingent consideration liability:

	Acquisition of Fictionwise
Beginning balance, May 2, 2009	\$8,165
Payments	(2,612)
Losses	1,712
Balance, May 1, 2010	\$7,265
Payments	(7,508)
Losses	243
Balance, April 30, 2011 and April 28, 2012	<u>\$—</u>

Shareholders' Equity

**12 Months Ended
Apr. 28, 2012**

Shareholders' Equity

15. Shareholders' Equity

On November 17, 2009, the Board of Directors of the Company declared a dividend, payable to stockholders of record on November 27, 2009 of one right (a Right) per each share of outstanding Common Stock of the Company, par value \$0.001 per share (Common Stock), to purchase 1/1000th of a share of Series I Preferred Stock, par value \$0.001 per share, of the Company (the Preferred Stock), at a price of \$100.00 per share (such amount, as may be adjusted from time to time as provided in the Rights Agreement described below, the Purchase Price). In connection therewith, on November 17, 2009, the Company entered into a Rights Agreement, dated November 17, 2009 (as amended February 17, 2010, June 23, 2010, October 29, 2010 and August 18, 2011 and as may be further amended from time to time, the Rights Agreement) with Mellon Investor Services LLC, as Rights Agent. The Rights will be exercisable upon the earlier of (i) such date the Company learns that a person or group, without Board approval, acquires or obtains the right to acquire beneficial ownership of 20% or more of the Company's outstanding common stock or a person or group that already beneficially owns 20% or more of the Company's outstanding common stock at the time the Rights Agreement was entered into, without Board approval, acquires any additional shares (other than pursuant to the Company's compensation or benefit plans) (any person or group specified in this sentence, an Acquiring Person) and (ii) such date a person or group announces an intention to commence or following the commencement of (as designated by the Board) a tender or exchange offer which could result in the beneficial ownership of 20% or more of the Company's outstanding common stock. The Rights will expire on November 17, 2012, unless earlier redeemed or canceled by the Company. If a person or group becomes an Acquiring Person, each Rights holder (other than the Acquiring Person) will be entitled to receive, upon exercise of the Right and payment of the Purchase Price, that number of 1/1000ths of a share of Preferred Stock equal to the number of shares of Common Stock which at the time of the applicable triggering transaction would have a market value of twice the Purchase Price. In the event the Company is acquired in a merger or other business combination by an Acquiring Person, or 50% or more of the Company's assets are sold to an Acquiring Person, each Right will entitle its holder (other than an Acquiring Person) to purchase common shares in the surviving entity at 50% of the market price.

On May 15, 2007, the Company's Board of Directors authorized a stock repurchase program for the purchase of up to \$400,000 of the Company's common stock. The maximum dollar value of common stock that may yet be purchased under the current program is approximately \$2,471 as of April 28, 2012. 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. As of April 28, 2012, the Company has repurchased 33,722,264 shares at a cost of approximately \$1,058,282 under its stock repurchase programs. The repurchased shares are held in treasury.

**Intangible Assets and
Goodwill - Additional
Information (Detail) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

**Apr. 28, 2012
Year**

Oct. 17, 2011

Acquired Finite-Lived Intangible Assets [Line Items]

Intellectual property assets

\$ 14,528

Intellectual property assets, useful life

3

Amortization expense related to acquisition

\$ 3,935

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (USD \$) In Thousands	Total	Noncontrolling Interest	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Gains (Losses)	Retained Earnings	Treasury Stock at Cost
<u>Balance at May. 02, 2009</u>	\$ 911,823	\$ 1,582	\$ 88	\$ 1,274,454	\$ (12,015)	\$ 697,042	\$ (1,049,328)
<u>Net earnings (loss)</u>	36,644	(32)				36,676	
<u>Minimum pension liability, net of tax</u>	(1,197)				(1,197)		
<u>Exercise of 92 in 2012, 1024 in 2011 and 313 in 2010 common stock options</u>	4,363		1	4,362			
<u>Stock options and restricted stock tax benefits</u>	(3,557)			(3,557)			
<u>Stock-based compensation expense</u>	15,723			15,723			
<u>Sale of Calendar Club</u>				(4,767)		4,767	
<u>Cash dividend paid to stockholders</u>	(57,403)					(57,403)	
<u>Treasury stock acquired, 313 shares in 2012, 125 shares in 2011 and 137 shares in 2010</u>	(3,028)						(3,028)
<u>Balance at May. 01, 2010</u>	903,368	1,550	89	1,286,215	(13,212)	681,082	(1,052,356)
<u>Net earnings (loss)</u>	(73,957)	(37)				(73,920)	
<u>Minimum pension liability, net of tax</u>	1,582				1,582		
<u>Purchase of noncontrolling interest</u>	(300)	(1,513)		1,213			
<u>Exercise of 92 in 2012, 1024 in 2011 and 313 in 2010 common stock options</u>	17,233		1	17,232			
<u>Stock options and restricted stock tax benefits</u>	(2,375)			(2,375)			
<u>Stock-based compensation expense</u>	20,978			20,978			
<u>Cash dividend paid to stockholders</u>	(44,783)					(44,783)	
<u>Treasury stock acquired, 313 shares in 2012, 125 shares in 2011 and 137 shares in 2010</u>	(1,836)						(1,836)
<u>Balance at Apr. 30, 2011</u>	819,910		90	1,323,263	(11,630)	562,379	(1,054,192)
<u>Net earnings (loss)</u>	(68,867)					(68,867)	
<u>Minimum pension liability, net of tax</u>	(5,005)				(5,005)		

Exercise of 92 in 2012, 1024 in 2011 and 313 in 2010 common stock options	1,097	1	1,096		
Stock options and restricted stock tax benefits	(4,225)		(4,225)		
Stock-based compensation expense	20,775		20,775		
Accretive dividend on preferred stockholders	(894)			(894)	
Accrued/paid dividends for preferred stockholders	(11,044)			(11,044)	
Treasury stock acquired, 313 shares in 2012, 125 shares in 2011 and 137 shares in 2010	(4,090)				(4,090)
Balance at Apr. 28, 2012	\$ 747,657	\$ 91	\$ 1,340,909	\$ (16,635)	\$ 481,574
					\$ (1,058,282)

**CONSOLIDATED
STATEMENTS OF
COMPREHENSIVE
INCOME (LOSS) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

**Apr. 28, Apr. 30, May 01,
2012 2011 2010**

<u>Net earnings (loss)</u>	\$	\$	\$ 36,644
	(68,867)	(73,957)	
<u>Other comprehensive earnings (loss), net of tax:</u>			
<u>(Increase) decrease in minimum pension liability (net of deferred tax benefit (expense) of \$3,336, (\$1,055) and \$798, respectively)</u>	(5,005)	1,582	(1,197)
<u>Total comprehensive earnings (loss)</u>	(73,872)	(72,375)	35,447
<u>Comprehensive loss attributable to noncontrolling interest</u>		37	32
<u>Total comprehensive earnings (loss) attributable to Barnes & Noble, Inc.</u>	\$	\$	\$ 35,479
	(73,872)	(72,338)	

Employees' Retirement and Defined Contribution Plans

**12 Months Ended
Apr. 28, 2012**

[Employees' Retirement and Defined Contribution Plans](#)

8. Employees' Retirement and Defined Contribution Plans

As of December 31, 1999, substantially all employees of the Company were covered under a noncontributory defined benefit pension plan (the Pension Plan). As of January 1, 2000, the Pension Plan was amended so that employees no longer earn benefits for subsequent service. Effective December 31, 2004, the Barnes & Noble.com Employees' Retirement Plan (the B&N.com Retirement Plan) was merged with the Pension Plan. Substantially all employees of Barnes & Noble.com were covered under the B&N.com Retirement Plan. As of July 1, 2000, the B&N.com Retirement Plan was amended so that employees no longer earn benefits for subsequent service. Subsequent service continues to be the basis for vesting of benefits not yet vested at December 31, 1999 and June 30, 2000 for the Pension Plan and the B&N.com Retirement Plan, respectively, and the Pension Plan will continue to hold assets and pay benefits. The actuarial assumptions used to calculate pension costs are reviewed annually. Pension expense was \$1,970, \$2,558 and \$1,951 for fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

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 \$15,273, \$14,212 and \$12,954 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. In addition, the Company provides certain health care and life insurance benefits (the Postretirement Plan) to retired employees, limited to those receiving benefits or retired as of April 1, 1993. Total Company contributions charged to employee benefit expenses for the Postretirement Plan were \$150, \$150 and (\$111) during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

**Document and Entity
Information (USD \$)**

**12 Months Ended
Apr. 28, 2012**

May 31, 2012 Oct. 29, 2011

Document Information [Line Items]

<u>Document Type</u>	10-K		
<u>Amendment Flag</u>	false		
<u>Document Period End Date</u>	Apr. 28, 2012		
<u>Document Fiscal Year Focus</u>	2012		
<u>Document Fiscal Period Focus</u>	FY		
<u>Trading Symbol</u>	BKS		
<u>Entity Registrant Name</u>	BARNES & NOBLE INC		
<u>Entity Central Index Key</u>	0000890491		
<u>Current Fiscal Year End Date</u>	--04-28		
<u>Entity Well-known Seasoned Issuer</u>	No		
<u>Entity Current Reporting Status</u>	Yes		
<u>Entity Voluntary Filers</u>	No		
<u>Entity Filer Category</u>	Large Accelerated Filer		
<u>Entity Common Stock, Shares Outstanding</u>		60,027,900	
<u>Entity Public Float</u>			\$ 476,847,804

Income Taxes

12 Months Ended
Apr. 28, 2012

Income Taxes

9. Income Taxes

The Company files a consolidated federal return with all subsidiaries owned 80% or more. Federal and state income tax provisions (benefits) for fiscal 2012, fiscal 2011 and fiscal 2010 are as follows:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Current:			
Federal	\$6,228	(47,825)	51,343
State	3,602	(2,441)	14,192
Total current	9,830	(50,266)	65,535
Deferred:			
Federal	(28,504)	8,057	(45,903)
State	(9,066)	(6,443)	(11,267)
Total deferred	(37,570)	1,614	(57,170)
Total	<u>\$(27,740)</u>	<u>(48,652)</u>	<u>8,365</u>

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

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal income tax benefit	4.4	4.8	3.8
Additions to unrecognized tax benefits	(1.0)	(2.5)	11.2
Reductions to unrecognized tax benefits	0.7	1.3	(31.8)
Excess 162(m) limitation (a)	(9.3)	—	—
Other, net	(1.1)	1.1	0.4
Effective income tax rate	<u>28.7 %</u>	<u>39.7 %</u>	<u>18.6 %</u>

(a) Relates to 162(m) compensation in excess of limitation for the current year and prior year.

The tax effects of temporary differences that give rise to significant components of the Company's deferred tax assets and liabilities as of April 28, 2012 and April 30, 2011 are as follows:

	April 28, 2012	April 30, 2011
Deferred tax liabilities:		
Investment in Barnes & Noble.com	\$(95,051)	(95,051)
Property & equipment	(63,216)	(57,156)
Goodwill and intangible asset amortization	(233,322)	(236,845)
Prepaid expenses	(7,827)	(7,125)
Other	(6,226)	(4,861)
Total deferred tax liabilities	<u>(405,642)</u>	<u>(401,038)</u>

Deferred tax assets:

Loss and credit carryovers	75,817	57,751
Lease transactions	30,043	32,986
Estimated accruals	88,823	52,868
Stock-based compensation	9,946	11,508
Insurance liability	11,105	11,396
Pension	11,953	10,254
Inventory	19,674	18,996
Investments in equity securities	1,282	1,282
Total deferred tax assets	<u>248,643</u>	<u>197,041</u>
Net deferred tax liabilities	<u>\$(156,999)</u>	<u>(203,997)</u>

Balance Sheet caption reported in:

Prepaid expenses and other current assets	\$111,775	76,135
Deferred tax liabilities	<u>(268,774)</u>	<u>(280,132)</u>
Net deferred tax liabilities	<u>\$(156,999)</u>	<u>(203,997)</u>

At April 28, 2012, the Company had federal and state net operating loss carryforwards (NOLs) of approximately \$86,000 that expire beginning in 2018 through 2022, the utilization of which is limited to approximately \$6,700 on an annual basis. Additionally, the Company had approximately \$37,000 of federal NOLs and \$134,000 of state NOLs that have no annual limitation and expire beginning in 2030 through 2031. These NOLs account for \$57,773 of the \$75,817 of loss and credit carryover deferred tax assets at April 28, 2012, with the remainder relating primarily to other state NOLs and federal credits.

As of April 28, 2012, the Company had \$17,032 of unrecognized tax benefits, all of which, if recognized, would affect the Company's effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits for fiscal 2012, fiscal 2011 and fiscal 2010 is as follows:

Balance at May 2, 2009	\$24,541
Additions for tax positions of the current period	2,457
Additions for tax positions of prior periods	2,563
Other reductions for tax positions of prior periods	<u>(14,293)</u>
Balance at May 1, 2010	<u>\$15,268</u>
Additions for tax positions of the current period	1,809
Additions for tax positions of prior periods	1,199
Reductions due to settlements	(508)
Other reductions for tax positions of prior periods	<u>(1,053)</u>
Balance at April 30, 2011	<u>\$16,715</u>
Additions for tax positions of prior periods	993
Reductions due to settlements	(228)
Other reductions for tax positions of prior periods	<u>(448)</u>

Balance at April 28, 2012

\$17,032

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of April 28, 2012 and April 30, 2011, the Company had accrued \$3,897 and \$3,236, respectively, for net interest and penalties, which is included in the \$17,032 and \$16,715 of unrecognized tax benefits noted above. The change in the amount accrued for net interest and penalties includes \$974 in additions for net interest and penalties recognized in income tax expense in the Company's fiscal 2012 statement of operations.

The Company is subject to U.S. federal income tax as well as income tax in jurisdictions of each state having an income tax. The tax years that remain subject to examination are primarily from fiscal 2007 and forward. Some earlier years remain open for a small minority of states.

Summarized Financial Information Reportable Segments (Detail) (USD \$) In Thousands, unless otherwise specified	3 Months Ended						12 Months Ended					
	Apr. 28, 2012	Jan. 28, 2012	Oct. 29, 2011	Jul. 30, 2011	Apr. 30, 2011	Jan. 29, 2011	Oct. 30, 2010	Jul. 31, 2010	Apr. 28, 2012	Apr. 30, 2011	May 01, 2010	
Segment Reporting Information [Line Items]												
Sales	\$ 1,379,710	\$ 2,439,124	\$ 1,891,961	\$ 1,418,404	\$ 1,374,797	\$ 2,323,780	\$ 1,904,146	\$ 1,395,842	\$ 7,129,199	\$ 6,998,565	\$ 5,807,754	
Depreciation and amortization									232,667	228,647	207,774	
Sales by Product Line									100.00%	100.00%	100.00%	
Operating Profit/(Loss)									(61,303)	(65,259)	73,246	
Capital Expenditures									163,552	110,502	127,779	
Total Assets	3,765,249 ^[1]					3,596,466 ^[1]			3,765,249 ^[1]	3,596,466 ^[1]		
Media												
Segment Reporting Information [Line Items]												
Sales by Product Line									66.00%	^[2] 70.00%	^[2] 80.00%	^[2]
Digital												
Segment Reporting Information [Line Items]												
Sales by Product Line									15.00%	^[3] 11.00%	^[3] 2.00%	^[3]
Other												
Segment Reporting Information [Line Items]												
Sales by Product Line									19.00%	^[4] 19.00%	^[4] 18.00%	^[4]
B&N Retail												
Segment Reporting Information [Line Items]												
Sales									4,852,913	4,926,834	4,947,469	
Depreciation and amortization									162,693	164,934	170,777	
Operating Profit/(Loss)									154,436	94,132	157,591	
Capital Expenditures									87,596	62,299	93,988	
Total Assets	2,416,318 ^[1]					2,183,959 ^[1]			2,416,318 ^[1]	2,183,959 ^[1]		
B&N College												
Segment Reporting Information [Line Items]												
Sales									1,743,662 ^[5]	1,778,159 ^[5]	833,648 ^[5]	
Depreciation and amortization									45,343 ^[5]	43,148 ^[5]	24,863 ^[5]	
Operating Profit/(Loss)									70,604 ^[5]	70,298 ^[5]	(3,713) ^[5]	
Capital Expenditures									40,479 ^[5]	35,004 ^[5]	13,716 ^[5]	
Total Assets	972,860 ^[1]					1,170,891 ^[1]			972,860 ^[1]	1,170,891 ^[1]		
NOOK												
Segment Reporting Information [Line Items]												
Sales									933,471	695,182	105,435	
Depreciation and amortization									24,631	20,565	12,134	
Operating Profit/(Loss)									(286,343)	(229,689)	(80,632)	
Capital Expenditures									35,477	13,199	20,075	
Total Assets	376,071 ^[1]					241,616 ^[1]			376,071 ^[1]	241,616 ^[1]		
Elimination												
Segment Reporting Information [Line Items]												
Sales									\$ (400,847)	\$ (401,610)	\$ (78,798)	

[1] Excludes intercompany balances.

[2] Includes tangible books, music, movies, rentals and newsstand.

[3] Includes NOOK, related accessories, eContent and warranties.

[4] Includes toys & games, café products, gifts and miscellaneous other.

[5] Includes only the financial information of B&N College since the date of the Acquisition on September 30, 2009.

**CONSOLIDATED
STATEMENTS OF
COMPREHENSIVE
INCOME (LOSS)
(Parenthetical) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

	Apr. 28, 2012	Apr. 30, 2011	May 01, 2010
<u>(Increase) decrease in minimum pension liability, deferred tax benefit (expense)</u>	\$ 3,336	\$ (1,055)	\$ 798

Stock-Based Compensation

**12 Months Ended
Apr. 28, 2012**

[Stock-Based Compensation](#)

3. Stock-Based Compensation

The Company maintains three share-based incentive plans: the 1996 Incentive Plan, the 2004 Incentive Plan and the 2009 Incentive Plan. Prior to June 2, 2009, the Company issued restricted stock and stock options under the 1996 and 2004 Incentive Plans. On June 2, 2009, the Company's shareholders approved the 2009 Incentive Plan. Under the 2009 Incentive Plan, the Company has issued restricted stock units, restricted stock and stock options. The maximum number of shares issuable under the 2009 Incentive Plan is 950,000, plus shares that remain available under the Company's shareholder-approved 2004 Incentive Plan. At April 28, 2012, there were approximately 1,001,440 shares of common stock available for future grants under the 2009 Incentive Plan.

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

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

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

vesting period of an award, which is generally pro-rata vesting annually over four years. The risk-free interest rate is based on the implied yield on a U.S. Treasury constant maturity with a remaining term equal to the expected term of the option granted.

The Company recognizes stock-based compensation costs, net of estimated forfeitures, for only those shares expected to vest on a straight-line basis over the requisite service period of the award. The Company estimates the forfeiture rates based on its historical experience.

The weighted average assumptions relating to the valuation of the Company's stock options for fiscal years 2012 and 2010 are shown below. No stock options were granted during fiscal 2011.

Fiscal Year	2012	2010
Weighted average fair value of grants	\$9.85	\$5.72
Volatility	78.52 %	41.30 %
Risk-free interest rate	0.92 %	2.59 %
Expected life	5 years	5 years
Expected dividend yield	0.00 %	4.53 %

Stock-Based Compensation Activity

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

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Balance, May 2, 2009	5,561	\$20.14	3.83 years	\$33,633
Granted	500	22.07		
Exercised	(313)	13.96		
Forfeited	(250)	30.69		
Balance, May 1, 2010	5,498	20.19	3.49 years	\$13,782
Exercised	(1,024)	16.83		
Forfeited	(598)	20.57		
Balance, April 30, 2011	3,876	21.02	3.40 years	—
Granted	1,563	15.70		
Exercised	(92)	11.89		
Forfeited	(1,487)	21.86		
Balance, April 28, 2012	3,860	\$18.76	5.70 years	\$574
Vested and expected to vest in the future at				
April 28, 2012	3,860	\$18.76	5.70 years	\$574
Exercisable at April 28, 2012	2,132	\$20.74	2.68 years	\$515
Available for grant at April 28, 2012	1,001			

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

of options exercised for fiscal 2012, fiscal 2011 and fiscal 2010 (based on the difference between the Company's stock price on the exercise date and the respective exercise price, multiplied by the number of options exercised) was \$521, \$124 and \$2,321, respectively.

As of April 28, 2012, there was \$20,384 of total unrecognized compensation expense related to unvested stock options granted under the Company's share-based compensation plans. That expense is expected to be recognized over a weighted average period of 3.4 years.

The Company's Chief Executive Officer was granted 500,000 stock options, with an exercise price of \$22.07 per share, on April 1, 2010 and a grant of 1,000,000 stock options, with an exercise price of \$16.00 per share, was approved on December 9, 2011. However, the Company subsequently determined that 500,000 of the stock options approved on December 9, 2011 were not validly granted pursuant to the Company's 2009 Incentive Plan because they exceeded the limit on the number of options that may be granted to any individual participant within any 36-month period. Accordingly, the attempted grant of these excess options was ineffective, and they were never granted to the Company's Chief Executive Officer. The estimated liability recorded for the invalid grant in the quarter was not significant.

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

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, May 2, 2009	1,235	\$ 30.86
Granted	1,647	21.93
Vested	(429)	33.18
Forfeited	(123)	30.41
Balance, May 1, 2010	2,330	24.15
Granted	684	16.65
Vested	(435)	27.99
Forfeited	(154)	24.76
Balance, April 30, 2011	2,425	21.31
Granted	83	13.23
Vested	(1,073)	22.78
Forfeited	(51)	21.52
Balance, April 28, 2012	<u>1,384</u>	\$ 19.68

Total fair value of shares of restricted stock that vested during fiscal 2012, fiscal 2011 and fiscal 2010 was \$14,067, \$6,163 and \$9,408, respectively. As of April 28, 2012, there was \$21,561 of unrecognized stock-based compensation expense related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted average period of 1.4 years.

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

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, April 30, 2011	—	\$ —
Granted	969	16.64
Forfeited	(5)	18.59

Balance, April 28, 2012

964

\$ 16.63

No restricted stock units were granted prior to fiscal 2012 and there were no vestings during fiscal 2012. As of April 28, 2012, there was \$14,200 of unrecognized stock-based compensation expense related to nonvested restricted stock units. That cost is expected to be recognized over a weighted average period of 3.1 years.

For fiscal 2012, fiscal 2011 and fiscal 2010, stock-based compensation expense of \$20,775, \$20,978 and \$15,723, respectively, is included in selling and administrative expenses.

Credit Facility

**12 Months Ended
Apr. 28, 2012**

Credit Facility

2. Credit Facility

On April 27, 2012, the Company entered into an amendment (the 2012 Amended Credit Facility) to its existing agreement with Bank of America, N.A. entered into on April 29, 2011, as administrative agent, collateral agent and swing line lender, and other lenders in order to permit the transactions contemplated by the investment agreement among the Company, Morrison Investment Holdings, Inc., and Microsoft Corporation (See Note 11) and to make certain other changes to the Company's 2011 Amended Credit Agreement in connection therewith.

On April 29, 2011, the Company entered into an amended and restated credit agreement (the 2011 Amended Credit Agreement) with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and other lenders, which amended and restated the credit agreement (the 2009 Credit Agreement) entered into on September 30, 2009 with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and other lenders. Under the 2011 Amended Credit Agreement, Lenders provided up to \$1,000,000 in aggregate commitments under a five-year asset-backed revolving credit facility, which is secured by eligible inventory with the ability to include eligible real estate and accounts receivable and related assets. Borrowings under the 2011 Amended Credit Agreement were limited to a specified percentage of eligible inventories and accounts receivable and accrued interest, at the election of the Company, at Base Rate or LIBO Rate, plus, in each case, an Applicable Margin (each term as defined in the 2011 Amended Credit Agreement). In addition, the Company has the option to request an increase in commitments under the 2011 Amended Credit Agreement by up to \$300,000, subject to certain restrictions.

The 2011 Amended Credit Agreement requires Availability (as defined in the 2011 Amended Credit Agreement) to be greater than the greater of (i) 10% of the Loan Cap (as defined in the 2011 Amended Credit Agreement) and (ii) \$50,000. In addition, the 2011 Amended Credit Agreement contains covenants that limit, among other things, the Company's ability to incur indebtedness, create liens, make investments, make restricted payments, merge or acquire assets, and contains default provisions that are typical for this type of financing, among other things. Proceeds from the 2011 Amended Credit Facility are used for general corporate purposes, including seasonal working capital needs.

As a result of the 2011 Amended Credit Agreement, \$6,580 of deferred financing fees related to the 2009 Credit Facility were written off in fiscal 2011, and included in net interest expenses. The remaining unamortized deferred costs of \$16,341 and new charges of \$10,180 relating to the Company's 2011 Amended Credit Facility were deferred and are being amortized over the five-year term of the 2011 Amended Credit Facility.

On September 30, 2009, the Company had entered into the 2009 Credit Agreement, under which the lenders committed to provide up to \$1,000,000 in commitments under a four-year asset-backed revolving credit facility (the 2009 Credit Facility), which was secured by eligible inventory and accounts receivable and related assets. Borrowings under the 2009 Credit Agreement were limited to a specified percentage of eligible inventories and accounts receivable and accrued interest, at the election of the Company, at Base Rate or LIBO Rate, plus, in each case, an Applicable Margin (each term as defined in the 2009 Credit Agreement). In addition, the Company had the option to request the increase in commitments under the 2009 Credit Agreement by up to \$300,000, subject to certain restrictions.

Selected information related to the Company's 2012 Amended Credit Facility, 2011 Amended Credit Facility and 2009 Credit Facility:

	Fiscal 2012		Fiscal 2011		Fiscal 2010
Credit facility at period end	\$324,200		313,100		260,400
Average balance outstanding during the period	\$306,038		338,971		107,504
Maximum borrowings outstanding during the period	\$582,000		622,800		512,500
Weighted average interest rate during the period	3.34 %		4.30 %		4.38 %
Interest rate at end of period	3.32 %		5.13 %		4.13 %

Fees expensed with respect to the unused portion of the 2012 Amended Credit Facility, 2011 Amended Credit Facility and 2009 Credit Facility were \$3,343, \$5,466 and \$4,198 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

The Company has no agreements to maintain compensating balances.

Acquisition of B&N College

12 Months Ended

Apr. 28, 2012

[Acquisition of B&N College](#)

14. Acquisition of B&N College

On September 30, 2009, the Company completed the acquisition of B&N College from Leonard Riggio and Louise Riggio (Sellers) pursuant a Stock Purchase Agreement dated as of August 7, 2009 among the Company and the Sellers. Mr. Riggio is the Chairman of the Company's Board of Directors and a significant stockholder. As part of the transaction, the Company acquired the Barnes & Noble trade name that had been owned by B&N College and licensed to the Company.

On September 30, 2009, in connection with the closing of the Acquisition described above, the Company issued the Sellers (i) a senior subordinated note in the principal amount of \$100,000, payable in full on December 15, 2010, with interest of 8% per annum payable on the unpaid principal amount (the Senior Seller Note) and (ii) a junior subordinated note in the principal amount of \$150,000, payable in full on the fifth anniversary of the closing of the Acquisition, with interest of 10% per annum payable on the unpaid principal amount (the Junior Seller Note; and together with the Senior Seller Note, the Seller Notes). On December 22, 2009, the Company consented to the pledge and assignment of the Senior Seller Note by the Sellers as collateral security. The Senior Seller Note was paid on its scheduled due date, December 15, 2010.

The purchase price paid to the Sellers was \$596,000, consisting of \$346,000 in cash and \$250,000 in Seller Notes. However, the cash paid to the Sellers was reduced by \$82,352 in cash bonuses paid by B&N College to 192 members of its management team and employees, not including Leonard Riggio. The Company financed the Acquisition through \$250,000 of seller financing, \$150,000 from the 2009 Credit Facility and the remainder from both the Company's and B&N College's cash on hand.

Pursuant to a settlement agreed to on June 13, 2012 and described in Note 18, the Sellers have agreed to waive \$22,750 of the purchase price by waiving a corresponding principal amount (and interest on) of the Junior Seller Note, subject to receipt of court approval.

The Acquisition was accounted for as a business purchase pursuant to Accounting Standards Codification (ASC) 805, *Business Combinations* (ASC 805). Acquisition-related expenses totaled \$10,400 and have been recorded as selling and administrative expenses in the Company's consolidated statement of operations in fiscal 2010. As required by ASC 805-20, the Company allocated the purchase price to assets and liabilities based on their estimated fair value at the Acquisition date. The following table represents the allocation of the purchase price to the acquired net assets and resulting adjustment to goodwill:

Cash Paid	\$263,648
Seller Notes	250,000
Fair value of total consideration	<u>\$513,648</u>
Allocation of purchase price:	
Current assets	\$609,786
Non-current assets	114,683
Trade name	245,000
Customer relationships	255,000
Goodwill	<u>274,070</u>

Total assets acquired	\$1,498,539
Deferred taxes	234,631
Liabilities assumed	750,260
	<u>\$513,648</u>

Acquired intangible assets consisted primarily of the trade name and customer relationships.

Trade Name

The Company previously licensed the “Barnes & Noble” trade name from B&N College under certain agreements. The Acquisition gave the Company exclusive ownership of its trade name. The estimated fair value ascribed to the trade name of \$245,000 represents solely the estimated incremental value acquired as part of the Acquisition, which is not representative of the value of the “Barnes & Noble” trade name taken as a whole. The trade name has been classified as an unamortizable intangible asset.

Customer Relationships

The estimated fair value of customer relationships of B&N College is \$255,000. Customers are comprised of existing college and university contractual relationships at the date of the Acquisition.

Amortization of Fair Value Ascribed to Customer Relationships

Historical customer attrition rates imply a life of 50 years; however, the useful life was shortened to 25 years since the majority of the value of discounted cash flows are captured in this period. The \$255,000 is being amortized evenly over the 25-year period. The Company recorded \$10,200, \$10,200 and \$5,950 in amortization related to these intangibles during the 52 weeks ended April 28, 2012, April 30, 2011 and May 1, 2010, respectively.

The Company also recorded a short-term deferred tax liability of \$26,810 and a long-term deferred tax liability of \$207,821 related to the difference between the book basis and the tax basis of the net assets acquired. In addition, the Company stepped up the value of other assets and liabilities, resulting in goodwill of \$272,879, which is not deductible for income tax purposes.

**Intangible Assets and
Goodwill**

**12 Months Ended
Apr. 28, 2012**

Intangible Assets and
Goodwill

10. Intangible Assets and Goodwill

	Useful Life	As of April 30, 2011		
		Gross Carrying Amount	Accumulated Amortization	Total
<u>Amortizable intangible assets</u>				
Customer relationships	5-25	\$ 257,410	\$ (17,962)	\$239,448
Author contracts	10	18,461	(15,204)	3,257
Technology	5-10	5,850	(1,624)	4,226
Distribution contracts	10	8,325	(4,304)	4,021
Other	3-10	4,639	(3,924)	715
		<u>\$ 294,685</u>	<u>\$(43,018)</u>	<u>\$251,667</u>
<u>Unamortizable intangible assets</u>				
Trade name				\$293,400
Copyrights				175
Publishing contracts				21,336
				<u>\$314,911</u>

	Useful Life	As of April 28, 2012		
		Gross Carrying Amount	Accumulated Amortization	Total
<u>Amortizable intangible assets</u>				
Customer relationships	5-25	\$ 271,938	\$ (32,398)	\$239,540
Author contracts	10	18,461	(17,049)	1,412
Technology	5-10	5,850	(2,427)	3,423
Distribution contracts	10	8,325	(4,932)	3,393
Other	3-10	6,178	(4,628)	1,550
		<u>\$ 310,751</u>	<u>\$(61,433)</u>	<u>\$249,318</u>
<u>Unamortizable intangible assets</u>				
Trade name				\$293,400
Publishing contracts				21,336
				<u>\$314,736</u>

All amortizable intangible assets are being amortized over their useful life on a straight-line basis, with the exception of certain items such as customer relationships and other acquired intangibles, which are amortized on an accelerated basis.

<u>Aggregate Amortization Expense:</u>	
For the 52 weeks ended April 28, 2012	\$18,415
For the 52 weeks ended April 30, 2011	\$14,512
For the 52 weeks ended May 1, 2010	\$11,350

<u>Estimated Amortization Expense:</u>	
(12 months ending on or about April 30)	
2013	\$19,464
2014	\$17,213
2015	\$13,277

2016	\$11,241
2017	\$10,875

The changes in the carrying amount of goodwill by segment for fiscal 2012 are as follows:

	B&N Retail Segment	B&N College Segment	B&N.com Segment	NOOK Segment	Total Company
Balance as of May 1, 2010	\$254,471	274,070	—	—	\$528,541
Benefit of excess tax amortization (a)	—	—	(4,428)	—	(4,428)
Re-allocation of Goodwill (b)	(29,135)	—	29,135	—	—
Balance as of April 30, 2011	\$225,336	274,070	24,707	—	\$524,113
Benefit of excess tax amortization (a)	—	—	(4,428)	—	(4,428)
Re-allocation of Goodwill (c)	—	—	(20,279)	20,279	—
Balance as of April 28, 2012	\$225,336	274,070	—	20,279	\$519,685

- (a) The tax basis of goodwill arising from an acquisition during the 52 weeks ended January 29, 2005 exceeded the related basis for financial reporting purposes by approximately \$96,576. In accordance with ASC 740-10-30, *Accounting for Income Taxes*, the Company is recognizing the tax benefits of amortizing such excess as a reduction of goodwill as it is realized on the Company's income tax return.
- (b) Due to the increased focus on the internet and digital businesses, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, the Company determined that it has three operating segments: B&N Retail, B&N College and B&N.com. As a result of this evaluation, \$29,135 of goodwill was re-allocated between B&N Retail and B&N.com segments.
- (c) Prior to April 28, 2012, the Company reported an operating segment titled B&N.com, which included both its NOOK digital business and eCommerce operations. Due to the increased focus on the digital business and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012, the Company created a new segment titled NOOK to report upon its digital business, moving the eCommerce business into the B&N Retail segment. The Company's three operating segments are: B&N Retail, B&N College and NOOK. As a result of this evaluation, \$20,279 of goodwill was re-allocated between B&N.com and NOOK segments.

On October 17, 2011, the Company finalized the purchase of certain intellectual property assets from the Borders Group, Inc. Chapter 11 Bankruptcy for \$14,528 including acquisition related fees. These intellectual property assets include a customer list, trade names and URLs. The Company accounted for the transaction as an asset purchase, and these assets are included on its consolidated balance sheet as Intangible Assets. The intangible assets are being amortized on an accelerated basis over a three year period, commencing October 17, 2011. Amortization expense related to the acquisition of these assets for fiscal 2012 was \$3,935.

Dividends - Additional Information (Detail) (USD \$) In Thousands, except Per Share data, unless otherwise specified	1 Months Ended							12 Months Ended
	Dec. 31, 2010	Sep. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sep. 30, 2009	Jun. 30, 2009	Apr. 28, 2012
Dividends Payable [Line Items]								
Dividend paid to preferred shareholders								\$ 7,081
Dividend paid, per share	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	

Fair Values of Financial Instruments

12 Months Ended
Apr. 28, 2012

[Fair Values of Financial Instruments](#)

6. Fair Values of Financial Instruments

In accordance with ASC 820, *Fair Value Measurements and Disclosures*, 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 following table presents the changes in Level 3 contingent consideration liability:

	Acquisition of Fictionwise
Beginning balance, May 2, 2009	\$8,165
Payments	(2,612)
Losses	1,712
Balance, May 1, 2010	\$7,265
Payments	(7,508)
Losses	243
Balance, April 30, 2011 and April 28, 2012	\$—

Fair Value of Financial Instruments

The Company's financial instruments, other than those presented in the disclosures above, include cash, receivables, other investments and accounts payable. The fair values of cash, receivables, and accounts payable approximated carrying values because of the short-term nature of these instruments. The Company believes that its 2012 Amended Credit Facility approximates fair value since interest rates are adjusted to reflect current rates. The Company believes that the terms and conditions of the remaining Seller Notes is consistent with comparable market debt issues.

**Components of Deferred Tax
Assets and Liabilities
(Detail) (USD \$)
In Thousands, unless
otherwise specified**

Apr. 28, 2012 Apr. 30, 2011

Deferred tax liabilities:

<u>Investment in Barnes & Noble.com</u>	\$ (95,051)	\$ (95,051)
<u>Property & equipment</u>	(63,216)	(57,156)
<u>Goodwill and intangible asset amortization</u>	(233,322)	(236,845)
<u>Prepaid expenses</u>	(7,827)	(7,125)
<u>Other</u>	(6,226)	(4,861)
<u>Total deferred tax liabilities</u>	(405,642)	(401,038)

Deferred tax assets:

<u>Loss and credit carryovers</u>	75,817	57,751
<u>Lease transactions</u>	30,043	32,986
<u>Estimated accruals</u>	88,823	52,868
<u>Stock-based compensation</u>	9,946	11,508
<u>Insurance liability</u>	11,105	11,396
<u>Pension</u>	11,953	10,254
<u>Inventory</u>	19,674	18,996
<u>Investments in equity securities</u>	1,282	1,282
<u>Total deferred tax assets</u>	248,643	197,041
<u>Net deferred tax liabilities</u>	(156,999)	(203,997)

Balance Sheet caption reported in:

<u>Prepaid expenses and other current assets</u>	111,775	76,135
<u>Deferred tax liabilities</u>	(268,774)	(280,132)
<u>Net deferred tax liabilities</u>	\$ (156,999)	\$ (203,997)

Receivables, Net

**12 Months Ended
Apr. 28, 2012**

Receivables, Net

4. Receivables, Net

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

	April 28, 2012	April 30, 2011
Trade accounts	\$91,476	81,577
Credit/debit card receivables	36,042	42,982
Advertising	3,911	5,877
Receivables from landlords for leasehold improvements	374	867
Other receivables	28,694	18,991
Total receivables, net	<u>\$160,497</u>	<u>150,294</u>

Other Long-Term Liabilities

**12 Months Ended
Apr. 28, 2012**

Other Long-Term Liabilities

5. Other Long-Term Liabilities

Other long-term liabilities consist primarily of deferred rent and obligations under the Junior Seller Note (see Notes 14 and 19). 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 accrued pension liabilities, store closing expenses and long-term deferred revenues. The Company had the following long-term liabilities at April 28, 2012, April 30, 2011 and May 1, 2010:

	April 28, 2012	April 30, 2011
Deferred Rent	\$220,875	271,451
Junior Seller Note (see Note 14 and Note 19)	150,000	150,000
Other	34,190	27,196
Total long-term liabilities	<u>\$405,065</u>	<u>448,647</u>

Net Earnings (Loss) Per Share

**12 Months Ended
Apr. 28, 2012**

Net Earnings (Loss) Per Share

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*, the Company's unvested restricted shares, unvested restricted stock units and shares issuable under the Company's deferred compensation plan are considered participating securities. During periods of net income, the calculation of earnings per share for common stock are reclassified to exclude the income attributable to the unvested restricted shares, unvested restricted stock units and shares issuable under the Company's deferred compensation plan from the numerator and exclude the dilutive impact of those shares from the denominator.

During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. Due to the net loss during fiscal 2012 and 2011, participating securities in the amounts of 3,463 and 3,228, respectively, were excluded in the calculation of loss per share using the two-class method because the effect would be antidilutive. The Company's outstanding stock options and accretion/payments of dividends on preferred shares were also 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 earnings per share calculation:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Numerator for basic earnings (loss) per share:			
Income (loss) attributable to Barnes & Noble, Inc.	\$(68,867)	(73,920)	36,676
Preferred stock dividends	(11,044)	—	—
Accretion of dividends on preferred stock	(894)	—	—
Less allocation of earnings and dividends to participating securities	—	—	(1,279)
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,397
Numerator for diluted earnings (loss) per share:			
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,397
Effect of dilutive options	—	—	(10)
Net income (loss) available to common shareholders	\$(80,805)	(73,920)	35,387
Denominator for basic and diluted earnings (loss) per share:			
Basic weighted average common shares	57,337	56,588	55,344
Average dilutive options	—	—	809
Diluted weighted average common shares	57,337	56,588	56,153
Basic earnings (loss) per common share			
Net income (loss) attributable to Barnes & Noble, Inc. available for common shareholders	\$(1.41)	(1.31)	0.64
Diluted earnings (loss) per common share			
Net income (loss) attributable to Barnes & Noble, Inc. available for common shareholders	\$(1.41)	(1.31)	0.63

**Aggregate Amortization
Expense (Detail) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

[Changes In Intangible Assets And Goodwill \[Abstract\]](#)

Aggregate Amortization Expense

\$ 18,415 \$ 14,512 \$ 11,350

Summary of Quarterly Financial Information (Detail) (USD \$) In Thousands, except Per Share data, unless otherwise specified	3 Months Ended						12 Months Ended				
	Apr. 28, 2012	Jan. 28, 2012	Oct. 29, 2011	Jul. 30, 2011	Apr. 30, 2011	Jan. 29, 2011	Oct. 30, 2010	Jul. 31, 2010	Apr. 28, 2012	Apr. 30, 2011	May 01, 2010
Quarterly Financial Information [Line Items]											
<u>Sales</u>	\$ 1,379,710	\$ 2,439,124	\$ 1,891,961	\$ 1,418,404	\$ 1,374,797	\$ 2,323,780	\$ 1,904,146	\$ 1,395,842	\$ 7,129,199	\$ 6,998,565	\$ 5,807,754
<u>Gross profit</u>	398,778	652,816	471,664	387,558	377,362	613,672	450,120	351,700	1,910,816	1,792,853	1,676,745
<u>Net earnings (loss) attributable to Barnes & Noble, Inc.</u>	(57,729)	52,031	(6,563)	(56,606)	(59,416)	60,583	(12,568)	(62,518)	(68,867)	(73,920)	36,676
Basic earnings (loss) per common share:											
<u>Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders</u>	\$ (1.08)	\$ 0.78	\$ (0.17)	\$ (0.99)	\$ (1.04)	\$ 1.01	\$ (0.22)	\$ (1.12)	\$ (1.41)	\$ (1.31)	\$ 0.64
Diluted earnings (loss) per common share:											
<u>Sales</u>	1,379,710	2,439,124	1,891,961	1,418,404	1,374,797	2,323,780	1,904,146	1,395,842	7,129,199	6,998,565	5,807,754
<u>Gross profit</u>	398,778	652,816	471,664	387,558	377,362	613,672	450,120	351,700	1,910,816	1,792,853	1,676,745
<u>Net earnings (loss) attributable to Barnes & Noble, Inc.</u>	\$ (57,729)	\$ 52,031	\$ (6,563)	\$ (56,606)	\$ (59,416)	\$ 60,583	\$ (12,568)	\$ (62,518)	\$ (68,867)	\$ (73,920)	\$ 36,676
<u>Net earnings (loss) attributable to Barnes & Noble, Inc. available to common shareholders</u>	\$ (1.08)	\$ 0.71	\$ (0.17)	\$ (0.99)	\$ (1.04)	\$ 1.00	\$ (0.22)	\$ (1.12)	\$ (1.41)	\$ (1.31)	\$ 0.63

**Changes In Carrying
Amount of Goodwill by
Segment (Detail) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

Goodwill [Line Items]

<u>Balance</u>	\$ 524,113		\$ 528,541	
<u>Benefit of excess tax amortization</u>	(4,428)	[1]	(4,428)	[1]
<u>Re-allocation of Goodwill</u>	(20,279)			(29,135)
<u>Balance</u>	519,685		524,113	528,541

B&N Retail

Goodwill [Line Items]

<u>Balance</u>			254,471	
<u>Re-allocation of Goodwill</u>			(29,135)	[2]
<u>Balance</u>	225,336		225,336	

B&N College

Goodwill [Line Items]

<u>Balance</u>	274,070		274,070	274,070
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B&N.com

Goodwill [Line Items]

<u>Balance</u>	24,707			
<u>Benefit of excess tax amortization</u>	(4,428)	[1]	(4,428)	[1]
<u>Re-allocation of Goodwill</u>	(20,279)	[3]	29,135	[2]
<u>Balance</u>			24,707	

NOOK

Goodwill [Line Items]

<u>Re-allocation of Goodwill</u>	20,279	[3]		
<u>Balance</u>	\$ 20,279			

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

[2] Due to the increased focus on the internet and digital businesses, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, the Company determined that it has three operating segments: B&N Retail, B&N College and B&N.com. As a result of this evaluation, \$29,135 of goodwill was re-allocated between B&N Retail and B&N.com segments.

[3] Prior to April 28, 2012, the Company reported an operating segment titled B&N.com, which included both its NOOK digital business and eCommerce operations. Due to the increased focus on the digital business and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012, the Company created a new segment titled NOOK to report upon its digital business, moving the eCommerce business into the B&N Retail segment. The Company's three operating segments are: B&N Retail, B&N College and NOOK. As a result of this evaluation, \$20,279 of goodwill was re-allocated between B&N.com and NOOK segments.

Amortizable Intangible Assets (Detail) (USD \$) In Thousands, unless otherwise specified	12 Months Ended	
	Apr. 28, 2012 Year	Apr. 30, 2011 Year
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Unamortizable intangible assets</u>	\$ 314,736	\$ 314,911
<u>Useful Life, years</u>	3	
<u>Gross Carrying Amount</u>	310,751	294,685
<u>Accumulated Amortization</u>	(61,433)	(43,018)
<u>Total</u>	249,318	251,667
Trade Name		
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Unamortizable intangible assets</u>	293,400	293,400
Copyrights		
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Unamortizable intangible assets</u>		175
Publishing Contracts		
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Unamortizable intangible assets</u>	21,336	21,336
Customer Relationships		
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Useful Life, minimum, years</u>	5	5
<u>Useful Life, maximum, years</u>	25	25
<u>Gross Carrying Amount</u>	271,938	257,410
<u>Accumulated Amortization</u>	(32,398)	(17,962)
<u>Total</u>	239,540	239,448
Author Contracts		
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Useful Life, years</u>	10	10
<u>Gross Carrying Amount</u>	18,461	18,461
<u>Accumulated Amortization</u>	(17,049)	(15,204)
<u>Total</u>	1,412	3,257
Technology		
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Useful Life, minimum, years</u>	5	5
<u>Useful Life, maximum, years</u>	10	10
<u>Gross Carrying Amount</u>	5,850	5,850
<u>Accumulated Amortization</u>	(2,427)	(1,624)
<u>Total</u>	3,423	4,226
Distribution Contracts		
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Useful Life, years</u>	10	10
<u>Gross Carrying Amount</u>	8,325	8,325
<u>Accumulated Amortization</u>	(4,932)	(4,304)

<u>Total</u>	3,393	4,021
Other		
<u>Intangible Assets by Major Class [Line Items]</u>		
<u>Useful Life, minimum, years</u>	3	3
<u>Useful Life, maximum, years</u>	10	10
<u>Gross Carrying Amount</u>	6,178	4,639
<u>Accumulated Amortization</u>	(4,628)	(3,924)
<u>Total</u>	\$ 1,550	\$ 715

Receivables, Net (Tables)

**12 Months Ended
Apr. 28, 2012**

Receivables

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

	April 28, 2012	April 30, 2011
Trade accounts	\$91,476	81,577
Credit/debit card receivables	36,042	42,982
Advertising	3,911	5,877
Receivables from landlords for leasehold improvements	374	867
Other receivables	28,694	18,991
Total receivables, net	<u>\$160,497</u>	<u>150,294</u>

**Summary of Restricted
Stock Units (Detail)
(Restricted Stock Units
(RSUs), USD \$)
In Thousands, except Per
Share data, unless otherwise
specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

Restricted Stock Units (RSUs)

Number of Shares

<u>Granted</u>	969	0	0
<u>Forfeited</u>	(5)		
<u>Ending Balance</u>	964		

Weighted Average Grant Date Fair Value, Per Share

<u>Granted</u>	\$ 16.64
<u>Forfeited</u>	\$ 18.59
<u>Ending Balance</u>	\$ 16.63

12. Liberty Investment

On August 18, 2011, the Company entered into an investment agreement between the Company and Liberty GIC, Inc. (Liberty), a subsidiary of Liberty Media Corporation, pursuant to which the Company issued and sold to Liberty, and Liberty purchased, 204,000 shares of the Company's Series J Preferred Stock, par value \$0.001 per share (Preferred Stock), for an aggregate purchase price of \$204,000, in a private placement exempt from the registration requirements of the 1933 Act. The shares of Preferred Stock will be convertible, at the option of the holders, into shares of Common Stock representing 16.6% of the Common Stock outstanding as of August 29, 2011, (after giving pro forma effect to the issuance of the Preferred Stock), based on the initial conversion rate. The initial conversion rate reflects an initial conversion price of \$17.00 and is subject to adjustment in certain circumstances. The initial dividend rate for the Preferred Stock is equal to 7.75% per annum of the initial liquidation preference of the Preferred Stock, to be paid quarterly and subject to adjustment in certain circumstances. The Preferred Stock is mandatorily redeemable on August 18, 2021 and may be redeemed at the discretion of the Company anytime after August 17, 2016. Starting August 18, 2013, if the closing price of the Common Stock exceeds 150% of the then-applicable conversion price of the Preferred Stock for 20 consecutive trading days, the Company may require conversion of all the Preferred Stock to Common Stock.

The holders of the Preferred Stock have the same voting rights as holders of the Company Common Stock and are entitled to elect one or two directors to the board of directors of the Company as long as certain Preferred Share ownership requirements are met.

The entry into the investment agreement and the issuance and sale of the Preferred Stock was approved by the Company's Board of Directors following a recommendation made by a Special Committee of the Board of Directors. The terms, rights, obligations and preferences of the Preferred Stock are set forth in a Certificate of Designations of the Company, which was filed with the Secretary of State of the State of Delaware on August 18, 2011. On August 18, 2011, the Company amended the Rights Agreement to reflect the issuance of the Preferred Stock.

The Preferred Stock does not meet the categories of ASC 480-10, *Distinguishing Liabilities from Equity*, and is therefore reported as temporary equity for classification purposes. The related issuance costs, which include advisory, legal and accounting fees, of \$12,621 were recorded in temporary equity as a reduction of the proceeds from the Liberty investment. The Company will be required to accrete these fees on a straight line basis as dividends over the ten year term. This is in line with ASC 480-10-S99 for SEC registrants, which requires shares to be classified outside of permanent equity as temporary equity or mezzanine equity when there are events not solely within the control of the issuer that could trigger redemption. The Company has determined that the various embedded options did not require bifurcation from the Preferred Stock. Additionally, the Company concluded that a beneficial conversion feature did not exist as the effective conversion price was greater than the Company's share price on the commitment date.

Segment Reporting

**12 Months Ended
Apr. 28, 2012**

Segment Reporting

17. Segment Reporting

Prior to year-end, the Company reported an operating segment titled B&N.com which included both its digital business and eCommerce operations. Due to the increased focus on the digital business and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and has created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical merchandise over the Internet) into the B&N Retail segment. Also as a result of this assessment, certain corporate office and other costs have been allocated to all three segments. The Company's three operating segments are: B&N Retail, B&N College and NOOK.

B&N Retail

This segment includes 691 bookstores as of April 28, 2012, primarily under the Barnes & Noble Booksellers trade name. The 691 Barnes & Noble stores generally offer a NOOK[®] department/Boutique/Counter, a comprehensive trade book title base, a café, a Children's department, a Toys & Games department, a DVDs/BluRay department, a music department, a magazine department, and bargain department and a calendar of ongoing events, including author appearances and children's activities. The B&N Retail segment also includes the Company's eCommerce website, barnesandnoble.com, and the publishing operation, Sterling Publishing.

B&N College

This segment includes 647 stores as of April 28, 2012, that are primarily school-owned stores operated under contracts by B&N College. The 647 B&N College stores generally sell textbooks and course-related materials, emblematic apparel and gifts, trade books, computer products, NOOK[®] products and related accessories, school and dorm supplies, and convenience and café items.

NOOK

This segment represents the Company's digital business, including the development and support of the Company's NOOK product offerings. The digital business includes digital content such as eBooks, digital newsstand, apps and sales of NOOK[®] devices and accessories to third party distribution partners, B&N Retail and B&N College.

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

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
<u>Sales by Segment</u>			

B&N Retail	\$4,852,913	\$4,926,834	\$4,947,469
B&N College (a)	1,743,662	1,778,159	833,648
NOOK	933,471	695,182	105,435
Elimination	(400,847)	(401,610)	(78,798)
Total	<u>\$7,129,199</u>	<u>\$6,998,565</u>	<u>\$5,807,754</u>

	52 weeks ended April 28, 2012		52 weeks ended April 30, 2011		52 weeks ended May 1, 2010	
<i>Sales by Product Line</i>						
Media (b)	66	%	70	%	80	%
Digital (c)	15	%	11	%	2	%
Other (d)	19	%	19	%	18	%
Total	<u>100</u>	<u>%</u>	<u>100</u>	<u>%</u>	<u>100</u>	<u>%</u>

	52 weeks ended April 28, 2012		52 weeks ended April 30, 2011		52 weeks ended May 1, 2010	
<i>Depreciation and Amortization</i>						
B&N Retail	\$162,693		\$164,934		\$170,777	
B&N College (a)	45,343		43,148		24,863	
NOOK	24,631		20,565		12,134	
Total	<u>\$232,667</u>		<u>\$228,647</u>		<u>\$207,774</u>	

	52 weeks ended April 28, 2012		52 weeks ended April 30, 2011		52 weeks ended May 1, 2010	
<i>Operating Profit/(Loss)</i>						
B&N Retail	\$154,436		\$94,132		\$157,591	
B&N College (a)	70,604		70,298		(3,713)	
NOOK	(286,343)		(229,689)		(80,632)	
Total	<u>\$(61,303)</u>		<u>\$(65,259)</u>		<u>\$73,246</u>	

	52 weeks ended April 28, 2012		52 weeks ended April 30, 2011		52 weeks ended May 1, 2010	
<i>Capital Expenditures</i>						
B&N Retail	\$87,596		\$62,299		\$93,988	
B&N College (a)	40,479		35,004		13,716	
NOOK	35,477		13,199		20,075	
Total	<u>\$163,552</u>		<u>\$110,502</u>		<u>\$127,779</u>	

	As of April 28, 2012	As of April 30, 2011
<u>Total Assets (e)</u>		
B&N Retail	\$2,416,318	\$2,183,959
B&N College	972,860	1,170,891
NOOK	<u>376,071</u>	<u>241,616</u>
Total	<u>\$3,765,249</u>	<u>\$3,596,466</u>

- (a) Includes only the financial information of B&N College since the date of the Acquisition on September 30, 2009.
- (b) Includes tangible books, music, movies, rentals and newsstand.
- (c) Includes NOOK, related accessories, eContent and warranties.
- (d) Includes toys & games, café products, gifts and miscellaneous other.
- (e) Excludes intercompany balances.

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

	52 weeks ended April 28, 2012	52 weeks ended April 30, 2011	52 weeks ended May 1, 2010
Reportable segments operating profit (loss)	\$ (61,303)	\$ (65,259)	\$ 73,246
Interest expense, net and amortization of deferred financing costs	<u>(35,304)</u>	<u>(57,350)</u>	<u>(28,237)</u>
Consolidated income (loss) from continuing operations before taxes	<u>\$ (96,607)</u>	<u>\$ (122,609)</u>	<u>\$ 45,009</u>

**Summary of Stock Option
Activity (Detail) (USD \$)
In Thousands, except Per
Share data, unless otherwise
specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010
Year Year Year

Number of Shares

<u>Beginning Balance</u>	3,876	5,498	5,561
<u>Granted</u>	1,563		500
<u>Exercised</u>	(92)	(1,024)	(313)
<u>Forfeited</u>	(1,487)	(598)	(250)
<u>Ending Balance</u>	3,860	3,876	5,498
<u>Vested and expected to vest in the future at end of period</u>	3,860		
<u>Exercisable at end of period</u>	2,132		
<u>Available for grant at end of period</u>	1,001		

Weighted Average Exercise Price

<u>Beginning Balance</u>	\$ 21.02	\$ 20.19	\$ 20.14
<u>Granted</u>	\$ 15.70		\$ 22.07
<u>Exercised</u>	\$ 11.89	\$ 16.83	\$ 13.96
<u>Forfeited</u>	\$ 21.86	\$ 20.57	\$ 30.69
<u>Ending Balance</u>	\$ 18.76	\$ 21.02	\$ 20.19
<u>Vested and expected to vest in the future at end of period</u>	\$ 18.76		
<u>Exercisable at end of period</u>	\$ 20.74		

Weighted Average Remaining Contractual Term

<u>Beginning Balance</u>	3.40	3.49	3.83
<u>Ending Balance</u>	5.70	3.40	3.49
<u>Vested and expected to vest in the future at end of period</u>	5.70		
<u>Exercisable at end of period</u>	2.68		

Aggregate Intrinsic Value

<u>Beginning Balance</u>		\$ 13,782	\$ 33,633
<u>Ending Balance</u>	574		13,782
<u>Vested and expected to vest in the future at end of period</u>	574		
<u>Exercisable at end of period</u>	\$ 515		

**Commitments and
Contingencies (Tables)**

Rental Expense Under Operating Leases

**12 Months Ended
Apr. 28, 2012**

Rental expense under operating leases is as follows:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Minimum rentals	\$382,386	394,199	363,373
Percentage rentals	107,127	102,735	40,324
	<u>\$489,513</u>	<u>496,934</u>	<u>403,697</u>

Future Minimum Annual Rentals,
Excluding Percentage Rentals
Noncancelable Lease Terms Greater Than
One Year

Future minimum annual rentals, excluding percentage rentals, required under B&N Retail leases that had initial, noncancelable lease terms greater than one year, and under B&N College leases as of April 28, 2012 are:

Fiscal Year	(a)
2013	\$405,484
2014	357,907
2015	287,659
2016	238,840
2017	193,447
After 2017	464,397
	<u>\$1,947,734</u>

(a) Includes B&N College capital lease obligations of \$1,005, \$1,000, \$744, \$234, \$20 and \$0 for 2013, 2014, 2015, 2016, 2017 and after 2017, respectively.

**CONSOLIDATED
BALANCE SHEETS (USD**

)

**In Thousands, unless
otherwise specified**

Apr. 28, 2012 Apr. 30, 2011

Assets

<u>Cash and cash equivalents</u>	\$ 54,131	\$ 59,429
<u>Receivables, net</u>	160,497	150,294
<u>Merchandise inventories, net</u>	1,561,841	1,375,362
<u>Prepaid expenses and other current assets</u>	221,324	161,936
<u>Total current assets</u>	1,997,793	1,747,021

Property and equipment:

<u>Land and land improvements</u>	2,541	8,617
<u>Buildings and leasehold improvements</u>	1,196,764	1,204,108
<u>Fixtures and equipment</u>	1,784,492	1,670,488
<u>Property and equipment, gross</u>	2,983,797	2,883,213
<u>Less accumulated depreciation and amortization</u>	2,361,142	2,178,562

<u>Net property and equipment</u>	622,655	704,651
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<u>Goodwill</u>	519,685	524,113
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<u>Intangible assets, net</u>	564,054	566,578
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<u>Other noncurrent assets</u>	61,062	54,103
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<u>Total assets</u>	3,765,249	[1] 3,596,466 [1]
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Liabilities and Shareholders' Equity

<u>Accounts payable</u>	959,423	949,010
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<u>Accrued liabilities</u>	546,495	474,575
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<u>Gift card liabilities</u>	321,362	311,092
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<u>Total current liabilities</u>	1,827,280	1,734,677
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<u>Long-term debt</u>	324,200	313,100
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<u>Deferred taxes</u>	268,774	280,132
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<u>Other long-term liabilities</u>	405,065	448,647
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<u>Redeemable Preferred Shares; \$.001 par value; 5,000 shares authorized; 204 and zero shares issued, respectively</u>	192,273	
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Shareholders' equity:

<u>Common stock; \$.001 par value; 300,000 shares authorized; 91,376 and 90,465 shares issued, respectively</u>	91	90
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<u>Additional paid-in capital</u>	1,340,909	1,323,263
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<u>Accumulated other comprehensive loss</u>	(16,635)	(11,630)
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<u>Retained earnings</u>	481,574	562,379
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<u>Treasury stock, at cost, 33,722 and 33,410 shares, respectively</u>	(1,058,282)	(1,054,192)
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<u>Total Shareholders' equity</u>	747,657	819,910
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<u>Commitments and contingencies</u>		
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<u>Total liabilities and shareholders' equity</u>	\$ 3,765,249	\$ 3,596,466
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[1] Excludes intercompany balances.

Summary of Significant Accounting Policies

12 Months Ended
Apr. 28, 2012

[Summary of Significant Accounting Policies](#)

1. Summary of Significant Accounting Policies

Business

Barnes & Noble, one of the nation's largest booksellers,³ is a leading content, commerce and technology company providing customers easy and convenient access to books, magazines, newspapers and other content across its multi-channel distribution platform. As of April 28, 2012, the Company operated 1,338 bookstores in 50 states, including 647 bookstores on college campuses, one of the Web's largest eCommerce sites and develops digital content products and software. Given the dynamic nature of the book industry, the challenges faced by traditional booksellers, and the robust innovation pipeline fueling new opportunities in hardware, software and content creation and delivery, Barnes & Noble is utilizing the strength of its retail footprint to bolster its leadership and fuel sales growth across multiple channels.

Of the 1,338 bookstores, 691 operate primarily under the Barnes & Noble Booksellers® trade name. Barnes & Noble College Booksellers, LLC (B&N College), a wholly-owned subsidiary of Barnes & Noble, operates 647 college bookstores at colleges and universities across the United States. Barnes & Noble Retail (B&N Retail) operates the 691 retail bookstores. B&N Retail also includes the Company's eCommerce site, and Sterling Publishing Co., Inc. (Sterling or Sterling Publishing), a leader in general trade book publishing. The NOOK 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, apps, and sales of NOOK® devices and accessories to third party distribution partners, B&N Retail and B&N College.

The Company's principal business is the sale of trade books (generally hardcover and paperback consumer titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, eBooks and other digital content, NOOK® (references to NOOK™ include the Company's NOOK 1st Edition™, NOOK Wi-Fi 1st Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Tablet™ and NOOK Simple Touch with GlowLight™ eBook Reader devices),⁴ and related accessories, bargain books, magazines, gifts, café products and services, educational toys & games, music and movies direct to customers through its bookstores or on Barnes & Noble.com. The acquisition of B&N College (see Note 14) has allowed the Company to expand into sales of textbooks and course-related materials, emblematic apparel and gifts, trade books, computer products, school and dorm supplies, and convenience and café items on college and university campuses. In fiscal 2011, B&N College began offering a textbook rental option to its customers, and expanded its electronic textbooks and other course materials through a proprietary digital platform (NOOK Study™). B&N College offers its customers a full suite of textbook options – new, used, digital and rental.

Prior to year-end, the Company reported an operating segment titled B&N.com which included both its digital business and eCommerce operations. Due to the increased focus on the digital business

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

⁴ Any reference to NOOK®, NOOK 1st Edition™, NOOK Wi-Fi 1st Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Tablet™ and NOOK Simple Touch with GlowLight™ includes the trademark symbol (® or ™, as applicable) even if a symbol is not included.

and the Company's recently developed ability to review the digital business separate from its eCommerce business, the Company performed an evaluation on the effect of its impact on the identification of operating segments. The assessment considered 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. As a result of this assessment, during the fourth quarter of fiscal 2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical non-NOOK merchandise over the Internet) into the B&N Retail segment. Also, as a result of this assessment, certain corporate office and other costs have been allocated to all three segments. The Company's three operating segments are: B&N Retail, B&N College and NOOK.

Consolidation

The consolidated financial statements include the accounts of Barnes & Noble, Inc. and its wholly and majority-owned subsidiaries. Investments in affiliates in which ownership interests range from 20% to 50%, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

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

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market. Cost is determined primarily by the retail inventory method under both the first-in, first-out (FIFO) basis and the last-in, first-out (LIFO) basis. B&N College's textbook and trade book inventories are valued using the LIFO method, where the related reserve was not material to the recorded amount of the Company's inventories or results of operations.

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

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

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. For financial reporting purposes, depreciation is computed using the straight-line method over

estimated useful lives. For tax purposes, different methods are used. Maintenance and repairs are expensed as incurred, while major maintenance and remodeling costs are capitalized. Leasehold improvements are capitalized and amortized over the shorter of their estimated useful lives or the terms of the respective leases. Capitalized lease acquisition costs are being amortized over the lease terms of the underlying leases. Costs incurred in purchasing management information systems are capitalized and included in property and equipment. These costs are amortized over their estimated useful lives from the date the systems become operational.

Other Long-Lived Assets

The Company's other long-lived assets include property and equipment and amortizable intangibles. At April 28, 2012, the Company had \$622,655 of property and equipment, net of accumulated depreciation, and \$249,318 of amortizable intangible assets, net of amortization, accounting for approximately 23.2% of the Company's total assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with Accounting Standards Codification (ASC) 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360-10). The Company evaluates long-lived assets for impairment at the individual Barnes & Noble store level, except for B&N College long-lived assets, which are evaluated for impairment at the school contract combined store level, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the Company will first compare the carrying amount of the assets to the individual store's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the assets to the individual store's fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Impairment losses included in selling and administrative expenses totaled \$11,747, \$2,857, and \$12,102 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively, and are related to individual store locations.

Goodwill and Unamortizable Intangible Assets

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

At April 28, 2012, the Company had \$519,685 of goodwill and \$314,736 of unamortizable intangible assets (those with an indefinite useful life), accounting for approximately 22.2% of the Company's total assets. ASC 350-30, *Goodwill and Other Intangible Assets*, requires that goodwill and other unamortizable intangible assets no longer be amortized, but instead be tested for impairment at least annually or earlier if there are impairment indicators. The Company performs a two-step process for impairment testing of goodwill as required by ASC 350-30. The first step of this test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount. The second step (if necessary) measures the amount of the impairment. The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2012. In performing the valuations, the Company used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions. Based on the results of the Company's step one testing, the fair values of the B&N Retail, B&N College and B&N.com reporting units as of that date exceeded their carrying values; therefore, the second step of the impairment test was not required to be performed and no goodwill impairment was recognized. During the fourth quarter of fiscal

2012 the Company has determined that the segment previously referred to as B&N.com is no longer applicable and created a new segment titled NOOK to report upon its digital business, moving the eCommerce business (i.e., sales of physical merchandise over the Internet) into the B&N Retail segment. The Company's three operating segments are: B&N Retail, B&N College and NOOK. As a result of this evaluation, \$20,279 of goodwill was re-allocated between B&N Retail and NOOK segments. There were no subsequent indicators of impairment prior to or after the reallocation of goodwill.

The Company tests unamortizable intangible assets by comparing the fair value and the carrying value of such assets. The Company also completed its annual impairment tests for its other unamortizable intangible assets by comparing the estimated fair value to the carrying value of such assets and determined that no impairment was necessary. Changes in market conditions, among other factors, could have a material impact on these estimates, except for the Company's publishing contracts.

Publishing contracts include the value of long-standing relationships with authors, agents and publishers established upon the Company's acquisition of Sterling in 2003. Given Sterling's strong history of maintaining such relationships, the Company believes they produce value indefinitely without an identifiable remaining useful life. However, given recent declines in the physical book business, these contracts were at risk of impairment as of its most recent impairment testing date and may be at risk in the future if declines in sales continue.

Deferred Charges

Costs incurred to obtain long-term financing are amortized over the terms of the respective debt agreements using the straight-line method, which approximates the interest method. Unamortized costs included in other noncurrent assets as of April 28, 2012 and April 30, 2011 were \$21,522 and \$26,525, respectively. Amortization expense included in interest and amortization of deferred financing fees was \$5,381, \$16,087, and \$5,925 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

Revenue Recognition

Revenue from sales of the Company's products is recognized at the time of sale, other than those with multiple elements and FOB destination point shipping terms. The Company's products are considered delivered once they have been shipped and title and risk of loss have transferred. While the majority of the Company's shipping terms are FOB shipping point, there are certain third party distribution partners with shipping terms of FOB destination point. Certain of the Company sales agreements with these distribution partners contain rights of inspection or acceptance provisions as is standard in the Company's industry. The Company accrues for estimated sales returns in the period in which the related revenue is recognized based on historical experience and industry standards. Sales taxes collected from retail customers are excluded from reported revenues. 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.

In accordance with ASC 605-25, *Revenue Recognition, Multiple Element Arrangements* and Accounting Standards Updates (ASU) 2009-13 and 2009-14, for multiple-element arrangements that involve tangible products that contain software that is essential to the tangible product's functionality, undelivered software elements that relate to the tangible product's essential software and other separable elements, the Company allocates revenue to all deliverables using

the relative selling-price method. Under this method, revenue is allocated at the time of sale to all deliverables based on their relative selling price using a specific hierarchy. The hierarchy is as follows: vendor-specific objective evidence, third-party evidence of selling price, or best estimate of selling price. NOOK™ eBook Reader revenue (which includes revenue from the Company's NOOK® products) is recognized at the segment point of sale.

The Company includes post-service customer support (PCS) in the form of software updates and potential increased functionality on a when-and-if-available basis, as well as wireless access and wireless connectivity with the purchase of NOOK® from the Company. Using the relative selling price described above, the Company allocates revenue based on the best estimate of selling price for the deliverables as no vendor-specific objective evidence or third-party evidence exists for any of the elements. Revenue allocated to NOOK® and the software essential to its functionality is recognized at the time of sale, provided all other conditions for revenue recognition are met. Revenue allocated to the PCS and the wireless access is deferred and recognized on a straight-line basis over the 2-year estimated life of NOOK®.

The average percentage of a NOOK®'s sales price that is deferred for undelivered items and recognized over its 2-year estimated life ranges between 2% and 5%, depending on the type of device sold. The amount of NOOK®-related deferred revenue as of April 28, 2012 and April 30, 2011 was \$19,785 and \$18,184, respectively. These amounts are classified on the Company's balance sheet in accrued liabilities for the portion that is subject to deferral for one year or less and other long-term liabilities for the portion that is subject to deferral for more than one year.

The Company also pays certain vendors who distribute NOOK® a commission on the content sales sold through that device. The Company accounts for these transactions as a reduction in the sales price of the NOOK® based on historical trends of content sales and a liability is established for the estimated commission expected to be paid over the life of the product. The Company recognizes revenue of the content at the point of sale of the content. The Company records revenue from sales of digital content, sales of third-party extended warranties, service contracts and other products, for which the Company is not obligated to perform, and for which the Company does not meet the criteria for gross revenue recognition under ASC 605-45-45, *Reporting Revenue Gross as a Principal versus Net as an Agent*, on a net basis. All other revenue is recognized on a gross basis.

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

The Barnes & Noble Member 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 twelve-month period based upon historical spending patterns for Barnes & Noble Members.

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 software development costs 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 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.

Advertising Costs

The costs of advertising are expensed as incurred during the year pursuant to ASC 720-35, *Advertising Costs*. Advertising costs charged to selling and administrative expenses were \$116,388, \$73,417, and \$37,600 during fiscal 2012, fiscal 2011, and fiscal 2010, respectively.

The Company receives payments and credits from vendors pursuant to co-operative advertising and other programs, including payments for product placement in stores, catalogs and online. In accordance with ASC 605-50-25-10, *Customer's Accounting for Certain Consideration Received from a Vendor*, the Company classifies certain co-op advertising received as a reduction in costs of sales and occupancy. The gross advertising expenses noted above were completely offset by allowances received from vendors and the excess allowances received were recorded as a reduction of cost of goods sold or inventory, as appropriate.

Closed Store Expenses

When the Company closes or relocates a store, the Company charges unrecoverable costs to expense. Such costs include the net book value of abandoned fixtures and leasehold improvements and, when a store is closed prior to the expiration of the lease, a provision for future lease obligations, net of expected sublease recoveries. Costs associated with store closings of \$551, \$3,899, and \$4,503 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively, are included in selling and administrative expenses in the accompanying consolidated statements of operations.

Net Earnings (Loss) Per Common Share

Basic earnings per share represent net earnings (loss) attributable to common shareholders divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the impact of common shares issuable upon exercise of the Company's outstanding stock options. The Company's unvested restricted shares, unvested restricted stock units and common shares issuable under the Company's deferred compensation plan are deemed participating securities and are excluded from the dilutive impact of common equivalent shares outstanding under the two-class method since these shares are entitled to participate in dividends declared on common shares. Under the two-class method, earnings (loss) attributable to unvested restricted shares, unvested restricted stock units and common shares issuable under the Company's deferred compensation plan are excluded from net earnings (loss) attributable to common shareholders for purposes of calculating basic and diluted earnings (loss) per common share. See Note 7 for further information regarding the calculation of basic and diluted earnings (loss) per common share.

Income Taxes

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. The

Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance, if determined to be necessary.

Stock-Based Compensation

The calculation of stock-based employee compensation expense involves estimates that require management's judgment. These estimates include the fair value of each of the stock option awards granted, which is estimated on the date of grant using a Black-Scholes option pricing model. There are two significant inputs into the Black-Scholes option pricing model: expected volatility and expected term. The Company estimates expected volatility based on traded option volatility of the Company's stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from historical exercise experience under the Company's stock option plans and represents the period of time that stock option awards granted are expected to be outstanding. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate, and only recognize expense for those shares expected to vest. If the Company's actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period. See Note 3 to the Consolidated Financial Statements for a further discussion on stock-based compensation.

Gift Cards

The Company sells gift cards which can be used in its stores or on Barnes & Noble.com. 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. Over time, some portion of the gift cards issued is not redeemed. 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. The Company records this amount in income on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. If actual redemption patterns vary from the Company's estimates, actual gift card breakage may differ from the amounts recorded. The Company recognized gift card breakage of \$29,284, \$25,904 and \$21,328 during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. The Company had gift card liabilities of \$321,362 and \$311,092 as of April 28, 2012 and April 30, 2011, respectively.

Reclassifications

Certain prior-period amounts have been reclassified for comparative purposes to conform with the fiscal 2012 presentation.

Reporting Period

The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. The reporting periods ended April 28, 2012, April 30, 2011 and May 1, 2010 all contained 52 weeks.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendment requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. In addition, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (ASU 2011-12). ASU 2011-12 effectively defers only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. All other requirements in ASU 2011-05 are not affected by this update. These ASUs are effective for the Company's financial statements for annual and interim periods beginning on or after December 15, 2011 and must be applied retrospectively. The Company has early adopted both ASU 2011-05 and ASU 2011-12.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment* (ASU 2011-08). ASU 2011-08 gives the Company the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. This ASU is effective for the Company's financial statements for annual and interim periods beginning on or after December 15, 2011. The adoption is not expected to have an impact on the Company's Fiscal 2013 Consolidated Financial Statements.

**Federal and State Income
Tax Provisions (Benefits)
(Detail) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Apr. 28, 2012 Apr. 30, 2011 May 01, 2010

Current:

<u>Federal</u>	\$ 6,228	\$ (47,825)	\$ 51,343
<u>State</u>	3,602	(2,441)	14,192
<u>Total current</u>	9,830	(50,266)	65,535

Deferred:

<u>Federal</u>	(28,504)	8,057	(45,903)
<u>State</u>	(9,066)	(6,443)	(11,267)
<u>Total deferred</u>	(37,570)	1,614	(57,170)
<u>Total</u>	\$ (27,740)	\$ (48,652)	\$ 8,365

Legal Proceedings - Additional Information (Detail) (USD \$) In Thousands, unless otherwise specified	1 Months Ended										
	Apr. 17, 2012	Oct. 11, 2011	Oct. 04, 2011	Jun. 13, 2012 Subsequent Event Junior Subordinated Note	May 01, 2009 Minor	Sep. 30, 2009 Stockholder Derivative Litigation	Oct. 06, 2009 Stockholder Derivative Litigation	Aug. 31, 2009 Stockholder Derivative Litigation	Aug. 05, 2011 Lina Corporation	Jun. 06, 2011 Lsi Corporation	Dec. 21, 2010 Strugala
Loss Contingencies [Line Items]											
Total number of employees under subclass one					500						
Total number of employees under subclass two					200						
Number of putative shareholder derivative complaints filed	1	1				1	5	1	1	1	
Consolidated cases, number of lawsuits					5						
Settlement waive amount					\$ 22,750						
Loss contingency, actions taken by Court											

On October 4, 2011, the Court granted defendants' motion to dismiss, but also granted plaintiff leave to replead within 30 days.

Microsoft Investment - Additional Information (Detail) (USD \$) In Thousands, unless otherwise specified	12 Months Ended		1 Months Ended		1 Months Ended
	Apr. 28, 2012	Apr. 28, 2012	Apr. 27, 2012	Apr. 27, 2012	Apr. 27, 2012
	Microsoft Commitment	Microsoft Other commitment	NewCo	NewCo Morrison Series A Preferred	NewCo Microsoft Series A Preferred
Preferred stock issued				300,000	300,000
Preferred stock issued, aggregate purchase price				\$ 300,000	\$ 300,000
Percentage of common membership interest					17.60%
Percentage of common membership interest owned by NewCo			82.40%		
Advance payments term	3 years	5 years			
Advance payments	\$ 60,000	\$ 25,000			

Legal Proceedings

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.

Minor v. Barnes & Noble Booksellers, Inc. et al.

On May 1, 2009, a purported class action complaint was filed against B&N Booksellers, Inc. in the Superior Court for the State of California alleging wage payments by instruments in a form that did not comply with the requirements of the California Labor Code, allegedly resulting in impermissible wage payment reductions and calling for imposition of statutory penalties. The complaint also alleges a violation of the California Labor Code's Private Attorneys General Act and seeks restitution of such allegedly unpaid wages under California's unfair competition law, and an injunction compelling compliance with the California Labor Code. The complaint alleges two subclasses of 500 and 200 employees, respectively (there may be overlap among the subclasses), but contains no allegations concerning the number of alleged violations or the amount of recovery sought on behalf of the purported class. The Court granted preliminary approval of the settlement on November 22, 2011 and granted final approval of the settlement on April 6, 2012.

In re Barnes & Noble Stockholder Derivative Litigation (Consolidated Cases Formerly Captioned Separately as: Louisiana Municipal Police Employees Retirement System v. Riggio et al.; Southeastern Pennsylvania Transportation Authority v. Riggio et al.; City of Ann Arbor Employees' Retirement System v. Riggio et al.; Louise Schuman v. Riggio et al.; Virgin Islands Government Employees' Retirement System v. Riggio et al.; Electrical Workers Pension Fund, Local 103, I.B.E.W. v. Riggio et al.)

Between August 17, 2009 and August 31, 2009, five putative shareholder derivative complaints were filed in Delaware Court of Chancery against the Company's directors. The complaints generally allege breach of fiduciary duty, waste of corporate assets and unjust enrichment in connection with the Company's entry into a definitive agreement to purchase Barnes & Noble College Booksellers, which was announced on August 10, 2009 (the Transaction). The complaints generally seek damages in favor of the Company in an unspecified amount; costs, fees and interest; disgorgement; restitution; and equitable relief, including injunctive relief. On September 1, 2009, the Delaware Court of Chancery issued an Order of Consolidation consolidating the five lawsuits (the Consolidated Cases) and directing plaintiffs to file a consolidated amended complaint. In a related development, on August 27, 2009, the Company received a demand pursuant to Delaware General Corporation Law, Section 220, on behalf of the Electrical Workers Pension Fund, Local 103, I.B.E.W., a shareholder, seeking to inspect certain books and records related to the Transaction. On September 18, 2009, this shareholder filed a shareholder derivative complaint in Delaware Court of Chancery against certain of the Company's directors alleging breach of fiduciary duty and unjust enrichment and seeking to enjoin the consummation of the Transaction. On October 6, 2009, the plaintiffs in the Consolidated Cases filed a motion seeking to consolidate the later-filed sixth case with the Consolidated Cases. On November 3, 2009, a Consolidated Complaint was filed in the Consolidated Cases. On December 11, 2009, the court entered an order consolidating all actions and appointing co-lead counsel for plaintiffs. The Company and defendants filed motions to dismiss the Consolidated Complaint on January 12, 2010. Plaintiffs filed an Amended Consolidated Complaint on March 16, 2010. The Company and defendants filed motions to dismiss the Amended Consolidated Complaint on April 30, 2010. Plaintiffs filed their response to the motion to dismiss on June 2, 2010. Oral argument on the motions to dismiss was held on October 21, 2010. Following those arguments, the Court denied the Company's motion to dismiss, denied in part and granted in part the motion to dismiss filed by Defendants Leonard Riggio, Stephen Riggio and Lawrence Zilavy, and denied in part and granted in part the motion to dismiss filed by the remaining defendants, dismissing all claims asserted against Directors George Campbell, Jr. and Patricia Higgins. All defendants except Leonard Riggio moved for summary judgment on December 21, 2011. Briefing on those motions was completed by March 2, 2012. The Court ruled on those motions on March 27, 2012, denying summary judgment as to Defendants Lawrence Zilavy and Michael Del Giudice and granting summary judgment as to, and dismissing all claims against, Defendants Stephen Riggio, Irene R. Miller, Margaret T. Monaco and William Dillard, II. On June 13, 2012, all remaining defendants agreed to settle all remaining claims, subject to receipt of court approval (the Settlement). In the Settlement, the sellers in the Transaction have agreed to waive \$22,750 of the purchase price by waiving a corresponding principal amount (and interest on) of the Junior Seller Note issued by the Company to the sellers as part of the purchase price of the Transaction. If the Settlement Agreement is approved by the Delaware Court of Chancery, the Consolidated Cases will be dismissed, on the merits, with prejudice. Upon approval, the \$22,750 reduction in purchase price will be recorded as a credit to additional paid in capital.

Whitney Parker v. Leonard Riggio, et al. (formerly Stephen Strugala v. Leonard Riggio, et. al.)

On December 21, 2010, a complaint was filed in the United States District Court for the Southern District of New York by Stephen Strugala against the Company's current directors and former directors Lawrence Zilavy and Michael Del Giudice. The complaint is purportedly brought both directly, on behalf of a putative class of shareholders, and derivatively, on behalf of the Company. The complaint generally alleges breaches of fiduciary duties, waste and unjust enrichment in connection with the Company's acquisition of Barnes & Noble College Booksellers, the adoption of the Shareholder Rights Plan, and other unspecified instances of alleged mismanagement and alleged wrongful conduct. The complaint also generally alleges violations of Section 14(a) of the 1934 Act in connection with the issuance of various proxy statements by the Company. The complaint generally seeks declaratory and equitable relief, including injunctive relief, and costs and fees. On January 19, 2011, the Court granted the parties' Stipulation and Order. On February 18, 2011, the plaintiff filed a Notice of Voluntary Dismissal of Claim, dismissing without prejudice his putative class claim for violations of Section 14(a) of the 1934 Act. On March 8, 2011, defendants filed a motion to dismiss all claims in the litigation. On October 4, 2011, the Court granted defendants' motion to dismiss, but also granted plaintiff leave to replead within 30 days. On November 3, 2011, plaintiff requested a pre-motion conference with the Court to discuss an anticipated motion to substitute a new plaintiff, Ms. Whitney Parker, for Mr. Strugala, and simultaneously filed an amended complaint on behalf of Ms. Parker containing substantially the same claims asserted in Mr. Strugala's original complaint. The Court held a pre-motion conference on December 9, 2011, at which the parties agreed that Ms. Parker could be substituted for Mr. Strugala without prejudice to any of defendants' rights. On January 20, 2012, defendants moved to dismiss the amended complaint. Briefing on that motion was completed on May 4, 2012.

Lina v. Barnes & Noble, Inc., and Barnes & Noble Booksellers, Inc. et al.

On August 5, 2011, a purported class action complaint was filed against Barnes & Noble, Inc. and Barnes & Noble Booksellers, Inc. in the Superior Court for the State of California making the following allegations against defendants with respect to salaried Store Managers at Barnes & Noble stores located in the State of California from the period of August 5, 2007 to present: (1) failure to pay wages and overtime; (2) failure to pay for missed meal and/or rest breaks; (3) waiting time penalties; (4) failure to pay minimum wage; (5) failure to provide reimbursement for business expenses; and (6) failure to provide itemized wage statements. The claims are generally derivative of the allegation that these salaried managers were improperly classified as exempt from California's wage and hour laws. The complaint contains no allegations concerning the number of any such alleged violations or the amount of recovery sought on behalf the purported class. The Company was served with the complaint on August 11, 2011. On August 30, 2011, the Company filed an answer in state court, and on August 31, 2011 it removed the action to federal court pursuant to the Class Action Fairness Act of 2005, 28 U.S.C. § 1332(d). On October 28, 2011, the district court granted plaintiff's motion to remand the action back to state court, over the Company's opposition. On November 7, 2011, the Company petitioned the Ninth Circuit for an appeal of the district court's remand order. The Ninth Circuit affirmed the district court's remand order on May 18, 2012.

Barnes & Noble, Inc. and Barnesandnoble.com llc v. LSI Corporation and Agere Systems, Inc.

On June 6, 2011, Barnes & Noble, Inc. filed a complaint against LSI Corporation (LSI) in the United States District Court for the Northern District of California, Case No. 11-CV-2709 EMC. The complaint sought a declaratory judgment that Barnes & Noble, Inc. does not infringe

U.S. Patent Nos. 5,546,420; 5,670,730; 5,862,182; 5,920,552; 6,044,073; 6,119,091; 6,404,732; 6,452,958; 6,707,867 and 7,583,582. Barnes & Noble, Inc. amended the complaint on August 10, 2011 to add barnesandnoble.com llc as a plaintiff, to add Agere Systems, Inc. (Agere) as a defendant, to add a cause of action seeking a declaratory judgment that neither Barnes & Noble, Inc. nor barnesandnoble.com llc infringes U.S. Patent No. 7,477,633, and to add causes of action seeking a declaratory judgment that each of the eleven patents-in-suit is invalid. On November 1, 2011, LSI and Agere answered the amended complaint and asserted counterclaims against Barnes & Noble, Inc. and barnesandnoble.com llc, alleging infringement of the eleven patents-in-suit. On November 28, 2011, Barnes & Noble, Inc. and barnesandnoble.com llc answered the counterclaims and asserted several affirmative defenses, including the defense that seven of the patents-in-suit are unenforceable as a result of standard-setting misconduct. The Court has set certain pretrial dates in the case, including a claim construction hearing on March 12, 2013. The Court has not yet set a trial date in the case.

Dustin Torrez, an individual, on behalf of himself and all others similarly situated v. Barnes & Noble, Inc.

On October 11, 2011, a complaint was filed in the Superior Court for the State of California, County of San Francisco against the Company. The complaint is styled as a California state-wide class action. It alleges violations of California Civil Code section 1747.08 (the Song-Beverly Credit Card Act of 1971) due to the Company's alleged improper requesting and recording of zip codes from California customers who used credit cards as payment. The Summons and Complaint have not been served on the Company.

Kevin Khoa Nguyen, an individual, on behalf of himself and all others similarly situated v. Barnes & Noble, Inc.

On April 17, 2012, a complaint was filed in the Superior Court for the State of California, County of Orange against the Company. The complaint is styled as a nationwide class action and includes a California state-wide subclass based on alleged cancellations of orders for HP TouchPad Tablets placed on the Company's website in August 2011. The lawsuit alleges claims for unfair business practices and false advertising under both New York and California state law, violation of the Consumer Legal Remedies Act under California law, and breach of contract. The complaint demands specific performance of the alleged contracts to sell HP TouchPad Tablets at a specified price, injunctive relief, and monetary relief, but does not specify an amount. The Company submitted its initial response to the complaint on May 18, 2012.

**Shareholders' Equity -
Additional Information
(Detail) (USD \$)**

	12 Months Ended		May 15, 2007
	Apr. 28, 2012	Apr. 30, 2011	
<u>Class of Stock [Line Items]</u>			
<u>Dividend declared date</u>	Nov. 17, 2009		
<u>Dividend payable, record date</u>	Nov. 27, 2009		
<u>Common stock, par value</u>	\$ 0.001	\$ 0.001	
<u>Proportion of preferred stock in common stock</u>	1/1000th		
<u>Preferred stock price per share</u>	\$ 100.00		
<u>Rights expiry date</u>	November 17, 2012		
<u>Beneficial ownership threshold</u>	20.00%		
<u>Percent of assets sold to acquiring entity, threshold for discounted share purchase</u>	50.00%		
<u>Rate of discounted share purchase</u>	50.00%		
<u>Number of shares authorized to be repurchase</u>			400,000
<u>Remaining authorized repurchase amount</u>	\$ 2,471		
<u>Treasury stock, shares</u>	33,722,000	33,410,000	
<u>Treasury stock, at cost</u>	\$ 1,058,282,000	\$ 1,054,192,000	
Series I Preferred Stock			
<u>Class of Stock [Line Items]</u>			
<u>Preferred stock, par value per share</u>	\$ 0.001		

Income Taxes (Tables)

12 Months Ended Apr. 28, 2012

[Federal and State Income Tax Provisions \(Benefits\)](#)

Federal and state income tax provisions (benefits) for fiscal 2012, fiscal 2011 and fiscal 2010 are as follows:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Current:			
Federal	\$6,228	(47,825)	51,343
State	3,602	(2,441)	14,192
Total current	9,830	(50,266)	65,535
Deferred:			
Federal	(28,504)	8,057	(45,903)
State	(9,066)	(6,443)	(11,267)
Total deferred	(37,570)	1,614	(57,170)
Total	\$(27,740)	(48,652)	8,365

[Reconciliation Between Effective Income Tax Rate and Federal Statutory Income Tax Rate](#)

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

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal income tax benefit	4.4	4.8	3.8
Additions to unrecognized tax benefits	(1.0)	(2.5)	11.2
Reductions to unrecognized tax benefits	0.7	1.3	(31.8)
Excess 162(m) limitation (a)	(9.3)	—	—
Other, net	(1.1)	1.1	0.4
Effective income tax rate	28.7 %	39.7 %	18.6 %

(a) Relates to 162(m) compensation in excess of limitation for the current year and prior year.

[Components of Deferred Tax Assets and Liabilities](#)

The tax effects of temporary differences that give rise to significant components of the Company's deferred tax assets and liabilities as of April 28, 2012 and April 30, 2011 are as follows:

	April 28, 2012	April 30, 2011
Deferred tax liabilities:		
Investment in Barnes & Noble.com	\$(95,051)	(95,051)
Property & equipment	(63,216)	(57,156)
Goodwill and intangible asset amortization	(233,322)	(236,845)
Prepaid expenses	(7,827)	(7,125)
Other	(6,226)	(4,861)
Total deferred tax liabilities	(405,642)	(401,038)

Deferred tax assets:

Loss and credit carryovers	75,817	57,751
Lease transactions	30,043	32,986
Estimated accruals	88,823	52,868
Stock-based compensation	9,946	11,508
Insurance liability	11,105	11,396
Pension	11,953	10,254
Inventory	19,674	18,996
Investments in equity securities	1,282	1,282
Total deferred tax assets	<u>248,643</u>	<u>197,041</u>
Net deferred tax liabilities	<u>\$(156,999)</u>	<u>(203,997)</u>
Balance Sheet caption reported in:		
Prepaid expenses and other current assets	\$111,775	76,135
Deferred tax liabilities	<u>(268,774)</u>	<u>(280,132)</u>
Net deferred tax liabilities	<u>\$(156,999)</u>	<u>(203,997)</u>

[Reconciliation of Beginning and Ending Amount of Unrecognized Tax Benefits](#)

A reconciliation of the beginning and ending amount of unrecognized tax benefits for fiscal 2012, fiscal 2011 and fiscal 2010 is as follows:

Balance at May 2, 2009	\$24,541
Additions for tax positions of the current period	2,457
Additions for tax positions of prior periods	2,563
Other reductions for tax positions of prior periods	<u>(14,293)</u>
Balance at May 1, 2010	<u>\$15,268</u>
Additions for tax positions of the current period	1,809
Additions for tax positions of prior periods	1,199
Reductions due to settlements	(508)
Other reductions for tax positions of prior periods	<u>(1,053)</u>
Balance at April 30, 2011	<u>\$16,715</u>
Additions for tax positions of prior periods	993
Reductions due to settlements	(228)
Other reductions for tax positions of prior periods	<u>(448)</u>
Balance at April 28, 2012	<u>\$17,032</u>

Microsoft Investment

**12 Months Ended
Apr. 28, 2012**

[Microsoft Investment](#)

11. Microsoft Investment

On April 27, 2012, the Company entered into an investment agreement among the Company, Morrison Investment Holdings, Inc. (Morrison), and Microsoft Corporation (Microsoft) pursuant to which the Company will form a Delaware limited liability company (NewCo), and transfer to NewCo the Company's digital device, digital content and college bookstore businesses and NewCo will sell to Morrison, and Morrison will purchase, 300,000 convertible preferred membership interests in NewCo (Series A Preferred) for an aggregate purchase price of \$300,000.

Concurrently with its entry into this agreement, the Company has also entered into a commercial agreement with Microsoft, pursuant to which, among other things, NewCo will develop and distribute a Windows 8 application for e-reading and digital content purchases, and an intellectual property license and settlement agreement with Microsoft and Microsoft Licensing GP.

The closing conditions are set forth in the definitive documents between the parties. While there can be no assurance that the transaction will close or close by a particular date certain, the Company is actively pursuing work in connection with the closing conditions and is working to try and complete the required conditions prior to the required date set forth in the definitive agreement.

Investment Agreement

Pursuant to the agreement, Microsoft would invest \$300,000 in NewCo in exchange for 300,000 Series A Preferred interest, representing approximately 17.6% of the common membership interest in NewCo on an as-converted basis. Following Microsoft's investment, the Company would retain the common membership interest in NewCo, representing approximately 82.4% of the common membership interests in NewCo (after giving effect to the conversion of the Series A Preferred interests into common membership interests).

Commercial Agreement

Under the commercial agreement, NewCo will develop certain applications for Windows 8 for purchasing the consumption of digital reading content. The commercial agreement also requires NewCo to use its good faith efforts to undertake an international expansion of the digital business.

As part of the commercial agreement, NewCo and Microsoft would share in the revenues, net of certain items, from digital content purchased from NewCo by customers using the NewCo Windows 8 applications or through certain Microsoft products and services that may be developed in the future and are designed to interact with the NewCo online bookstore. Microsoft will make certain nonrefundable advance payments to NewCo in connection with such revenue sharing. For each of the first three years after the launch of such application for Windows 8, these advance payments would be equal to \$60,000 per year. These advance payments would be subject to deferral under certain circumstances. Microsoft would also pay to NewCo \$25,000 each year for the first five years of the term for purposes of assisting NewCo in acquiring local digital reading content and technology development in the performance of NewCo's obligations under the commercial agreement.

Settlement and License Agreement

The patent agreement provides for Microsoft and its subsidiaries to license to the Company and its affiliates certain intellectual property in exchange for royalty payments based on sales of certain devices. Additionally, the Company and Microsoft will dismiss certain outstanding patent litigation between the Company, Microsoft and their respective affiliates in accordance with the settlement and license agreement.