BARNES & NOBLE EDUCATION, INC.

FORM 8-K/A
(Amended Current report filing)

Filed 05/08/17 for the Period Ending 05/08/17

Address	120 MOUNTAIN VIEW BOULEVARD BASKING RIDGE, NJ 07920
Telephone	908-991-2665
CIK	0001634117
Symbol	BNED
SIC Code	5940 - Miscellaneous Shopping Goods Stores
Industry	Other Specialty Retailers
Sector	Consumer Cyclicals
Fiscal Year	04/30

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 8, 2017 (February 27, 2017)

BARNES & NOBLE EDUCATION, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-37499	46-0599018
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

120 Mountain View Blvd., Basking Ridge, NJ	07920
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (908) 991-2665

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

□ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

□ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

□ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

□ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company □

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

Explanatory Note

As previously reported in a Current Report on Form 8-K filed on February 28, 2017 (the "Initial Form 8-K"), Barnes & Noble Education, Inc. (the "Company" or "BNED"), Ellar LLC ("Ellar"), Leonard Riggio ("Mr. Riggio") and the other unitholders of Ellar party thereto (the "Unitholders") and Ellar, as the Designated Representative, entered into a Purchase Agreement (the "Purchase Agreement") on February 27, 2017.

Pursuant to the terms and subject to the conditions of the Purchase Agreement, the Company acquired 100% of the equity interests of MBS Textbook Exchange, LLC ("MBS") from Ellar (the "Transaction"), for cash consideration of $174.2 million. The Purchase Agreement was executed, and the Transaction closed, on the same day, and the Transaction was funded from cash on-hand and proceeds from the Company's existing credit agreement, as amended.

This Form 8-K/A amends the Initial Form 8-K to include the financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K and should be read in conjunction with the Initial Form 8-K.

Item 9.01. Financial Statements and Exhibits

(a) *Financial Statements of Businesses Acquired.*

The audited consolidated financial statements of MBS Textbook Exchange, Inc. at August 31, 2016 and 2015 and for the years ended August 31, 2016, 2015 and 2014 are filed as Exhibit 99.3 to this Form 8-K/A.

The unaudited consolidated financial statements of MBS Textbook Exchange, Inc. at November 30, 2016 and for the three months ended November 30, 2016 and 2015 are filed as Exhibit 99.4 to this Form 8-K/A.

(b) *Pro Forma Financial Information.*

The unaudited pro forma condensed financial information is filed as Exhibit 99.5 to this Form 8-K/A and incorporated herein by reference.

(d) Exhibits.

The following exhibits are filed as a part of this Current Report:

Exhibit No.	Description
2.1	Purchase Agreement, dated as of February 27, 2017, by and among Barnes & Noble Education, Inc., Ellar LLC, Leonard Riggio and the other Unitholders party thereto, and Ellar LLC, as the Designated Representative*
10.1	First Amendment to Credit Agreement, dated as of February 27, 2017, by and among the Company, the Lenders and the Agent*
23.1	Consent of BDO USA, LLP
99.1	Press Release, issued February 28, 2017*
99.2	Investor Presentation, made available February 28, 2017*
99.3	Consolidated Financial Statements of MBS Textbook Exchange, Inc. at August 31, 2016 and 2015 and for the years ended August 31, 2016, 2015 and 2014
99.4	Unaudited Consolidated Financial Statements of MBS Textbook Exchange, Inc. at November 30, 2016 and for the three months ended November 30, 2016 and 2015
99.5	Unaudited Pro Forma Condensed Combined Financial Statements

* Previously filed as an exhibit to the Company's Current Report on Form 8-K filed on February 28, 2017.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 8, 2017

BARNES & NOBLE EDUCATION, INC.,

By: /s/ Barry Brover
Name: Barry Brover
Title: Chief Financial Officer

BARNES & NOBLE EDUCATION, INC.

EXHIBIT INDEX

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Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

Barnes & Noble Education, Inc.

Basking Ridge, New Jersey

We hereby consent to the incorporation by reference in Registration Statements Nos. 333-206893 and 333-213673 on Form S-8 of Barnes & Noble Education, Inc. of our report dated November 29, 2016, relating to the consolidated financial statements of MBS Textbook Exchange, Inc. (an S Corporation), which appears in this Current Report on Form 8-K/A.

/s/ BDO USA, LLP

Chicago, Illinois

May 8, 2017

EXHIBIT 99.3

TEXTBOOK EXCHANGE, INC.

Consolidated Financial Statements
Years Ended August 31, 2016, 2015, and 2014

MBS Textbook Exchange, Inc.

Consolidated Financial Statements
Years Ended August 31, 2016, 2015, and 2014

MBS Textbook Exchange, Inc.

Contents

Tel: 312-856-9100 330 N. Wabash Avenue, Suite 3200
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Independent Auditor’s Report

To the Board of Directors MBS Textbook Exchange, Inc.
(an S Corporation)
Columbia, Missouri

We have audited the accompanying consolidated financial statements of MBS Textbook Exchange, Inc. (an “S Corporation”), which comprise the consolidated balance sheets as of August 31, 2016 and 2015, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended August 31, 2016, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MBS Textbook Exchange, Inc. as of August 31, 2016 and 2015, and the results of its operations and its cash flows for the three years in the period ended August 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Chicago, Illinois November 29, 2016

Financial Statements

MBS Textbook Exchange, Inc.

Consolidated Balance Sheets
(Dollars in Thousands)

August 31,		**2016**		2015
Assets				
Current				
Cash	**$**	**1,314**	$	1,506
Accounts receivable (less allowances of $61,997 in 2016 and $54,472 in 2015):				
Trade		**68,268**		56,431
Affiliates (Note 10)		**51,302**		54,861
Inventory		**110,684**		113,242
Prepaid expenses and other current assets		**1,348**		3,148
Total Current Assets		**232,916**		229,188
Property and Equipment, at cost (Note 2)		**64,103**		63,522
Less accumulated depreciation and amortization		**(53,217)**		(51,097)
Net Property and Equipment		**10,886**		12,425
Other				
Other long-term assets (Notes 1 and 5)		**5,055**		5,163
Total Other Assets		**5,055**		5,163
	$	**248,857**	**$**	**246,776**

MBS Textbook Exchange, Inc.

Consolidated Balance Sheets
(Dollars in Thousands)

August 31,		2016		2015
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	**$**	**56,563**	$	56,700
Accrued expenses and other liabilities (Note 3)		**10,832**		13,227
Line of credit (Note 4)		**44,400**		14,200
Distributions payable (Notes 6 and 12)		**35,800**		61,400
Total Current Liabilities		**147,595**		145,527
Deferred Compensation (Note 5)		**5,785**		5,840
Other Long-Term Liabilities (Note 7)		**6,939**		6,468
Total Liabilities		**160,319**		157,835
Commitments and Contingencies (Notes 5, 7, 9, and 13)				
Stockholders' Equity				
Common stock and additional paid-in capital, $.01 par value – shares authorized, 3,000; shares issued and outstanding, 73.5		**1,005**		1,005
Retained earnings		**87,533**		87,936
Total Stockholders' Equity		**88,538**		88,941
	$	**248,857**	$	246,776

See accompanying notes to consolidated financial statements.

MBS Textbook Exchange, Inc.

Consolidated Statements of Income
(Dollars in Thousands)

Year ended August 31,	**2016**	2015	2014
Net Sales			
Trade	**$ 422,510**	$ 436,613	$ 466,311
Affiliates (Note 10)	**79,335**	113,579	92,945
Total Net Sales (Note 11)	**501,845**	550,192	559,256
Cost of Goods Sold	**363,083**	376,281	390,631
Gross Profit	**138,762**	173,911	168,625
Selling, General, and Administrative Expenses	**91,456**	100,738	103,724
Operating Income	**47,306**	73,173	64,901
Other Income (Expense)			
Interest expense	**(844)**	(612)	(165)
Other income, net	**10,435**	11,743	10,593
	9,591	11,131	10,428
Net Income	**$ 56,897**	$ 84,304	$ 75,329

See accompanying notes to consolidated financial statements.

MBS Textbook Exchange, Inc.

Consolidated Statements of Stockholders' Equity
(Dollars in Thousands)

	Common Stock and Additional Paid-in Capital				
	Number of Shares	Amount	Retained Earnings	Total Stockholders' Equity
Balance, at August 31, 2013	73.5	$ 1,540	$ 117,603	$ 119,143
Net income	-	-	75,329	75,329
Other	-	(535)	-	(535)
Distributions declared and paid	-	-	(22,700)	(22,700)
Distributions payable	-	-	(82,200)	(82,200)
Balance, at August 31, 2014	73.5	1,005	88,032	89,037
Net income	-	-	84,304	84,304
Distributions declared and paid	-	-	(23,000)	(23,000)
Distributions payable	-	-	(61,400)	(61,400)
Balance, at August 31, 2015	73.5	1,005	87,936	88,941
Net income	-	-	56,897	56,897
Distributions declared and paid	-	-	(21,500)	(21,500)
Distributions payable	-	-	(35,800)	(35,800)
Balance, at August 31, 2016	**73.5**	**$ 1,005**	**$ 87,533**	**$ 88,538**

See accompanying notes to consolidated financial statements.

MBS Textbook Exchange, Inc.

Consolidated Statements of Cash Flows
(Dollars in Thousands)

Year ended August 31,	**2016**	2015	2014
Operating Activities			
Net Income	**$ 56,897**	$ 84,304	$ 75,329
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	**2,822**	3,313	3,651
Provision for (recovery of) accounts receivable returns and allowances	**7,525**	(37,606)	1,999
(Recovery of) provision for inventory returns and allowances	**(3,148)**	19,249	886
(Gain) loss on disposal of property and equipment	**(97)**	93	(65)
Write-off of intangible assets	**-**	3,331	-
Deferred compensation	**(55)**	395	408
Changes in assets and liabilities:			
Accounts receivable	**(15,803)**	14,851	3,914
Inventory	**5,706**	39,969	(30,268)
Prepaid expenses and other current assets	**1,800**	1,196	(3,547)
Other long-term assets (excluding amortization)	**(58)**	(65)	(31)
Accounts payable, accrued expenses and other liabilities	**(2,532)**	(46,204)	39,425
Other long-term liabilities	**471**	(540)	251
Net cash provided by operating activities	**53,528**	82,286	91,952
Investing Activities			
Purchase of property and equipment	**(1,760)**	(3,312)	(3,750)
Proceeds from sale of property and equipment	**740**	703	948
Net cash used in investing activities	**(1,020)**	(2,609)	(2,802)
Financing Activities			
Net advances under lines of credit agreements	**30,200**	14,200	-
Distributions paid	**(82,900)**	(105,200)	(105,000)
Redemption of stock	**-**	-	(535)
Net cash used in financing activities	**(52,700)**	(91,000)	(105,535)
Net Decrease in Cash	**(192)**	(11,323)	(16,385)
Cash, at beginning of year	**1,506**	12,829	29,214
Cash, at end of year	**$ 1,314**	$ 1,506	$ 12,829

See accompanying notes to consolidated financial statements.

1. Description of Business and Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of MBS Textbook Exchange, Inc., its subsidiaries and/or affiliates, MBS Direct, LLC, MBS Realty Partner, L.P., MBS Internet, LLC, TXTB.com, LLC, TextbookCenter, LLC, MBS Service Company, Inc., and MBS Automation Corp. (the "Company" or "MBS"). All intercompany accounts and transactions have been eliminated.

Description of Business

The Company is located in Columbia, Missouri and is a leading seller of new and used college textbooks. The Company is also a retailer of electronic books and computer hardware and software designed for use in the textbook industry.

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810-10-15, *"Consolidation of Variable Interest Entities."* MBS Realty Partner L.P. ("Realty") is an entity under common ownership which leases the office and warehouse space solely to the Company. Realty's operations are funded by the Company. The Company has evaluated its relationship with Realty and determined the Company is the primary beneficiary of Realty, a variable interest entity. The accounts of Realty are included in the consolidated financial statements of the Company for all years presented.

MBS Service Company, Inc. ("Service") was an entity under common ownership, as well as through a related party, that hires sales representatives for the Company, as well as provides computer system related sales and services that benefit future supply of product to the Company. Service's operations were funded by the Company. The Company had evaluated its relationship with Service and determined the Company was the primary beneficiary of Service, a variable interest entity. On August 31, 2014, the Company acquired all the stock of Service for $535,000. The accounts of Service are included in the consolidated financial statements of the Company for all years presented.

Accounts Receivable

An allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential losses based on historical trends and known current factors impacting the Company's customers. All accounts are reviewed on an ongoing basis to determine collectability.

Revenue Recognition

Revenue is recognized in accordance with the provisions of Staff Accounting Bulletin— *Topic 13, "Revenue Recognition* ." Revenue is recorded once there is persuasive evidence of an arrangement, services have been rendered, the amount of revenue has become fixed or determinable and collectability is reasonably assured. Revenue from the sale of traditional textbooks is recognized at the time of shipment. Revenue from the sale of digital textbooks, for which the Company acts as an intermediary or agent, is recognized at the time the transaction is completed by the buyer online as the earnings process is culminated. The Company estimates, based on historical experience, a provision for sales returns where the right of return exists. Additional revenue is recognized for shipping charges billed to customers. The expenses related to these revenues are included in cost of goods sold.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *"Revenue from Contracts with Customers (Topic 606),"* which established a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles ("U.S. GAAP"), including those that previously followed industry-specific guidance such as real estate, construction, and software industries. The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The statement is effective for public business entities for annual periods beginning after December 15, 2017 and private entities for annual periods beginning after December 15, 2018. The Company is in the process of evaluating the potential impact of ASU 2014- 09 on the consolidated financial statements and has not yet determined the method by which the standard will be adopted.

Cost of Sales

The primary components of cost of sales include the cost of the product and inbound and outbound freight charges. Certain overhead costs related to purchasing, receiving, inspections, warehousing, internal inventory transfers and other costs of our distribution network are included in selling, general and administrative expenses along with other operating costs.

As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies.

Inventory

Inventory consists of finished goods, primarily new and used college textbooks. Inventory is stated at the lower of cost or market under the first-in, first-out ("FIFO") method.

Depreciation and Amortization

Depreciation of property and equipment is provided for over the estimated useful lives of the respective assets, ranging from three to 39 years, using the straight-line method. Leasehold improvements are amortized over the lesser of the lease periods or their useful lives using the straight-line method.

Income Taxes

The Company is considered a pass-through entity under the Internal Revenue Code ("IRC"). Instead of paying corporate income taxes, the stockholders of pass-through entities are taxed individually on their proportionate share of the Company's taxable income. State income taxes incurred in states that do not recognize pass-through entities are not significant and are included in selling, general, and administrative expenses.

ASC 740-10-25 requires that realization of an uncertain income tax position must be "more likely than not" (i.e. greater than 50% likelihood of receiving benefit) before it can be recognized in the financial statements. Further, ASC 740-10-25 prescribes the benefit to be recorded in the financial statements as the amount most likely to be realized assuming a review by the tax authorities having all relevant information and applying current conventions. ASC 740-10-25 also clarifies the financial statement classification of tax related penalties and interest and sets forth new disclosures regarding unrecognized tax benefits. There are no such uncertain income tax positions held by the Company which are required to be recorded or disclosed. Tax years ended August 31, 2013 through August 31, 2016 remain open to examination by taxing authorities.

Fair Value Measurements

Fair value measurements are determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs. The Company utilizes a fair value hierarchy based upon the observability of inputs used in valuation techniques as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Fair Value of Financial Instruments

The carrying values of financial instruments such as accounts receivable, accounts payable, accrued expenses, and line of credit obligation are reasonable estimates of their fair value because of the short maturity of these items.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company evaluated subsequent events through the date the accompanying consolidated financial statements were issued which was November 29, 2016. No material subsequent events have occurred through November 29, 2016 that required recognition or disclosure in the consolidated financial statements.

2. Property and Equipment

The following is a summary of property and equipment at cost:

August 31,	**2016**	2015
	(dollars in thousands)	
Land	**$ 1,622**	$ 1,622
Building	**11,453**	11,453
Leasehold improvements	**1,005**	1,005
Machinery and equipment	**26,388**	26,174
Vehicles	**2,316**	2,386
Furniture and fixtures	**2,224**	2,224
Computer equipment	**19,068**	18,658
Assets not placed into service	**27**	-
	$ 64,103	$ 63,522

Depreciation expense for the years ended August 31, 2016, 2015, and 2014 was $2,656,000, $3,033,000, and $3,145,000, respectively.

3. Accrued Expenses and Other Liabilities

The following is a summary of accrued expenses and other liabilities:

August 31,		**2016**		2015
		(dollars in thousands)		
Accrued compensation	**$**	**6,404**	$	7,888
Accrued insurance		**685**		1,183
Sales & withholding tax payable		**2,208**		2,268
Other		**1,535**		1,888
Accrued Expenses and Other Liabilities	**$**	**10,832**	$	13,227

4. Lines of Credit

The Company has two unsecured lines of credit with two commercial banks for a maximum of $120,000,000 with both maturing on January 31, 2017. The total outstanding balance was $44,400,000 and $14,200,000 at August 31, 2016 and 2015, respectively. The average interest rate for outstanding borrowings under the lines of credit at August 31, 2016 and 2015 was 2% and 2.35%, respectively. The Company was in compliance with its debt covenants as of August 31, 2016 and 2015.

5. Deferred Compensation Plan

The Company has agreements under a non-qualified deferred compensation plan with officer- stockholders and key employees to pay, upon death, disability, retirement, or attaining age 65, a monthly annuity amount based on the employee's initial contribution plus interest earned which is specified in the funding schedules of the agreements.

The Company has accrued a liability of $5,785,000 and $5,840,000 at August 31, 2016 and 2015, respectively, for the above agreements.

The plan has been partially funded through the purchase of insurance on the lives of the individuals.

The book value of the life insurance policies is $3,471,000 and $3,325,000 at August 31, 2016 and 2015, respectively. This amount is included in other long-term assets.

6. Stockholders' Equity

Distributions

The Company has made cash distributions to stockholders for discretionary purposes and in order for the stockholders to pay income taxes related to the Company's pass-through taxable income. These distributions are paid pro rata to each individual based on stock ownership.

7. Employee Benefit Plans

The Company maintains a Profit Sharing Plan covering all full-time employees of the Company who have one year of service and are 20-1/2 years of age or older. Each year, the Company contributes to the Plan the sum of (a) the amount each participant elects to defer from his compensation (up to a maximum set forth in the Plans) plus (b) a matching contribution (subject to limitations) equal to the percentage of deferred compensation (as defined in the Plan) of all participants plus (c) a discretionary amount determined each year by the Company. Individual accounts are established for each participant.

Participants become 20% vested in their account balance on the completion of two years of service, increasing 20% for each additional year of service until the fifth year of service, at which time a participant becomes fully vested. A participant is 100% vested upon reaching 65, retirement due to disability, or death. The nonvested portion of a terminated participant's account is forfeited. Benefit distributions under the Plan are in the form of annuities or lump sums.

The Company's contributions to the Plan of $3,233,000, $3,537,000, and $3,450,000 for the years ended August 31, 2016, 2015, and 2014, respectively, are included in selling, general and administrative expenses.

The Company provides employees a post-retirement medical benefit that covers eligible employees' medical insurance upon retirement. Upon becoming eligible, the Plan requires participants to enroll in Medicare.

Eligible employees are defined as employees with medical insurance through the Company's Plan who have reached the age of 55 and have at least 25 years of service as of January 1, 2016. The Company has not prefunded its post-retirement medical benefits.

The Company has recognized a liability of $6,939,000 and $6,468,000 related to this obligation at August 31, 2016 and 2015, respectively, which is included in other long-term liabilities. The Company's expense related to this obligation of $471,000, $0, and $251,000 for the years ended August 31, 2016, 2015, and 2014, respectively, is included in selling, general, and administrative expenses.

The following is a summary of plan information as estimated by consulting actuaries.

August 31, 2016		Defined- Benefit Healthcare Plan
Projected benefit obligation	$	6,939,000
Weighted-average assumptions used to determine benefit obligation at year-end and net periodic benefit costs for the year then ended		
Discount rate		2.29%
Current trend rate		6.00%
Ultimate trend rate		2.29%

For the year ended August 31, 2016, the effect of a 1% increase in the trend rate would result in an increase of $1,158,000 on the post-retirement benefit obligation.

Expected Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in accordance with the Plans:

	Defined- Benefit Healthcare Plan
2017	$ 194,000
2018	208,000
2019	218,000
2020	237,000
2021	264,000
2022-2026	1,610,000
	$ 2,731,000

8. Advertising Costs

Advertising costs, which are included in selling, general and administrative expenses, are expensed as incurred. Advertising costs were approximately $952,000, $985,000, and $1,072,000 for the years ended August 31, 2016, 2015, and 2014, respectively.

9. Operating Leases

Rent expense for all operating leases was $795,000, $877,000, and $993,000 for the years ended August 31, 2016, 2015, and 2014, respectively.

At August 31, 2016, future minimum rental payments required under operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

Year ending August 31	Amount
2017	$ 577,000
2018	251,000
2019	69,000
Total	$ 897,000

10. Related-Party Transactions

The Company is related through common ownership to Barnes & Noble, Inc. (“Inc.”) and its subsidiary, barnesandnoble.com, LLC (“.com”), an on-line retailer of textbooks. The Company is also related through common ownership to Barnes & Noble College Booksellers, LLC (“College”). College is a subsidiary of Barnes & Noble Education, Inc. College is a major customer and supplier of the Company.

College has entered into an agreement with the Company whereby College will offer all of its textbooks not being used in the following semester’s curriculum to the Company provided that the Company pays prices that are competitive with those offered by other wholesalers. College has also agreed not to compete with the Company in the Company’s wholesale textbook operation.

Sales to College, Inc. and .com during the years ended August 31, 2016, 2015, and 2014, reflected as net sales to an affiliate in the accompanying consolidated statements of earnings, were $79,335,000, $113,579,000, and $92,945,000, respectively, representing 16%, 21% and 17%, respectively, of net sales. Purchases from College, Inc. and .com during the same periods were $17,877,000, $20,926,000, and $27,352,000, respectively.

At August 31, 2016 and 2015, the amount due from affiliates represents accounts receivable from College, Inc. and .com of $86,851,000 and $78,622,000, respectively, less return allowances of $35,549,000 and $23,761,000, respectively.

11. Gross Sales

Gross sales, sales returns and allowances, and net sales of the Company are as follows:

		2016		2015		2014
		(dollars in thousands)				
Gross sales	$	**629,821**	$	610,060	$	677,517
Sales returns and allowances		**(127,976)**		(59,868)		(118,261)
Net sales	$	**501,845**	$	550,192	$	559,256

12. Supplemental Cash Flow Information

Payments for interest, net of amounts capitalized, amounted to $809,000, $612,000, and $156,000 in 2016, 2015, and 2014, respectively.

The Company had distributions declared but not paid as of fiscal year end amounting to $35,800,000, $61,400,000, and $82,200,000 in 2016, 2015, and 2014, respectively.

13. Litigation

From time to time the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters are resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future consolidated financial position or results of operations. As of August 31, 2016, the Company was not a party to any material legal proceedings.

EXHIBIT 99.4

Condensed Consolidated Financial Statements

Three Months Ended November 30, 2016 and 2015

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

MBS Textbook Exchange, Inc.

Condensed Consolidated Financial Statements
Three Months Ended November 30, 2016 and 2015

Condensed Consolidated Financial Statements

Condensed Consolidated Financial Statements

MBS Textbook Exchange, Inc.

Condensed Consolidated Balance Sheets
(Dollars in Thousands)

		(unaudited) November 30, 2016		August 31, 2016
Assets				
Current				
Cash	**$**	**1,641**	$	1,314
Accounts receivable (less allowances of $29,190 at November 30, 2016 and $61,997 at August 31, 2016):				
Trade		**30,671**		68,268
Affiliates (Note 9)		**4,277**		51,302
Inventory		**126,343**		110,684
Prepaid expenses and other current assets		**1,488**		1,348
Total Current Assets		**164,420**		232,916
Net Property and Equipment (Note 2)		**10,405**		10,886
Other				
Other long-term assets (Notes 1, 3, and 6)		**5,027**		5,055
Total Other Assets		**5,027**		5,055
Total Assets	**$**	**179,852**	$	248,857

MBS Textbook Exchange, Inc.

Condensed Consolidated Balance Sheets
(Dollars in Thousands)

		(unaudited) November 30, 2016		August 31, 2016
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	**$**	**39,182**	$	56,563
Accrued expenses and other liabilities (Note 4)		**6,613**		10,832
Line of credit (Note 5)		**-**		44,400
Distributions payable (Notes 7 and 11)		**25,800**		35,800
Total Current Liabilities		**71,595**		147,595
Deferred Compensation (Note 6)		**5,760**		5.785
Other Long-Term Liabilities (Note 8)		**6,987**		6.939
Total Liabilities		**84,342**		160,319
Commitments and Contingencies (Notes 5, 8, and 12)				
Stockholders' Equity				
Common stock and additional paid-in capital, $.01 par value – shares authorized, 3,000; shares issued and outstanding, 73.5		**1,005**		1,005
Retained earnings		**94,505**		87,533
Total Stockholders' Equity		**95,510**		88,538
Total Liabilities and Stockholders' Equity	**$**	**179,852**	$	248,857

See accompanying notes to condensed consolidated financial statements.

MBS Textbook Exchange, Inc.

Condensed Consolidated Statements of Income
(Dollars in Thousands)

	(unaudited) Three months ended November 30 2016	(unaudited) Three months ended November 30 2015
Net Sales		
Trade	**$ 55,359**	$ 68,305
Affiliates (Note 9)	**17,005**	9,544
Total Net Sales (Note 10)	**72,364**	77,849
Cost of Goods Sold	**49,218**	60,418
Gross Profit	**23,146**	17,431
Selling, General, and Administrative Expenses	**18,923**	18,229
Operating Income	**4,223**	(798)
Other Income (Expense)		
Interest expense	**(147)**	(20)
Other income, net	**2,896**	2,316
	2,749	2,296
Net Income	**$ 6,972**	$ 1,498

See accompanying notes to condensed consolidated financial statements.

MBS Textbook Exchange, Inc.

Condensed Consolidated Statement of Stockholders' Equity
(Dollars in Thousands)

	Common Stock and Additional Paid-in Capital					
	Number of Shares	**Amount**		**Retained Earnings**		**Total Stockholders' Equity**
Balance, at August 31, 2016	73.5	$	1,005	$ 87,533	$	88,538
Net income	-		-	6,972		6,972
Distributions declared and paid	-		-	-		-
Distributions payable	-		-	-		-
Balance, at November 30, 2016 (unaudited)	**73.5**	**$**	**1,005**	**$ 94,505**	**$**	**95,510**

See accompanying notes to condensed consolidated financial statements.

MBS Textbook Exchange, Inc.

Condensed Consolidated Statements of Cash Flows
(Dollars in Thousands)

	(unaudited) Three months ended November 30 2016	(unaudited) Three months ended November 30 2015
Operating Activities		
Net Income	**$ 6,972**	$ 1,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	**642**	749
Recovery of accounts receivable returns and allowances	**(32,807)**	(29,001)
Provision for inventory returns and allowances	**14,511**	14,970
Gain on disposal of property and equipment	**(4)**	(22)
Deferred compensation	**(25)**	17
Changes in assets and liabilities:		
Accounts receivable	**117,429**	101,388
Inventory	**(30,170)**	(19,914)
Prepaid expenses and other current assets	**(140)**	(315)
Other long-term assets (excluding amortization)	**(14)**	(12)
Accounts payable, accrued expenses and other liabilities	**(21,600)**	(26,074)
Other long-term liabilities	**48**	64
Net cash provided by operating activities	**54,842**	43,348
Investing Activities		
Purchase of property and equipment	**(270)**	(384)
Proceeds from sale of property and equipment	**155**	207
Net cash used in investing activities	**(115)**	(177)
Financing Activities		
Net advances under lines of credit agreements	**(44,400)**	(14,200)
Distributions paid	**(10,000)**	(11,000)
Net cash used in financing activities	**(54,400)**	(25,200)
Net Increase in Cash	**327**	17,971
Cash, at beginning of year	**1,314**	1,506
Cash, at end of year	**$ 1,641**	$ 19,477

See accompanying notes to condensed consolidated financial statements.

1. Description of Business and Summary of Significant Accounting Policies

Principles of Consolidation

The Condensed Consolidated financial statements include the accounts of MBS Textbook Exchange, Inc., its subsidiaries and/or affiliates, MBS Direct, LLC, MBS Realty Partner, L.P. ("Realty"), MBS Internet, LLC, TXTB.com, LLC, TextbookCenter, LLC, MBS Service Company, Inc., and MBS Automation Corp. (the "Company" or "MBS"). All intercompany accounts and transactions have been eliminated.

Basis of Presentation

The condensed consolidated financial statements reflect our consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements of the Company contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its consolidated financial position and the results of its operations and cash flows for the periods reported. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by U.S. GAAP.

Description of Business

The Company is located in Columbia, Missouri and is a leading seller of new and used college textbooks. The Company is also a retailer of electronic books and computer hardware and software designed for use in the textbook industry.

The Company applies Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810-10-15, *"Consolidation of Variable Interest Entities."* Realty is an entity under common ownership which leases the office and warehouse space solely to the Company. Realty's operations are funded by the Company. The Company has evaluated its relationship with Realty and determined the Company is the primary beneficiary of Realty, a variable interest entity. The accounts of Realty are included in the condensed consolidated financial statements of the Company for all periods presented.

Accounts Receivable

An allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential losses based on historical trends and known current factors impacting the Company's customers. All accounts are reviewed on an ongoing basis to determine collectability.

Revenue Recognition

Revenue is recognized in accordance with the provisions of Staff Accounting Bulletin, " *Topic 13: Revenue Recognition."* Revenue is recorded once there is persuasive evidence of an arrangement, services have been rendered, the amount of revenue has become fixed or determinable, and collectability is reasonably assured. Revenue from the sale of traditional textbooks is recognized at the time of shipment. Revenue from the sale of digital textbooks, for which the Company acts as an intermediary or agent, is recognized at the time the transaction is completed by the buyer online as the earnings process is culminated. The Company estimates, based on historical experience, a provision for sales returns where the right of return exists. Additional revenue is recognized for shipping charges billed to customers. The expenses related to these revenues are included in cost of goods sold.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *"Revenue from Contracts with Customers (Topic 606),"* which established a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance such as real estate, construction, and software industries. The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The statement is effective for public business entities for annual periods beginning after December 15, 2017. The Company is in the process of evaluating the potential impact of ASU 2014-09 on the condensed consolidated financial statements and has not yet determined the method by which the standard will be adopted.

Cost of Sales

The primary components of cost of sales include the cost of the product and inbound and outbound freight charges. Certain overhead costs related to purchasing, receiving, inspections, warehousing, internal inventory transfers and other costs of our distribution network are included in selling, general and administrative expenses along with other operating costs.

As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies.

Inventory

Inventory consists of finished goods, primarily new and used college textbooks. Inventory is stated at the lower of cost or market under the first-in, first-out method.

Depreciation and Amortization

Depreciation of property and equipment is provided for over the estimated useful lives of the respective assets, ranging from three to 39 years, using the straight-line method. Leasehold improvements are amortized over the lesser of the lease periods or their useful lives using the straight-line method.

Income Taxes

The Company is considered a pass-through entity under the Internal Revenue Code. Instead of paying corporate income taxes, the stockholders of pass-through entities are taxed individually on their proportionate share of the Company's taxable income. State income taxes incurred in states that do not recognize pass-through entities are not significant and are included in selling, general, and administrative expenses.

ASC 740-10-25 requires that realization of an uncertain income tax position must be "more likely than not" (i.e. greater than 50% likelihood of receiving benefit) before it can be recognized in the financial statements. Further, ASC 740-10-25 prescribes the benefit to be recorded in the financial statements as the amount most likely to be realized assuming a review by the tax authorities having all relevant information and applying current conventions. ASC 740-10-25 also clarifies the financial statement classification of tax related penalties and interest and sets forth new disclosures regarding unrecognized tax benefits. There are no such uncertain income tax positions held by the Company which are required to be recorded or disclosed. Tax years ended August 31, 2013 through August 31, 2016 remain open to examination by taxing authorities.

Fair Value Measurements

Fair value measurements are determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs. The Company utilizes a fair value hierarchy based upon the observability of inputs used in valuation techniques as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Fair Value of Financial Instruments

The carrying values of financial instruments such as accounts receivable, accounts payable, accrued expenses, and lines of credit obligations are reasonable estimates of their fair value because of the short maturity of these items.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Newly Issued Accounting Statements

In February 2016, the FASB issued ASU 2016-02, " *Leases,* " which establishes a comprehensive new lease accounting model. ASU 2016-02 clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Company is currently evaluating the impact that ASU 2016-02 will have on its condensed consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, " *Interests Held through Related Parties that are under Common Control* , *"* which amends the variable interest entity ("VIE") guidance within Topic 810. It does not change the two required characteristics for a single decision maker to be the primary beneficiary ("power" and "economics"), but it revises one aspect of the related analysis. The amendments change how a single decision maker of a VIE treats indirect variable interests held through related parties that are under common control when determining whether it is the primary beneficiary of that VIE. ASU 2016-17 requires consideration of such indirect interests on a proportionate basis, instead of being the equivalent of direct interests in their entirety, thereby making consolidation less likely. The amendments are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company is currently evaluating the impact that ASU 2016-17 will have on its condensed consolidated financial statements.

2. Property and Equipment

The following is a summary of property and equipment:

		November 30, 2016		August 31, 2016
		(dollars in thousands)		
Land	**$**	**1,622**	$	1,622
Building		**11,453**		11,453
Leasehold improvements		**1,005**		1,005
Machinery and equipment		**26,401**		26,388
Vehicles		**2,264**		2,316
Furniture and fixtures		**2,224**		2,224
Computer equipment		**19,117**		19,068
Assets not placed into service		**27**		27
Property and equipment, at cost		**64,113**		64,103
Less accumulated depreciation and amortization		**(53,708)**		(52,217)
Net Property, Plant, and Equipment	**$**	**10,405**	$	10,886

Depreciation expense for the three months ended November 30, 2016 and 2015 was approximately $600,000 and $707,000, respectively.

3. Other Long-Term Assets

The following is a summary of other assets:

	November 30, 2016	August 31, 2016
	(dollars in thousands)	
Deferred compensation - cash surrender value	**$ 3,508**	$ 3,471
Other	**1,519**	1,584
Other Long-Term Assets	**$ 5,027**	$ 5,055

4. Accrued Expenses and Other Liabilities

The following is a summary of accrued expenses and other liabilities:

	November 30, 2016	August 31, 2016
	(dollars in thousands)	
Accrued compensation	**$ 5,432**	$ 6,404
Accrued insurance	**642**	685
Sales & withholding tax payable	**101**	2,208
Other	**437**	1,535
Accrued Expenses and Other Liabilities	**$ 6,613**	$ 10,832

5. Lines of Credit

The Company has two unsecured lines of credit with two commercial banks for a maximum of $120,000,000 with both maturing on January 31, 2017. The total outstanding balance was $0 and $44,400,000 at November 30, 2016 and August 31, 2016, respectively. The interest rate for outstanding borrowings under the lines of credit at November 30, 2016 and August 31, 2016 was based on LIBOR plus 1.25% with a floor of 2%, which was effectively 2% in both periods. The Company was in compliance with its debt covenants as of November 30, 2016.

6. Deferred Compensation Plan

The Company has agreements under a non-qualified deferred compensation plan with officers, stockholders, and key employees to pay, upon death, disability, retirement, or attaining age 65, a monthly annuity amount based on the employee's initial contribution plus interest earned which is specified in the funding schedules of the agreements.

The Company has accrued a liability of $5,760,000 and $5,785,000 at November 30, 2016 and August 31, 2016, respectively, for the above agreements.

The plan has been partially funded through the purchase of insurance on the lives of the individuals.

The book value of the life insurance policies is $3,508,000 and $3,471,000 at November 30, 2016 and August 31, 2016, respectively. This amount is included in other long-term assets.

7. Stockholders' Equity

Distributions

The Company has made cash distributions to stockholders for discretionary purposes and in order for the stockholders to pay income taxes related to the Company's pass-through taxable income. These distributions are paid pro rata to each individual based on stock ownership.

8. Employee Benefit Plans

The Company maintains a Profit Sharing Plan (the "Plan") covering all full-time employees of the Company who have one year of service and are 20-1/2 years of age or older. Each year, the Company contributes to the Plan the sum of (a) the amount each participant elects to defer from his compensation (up to a maximum set forth in the Plan), plus (b) a matching contribution (subject to limitations) equal to the percentage of deferred compensation (as defined in the Plan) of all participants, plus (c) a discretionary amount determined each year by the Company. Individual accounts are established for each participant.

Participants become 20% vested in their account balance on the completion of two years of service, increasing 20% for each additional year of service until the fifth year of service, at which time a participant becomes fully vested. A participant is 100% vested upon reaching age 65, retirement due to disability, or death. The non-vested portion of a terminated participant's account is forfeited. Benefit distributions under the Plan are in the form of annuities or lump sums.

The Company's matching contributions to the Plan of $377,000 and $386,000 for the three months ended November 30, 2016 and 2015, respectively, are included in selling, general, and administrative expenses.

The Company provides employees a post-retirement medical benefit that covers eligible employees' medical insurance upon retirement. Upon becoming eligible, the Plan requires participants to enroll in Medicare.

Eligible employees are defined as employees with medical insurance through the Company's Plan who have reached the age of 55 and have at least 25 years of service as of January 1, 2016. The Company has not prefunded its post-retirement medical benefits.

The Company has recognized a liability of $6,987,000 and $6,939,000 related to this obligation at November 30, 2016 and August 31, 2016, respectively, which is included in other long-term liabilities. The Company's expense related to this obligation of $48,000 and $64,000 for the three months ended November 30, 2016 and 2015, respectively, is included in selling, general, and administrative expenses.

9. Related-Party Transactions

The Company is related through common ownership to Barnes & Noble, Inc. ("Inc.") and its subsidiary, barnesandnoble.com, LLC (".com"), an on-line retailer of textbooks. The Company is also related through common ownership to Barnes & Noble College Booksellers, LLC ("College"). College is a subsidiary of Barnes & Noble Education, Inc. College is a major customer and supplier of the Company.

College has entered into an agreement with the Company whereby College will offer all of its textbooks not being used in the following semester's curriculum to the Company provided that the Company pays prices that are competitive with those offered by other wholesalers. College has also agreed not to compete with the Company in the Company's wholesale textbook operation.

Sales to College, Inc., and .com during the three months ended November 30, 2016 and 2015, reflected as net sales to an affiliate in the accompanying Condensed Consolidated Statements of Income, were $17,005,000 and $9,544,000, respectively, representing 24% and 12%, respectively, of net sales. Purchases from College, Inc., and .com during the same periods were $1,569,000 and $1,318,000, respectively.

At November 30, 2016 and August 31, 2016, the amount due from affiliates represents accounts receivable from College, Inc., and .com of $24,039,000 and $86,851,000, respectively, less return allowances of $19,762,000 and $35,549,000, respectively.

10. Gross Sales

Gross sales, sales returns and allowances, and net sales of the Company are as follows:

		November 30, 2016		November 30, 2015
		(dollars in thousands)		
Gross sales	**$**	**94,293**	$	97,409
Sales returns and allowances		**(21,929)**		(19,560)
Net Sales	**$**	**72,364**	$	77,849

11. Supplemental Cash Flow Information

Payments for interest amounted to $254,000 and $93,000 for the three months ended November 30, 2016 and 2015, respectively.

The Company had distributions declared but not paid as of fiscal year end amounting to $25,800,000 and $35,800,000 at November 30, 2016 and August 31, 2016, respectively.

12. Litigation

From time to time the Company is involved in legal proceedings, claims, or investigations that are incidental to the conduct of the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters are resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future condensed consolidated financial position or results of operations. As of November 30, 2016, the Company was not a party to any material legal proceedings.

13. Subsequent Events

On February 28, 2017, the Company was acquired by Barnes & Noble Education, Inc. ("BNED"), one of America's largest contract operators of bookstores on college and university campuses and a leading provider of digital education services, for $174.2 million in cash.

EXHIBIT 99.5

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

The following unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Barnes & Noble Education, Inc. (the "Company" or "BNED") acquisition of MBS Textbook Exchange, LLC ("MBS") (the "Acquisition").

The following unaudited pro forma condensed combined financial statements give effect to the Acquisition under the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 805, Business Combinations ("ASC 805").

The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the Acquisition, (2) factually supportable, and (3) with respect to the statements of operations, have a continuing impact on the combined results of BNED and MBS.

The unaudited pro forma condensed combined balance sheet is based on the individual historical consolidated balance sheets of BNED and MBS as of January 28, 2017 and January 31, 2017, respectively, and has been prepared to reflect the Acquisition as if it occurred on January 28, 2017. The unaudited pro forma condensed combined statement of operations for the year ended April 30, 2016 is based on the historical consolidated results of operations of BNED and MBS, giving effect to the Acquisition as if it occurred on May 3, 2015. The unaudited pro forma condensed combined statement of operations for the 39 weeks ended January 28, 2017 is based on the historical consolidated results of operations of BNED and MBS, giving effect to the Acquisition as if it occurred on May 1, 2016.

The unaudited pro forma condensed combined statements of operations do not reflect future events that may occur after the Acquisition, including, but not limited to, the anticipated realization of ongoing savings from operating synergies, and certain one-time charges BNED expects to incur in connection with the transaction, including, but not limited to, costs in connection with integrating the operations of BNED and MBS. These unaudited pro forma condensed combined financial statements are for informational purposes only. They do not purport to indicate the results that would actually have been obtained had the Acquisition been completed on the assumed dates or for the periods presented, or which may be realized in the future.

MBS's business is highly seasonal, with the major portion of sales and operating profit realized during BNED's first, second and third fiscal quarters, when MBS supplies textbooks to its wholesale customers for the upcoming Fall and Spring semesters and to its virtual customers before the start of classes, and significantly lower operating profit or operating loss realized during BNED's fourth quarter. Consequently, the unaudited pro forma condensed combined statement of operations of MBS for the 39 weeks ended January 28, 2017 should not be construed to be indicative of the expected results for the 52 weeks ended, April 29, 2017.

Additionally, future results of MBS and the Company may be impacted by certain risks. For example, since the demand for used and new textbooks is typically greater than the available supply, and MBS's financial results are highly dependent upon its ability to build its textbook inventory from suppliers in advance of the selling season, any negative impact on MBS's ability to build its textbook inventory could have an adverse impact on financial results. Other risk factors inherent to the transaction, include, but are not limited to: our ability to successfully integrate the operations of MBS into our Company; our ability to fully realize, or any delay in the expected realization of, the anticipated benefits of the MBS acquisition; and our inability to renew MBS's supply contracts or enter into new ones. These risks and uncertainties and others described in Exhibit 99.1 to the Form 8-K, as amended, could cause actual results or outcomes to vary materially from those reflected in the unaudited pro forma condensed combined financial statements presented. A general description of the risks and uncertainties impacting the Company is detailed in the section titled " *Risk Factors* " in Part I - Item 1A in our Annual Report on Form 10-K for the year ended April 30, 2016.

To produce the unaudited pro forma financial information, we adjusted MBS's assets and liabilities to their estimated fair values. We have engaged a third-party valuation company to complete the valuation of the MBS assets acquired and liabilities assumed. However, we have not completed the detailed valuation work necessary to arrive at the required final estimates of the fair value of the MBS assets to be acquired and the liabilities to be assumed and the related allocation of purchase price. The preliminary purchase price allocation was based on an initial valuation. Any increases or decreases in the fair value of relevant statement of financial position amounts will result in adjustments to the statement of financial position and/or statements of operations until the purchase price allocation is finalized. There can be no assurance that such finalization will not result in material changes from the preliminary purchase price allocation included in the accompanying unaudited pro forma condensed combined financial statements.

Accordingly, the accompanying unaudited pro forma purchase price allocation is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary unaudited pro forma purchase price allocation has been made solely for the purpose of preparing the accompanying unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements should be read in conjunction with:

- The accompanying notes to the unaudited pro forma condensed combined financial statements;
- BNED's audited consolidated financial statements and related notes thereto contained in its Annual Report on Form 10-K for the 52 weeks ended April 30, 2016;
- BNED's unaudited condensed consolidated financial statements and related notes thereto contained in its Quarterly Report on Form 10-Q for the 39 weeks ended January 28, 2017;
- MBS's audited consolidated financial statements and related notes thereto for the year ended August 31, 2016;
- MBS's unaudited consolidated financial statements and related notes thereto for the three months ended November 30, 2016.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
52 Weeks Ended April 30, 2016
(Dollars in thousands, except per share data)

	Historical					
	BNED	MBS	Note 2	Note 4		
	52 weeks ended, April 30, 2016	12 months ended, April 30, 2016	Reclassifications	Pro Forma and Other Adjustments		Pro Forma Condensed Combined
Sales:						
Product sales and other	$ 1,579,617	$ 501,520	$ 3,868	$ (96,789)	*a)*	$ 1,988,216
Rental income	228,412	—	—	—		228,412
Total sales	1,808,029	501,520	3,868	(96,789)		2,216,628
Cost of sales:						
Product and other cost of sales	1,224,955	360,804	39,775	(91,962)	*b)*	1,533,572
Rental cost of sales	129,725	—	—	—		129,725
Total cost of sales	1,354,680	360,804	39,775	(91,962)		1,663,297
Gross profit	453,349	140,716	(35,907)	(4,827)		553,331
Selling and administrative expenses	372,821	88,898	(41,675)	1,330	*c)*	421,374
Depreciation and amortization expense	52,690	3,044	—	2,724	*d)*	58,458
Transaction costs	2,398	—	—	—		2,398
Restructuring costs	8,830	—	—	—		8,830
Impairment loss (non-cash)	11,987	—	—	—		11,987
Operating income	4,623	48,774	5,768	(8,881)		50,284
Other income	—	(11,650)	5,775	5,875	*f)*	—
Interest expense, net	1,872	681	(7)	6,035	*g)*	8,581
Income before income taxes	2,751	59,743	—	(20,791)		41,703
Income tax expense	2,667	—	—	14,014	*h)*	16,681
Net income	$ 84	$ 59,743	$ —	$ (34,805)		$ 25,022
Earnings per share of Common Stock:						
Basic	$ —					$ 0.54
Diluted	$ —					$ 0.54
Weighted average shares of Common Stock outstanding:						
Basic	46,238					46,238
Diluted	46,479					46,479

Refer to accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
39 Weeks Ended January 28, 2017
(Dollars in thousands, except per share data)

	Historical					
	BNED	MBS	Note 2	Note 4		
	39 weeks ended, Jan. 28, 2017	9 months ended, Jan. 31, 2017	Reclassifications	Pro Forma and Other Adjustments		Pro Forma Condensed Combined
Sales:						
Product sales and other	$ 1,372,810	$ 436,417	$ 1,978	$ (86,102)	*a)*	$ 1,725,103
Rental income	158,722	—	377	—		159,099
Total sales	1,531,532	436,417	2,355	(86,102)		1,884,202
Cost of sales:						
Product and other cost of sales	1,098,682	288,772	30,948	(69,098)	*b)*	1,349,304
Rental cost of sales	97,998	—	194	—		98,192
Total cost of sales	1,196,680	288,772	31,142	(69,098)		1,447,496
Gross profit	334,852	147,645	(28,787)	(17,004)		436,706
Selling and administrative expenses	282,171	72,792	(33,264)	1,165	*c)*	322,864
Depreciation and amortization expense	39,057	1,965	—	2,362	*d)*	43,384
Transaction costs	2,638	—	—	—	*e)*	2,638
Restructuring costs	1,790	—	—	—		1,790
Operating income	9,196	72,888	4,477	(20,531)		66,030
Other income	—	(9,268)	4,478	4,790	*f)*	—
Interest expense, net	1,975	841	(1)	5,186	*g)*	8,001
Income before income taxes	7,221	81,315	—	(30,507)		58,029
Income tax expense	2,087	—	—	21,705	*h)*	23,792
Net income	$ 5,134	$ 81,315	$ —	$ (52,212)		$ 34,237
Earnings per share of Common Stock:						
Basic	$ 0.11					$ 0.74
Diluted	$ 0.11					$ 0.73
Weighted average shares of Common Stock outstanding:						
Basic	46,265					46,265
Diluted	46,716					46,716

Refer to accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS
As of January 28, 2017
(Dollars in thousands)

	Historical				
	BNED	MBS	Note 2	Note 4	
	As of Jan. 28, 2017	As of Jan. 31, 2017	Reclassifications	Pro Forma and Other Adjustments	Pro Forma Condensed Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 132,061	$ 909	$ —	$ (125,035) *i)*	$ 7,935
Receivables, net	178,825	62,129	56,200	(45,354) *j)*	251,800
Merchandise inventories, net	494,032	124,171	(1,003)	(9,692) *k)*	607,508
Textbook rental inventories	67,372	—	1,003	—	68,375
Prepaid expenses and other current assets	8,134	875	328	—	9,337
Total current assets	880,424	188,084	56,528	(180,081)	944,955
Property and equipment, net	107,272	10,039	—	399 *l)*	117,710
Intangible assets, net	191,628	—	—	17,831 *m)*	209,459
Goodwill	281,346	—	—	48,646 *n)*	329,992
Other noncurrent assets	39,233	5,029	(125)	79 *o)*	44,216
Total assets	$ 1,499,903	$ 203,152	$ 56,403	$ (113,126)	$ 1,646,332
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 480,378	$ 44,561	$ 191	$ (45,708) *p)*	$ 479,422
Accrued liabilities	207,731	7,438	56,212	23,093 *q)*	294,474
Short-term borrowings	—	22,800	—	55,700 *r)*	78,500
Total current liabilities	688,109	74,799	56,403	33,085	852,396
Long-term deferred taxes, net	22,709	—	—	—	22,709
Deferred compensation	—	5,743	(5,743)	—	—
Other long-term liabilities	76,196	7,019	5,743	—	88,958
Total liabilities	787,014	87,561	56,403	33,085	964,063
Commitments and contingencies	—	—	—	—	—
Stockholders' equity:					
Preferred stock	—	—	—	—	—
Common stock	490	1,001	—	(1,001) *s)*	490
Additional paid-in capital	706,736	5,352	—	(5,352) *s)*	706,736
Retained earnings	32,136	109,238	—	(139,858) *s)*	1,516
Treasury stock, at cost	(26,473)	—	—	—	(26,473)
Total stockholders' equity	712,889	115,591	—	(146,211)	682,269
Total liabilities and stockholders' equity	$ 1,499,903	$ 203,152	$ 56,403	$ (113,126)	$ 1,646,332

Refer to accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Dollars in thousands)

1. DESCRIPTION OF TRANSACTIONS AND BASIS OF PRESENTATION

On February 27, 2017, Barnes & Noble Education, Inc. (the "Company" or "BNED"), Ellar LLC ("Ellar"), Leonard Riggio ("Mr. Riggio") and the other unitholders of Ellar party thereto (the "Unitholders") and Ellar, as the Designated Representative, entered into a Purchase Agreement (the "Purchase Agreement"). Ellar and the Unitholders are referred to herein, collectively, as the "Seller" or "MBS Parties."

Pursuant to the terms and subject to the conditions of the Purchase Agreement, we acquired 100% of the equity interests of MBS Textbook Exchange, LLC ("MBS") from Ellar (the "Acquisition"), for cash consideration of $174,200. The Purchase Agreement was executed, and the Transaction closed, on the same day, and the Transaction was funded from cash on-hand and proceeds from our existing credit agreement, as amended.

The consolidated financial statements for MBS include its subsidiaries and/or affiliates, all of which were included in the Acquisition, except for MBS Realty Partner, L.P. ("MBS Realty"). MBS Realty is majority-owned by Mr. Riggio, who also owns approximately 16% of BNED's outstanding shares. MBS Realty leases office and warehouse space solely to MBS. See pro forma footnote Note 4(c), 4(l) and 4(m).

The Acquisition is reflected in the unaudited pro forma condensed combined financial statements as being accounted for under the acquisition method in accordance with ASC 805, Business Combinations. Under the acquisition method, the total estimated purchase price is calculated as described in pro forma footnote Note 3. In accordance with ASC 805, the assets acquired and the liabilities assumed have been measured at fair value based on an initial valuation, which has been prepared by a third-party valuation company. However, we have not completed the detailed valuation work necessary to arrive at the required final estimates of the fair value of the MBS assets to be acquired and the liabilities to be assumed and the related allocation of purchase price. Due to the fact that the unaudited pro forma condensed combined financial information has been prepared based on preliminary estimates, the final amounts recorded for the Acquisition may differ materially from the information presented herein. These estimates are subject to change pending further review of the fair value of assets acquired and liabilities assumed. The final determination of the purchase price allocation is expected to be substantially complete in the second quarter of Fiscal Year 2018. The final determination of the recognition and measurement of the identified assets acquired and liabilities assumed will be based on the fair market value of actual net tangible and intangible assets and liabilities of MBS at the closing date of the acquisition.

For purposes of measuring the estimated fair value, where applicable, of the assets acquired and the liabilities assumed as reflected in the unaudited pro forma condensed combined financial information, we have applied the guidance in ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), which establishes a framework for measuring fair value. In accordance with ASC 820, fair value is an exit price and is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Under ASC 805, acquisition-related transaction costs and acquisition-related restructuring charges are not included as components of consideration transferred.

The unaudited pro forma condensed combined financial statements were prepared in accordance with generally accepted accounting principles ("GAAP") in the United States and pursuant to U.S. Securities and Exchange Commission Regulation S-X Article 11, and present the pro forma financial position and results of operations of the consolidated companies based upon the historical information after giving effect to the Acquisition and adjustments described in these pro forma footnotes.

The unaudited pro forma condensed combined balance sheet is based on the individual historical consolidated balance sheets of BNED and MBS as of January 28, 2017 and January 31, 2017, respectively, and has been prepared to reflect the Acquisition as if it occurred on January 28, 2017. The unaudited pro forma condensed combined statement of operations for the year ended April 30, 2016 is based on the historical consolidated results of operations of BNED and MBS, giving effect to the Acquisition as if it occurred on May 3, 2015. The unaudited pro forma condensed combined statement of operations for the 39 weeks ended January 28, 2017 is based on the historical consolidated results of operations of BNED and MBS, giving effect to the Acquisition as if it occurred on May 1, 2016.

2. ACCOUNTING POLICIES AND RECLASSIFICATIONS

We performed certain procedures for the purpose of identifying any material differences in significant accounting policies between BNED and MBS, and any accounting adjustments that would be required in connection with adopting uniform policies. Procedures performed by BNED involved a review of MBS's summary of significant accounting policies in their audited financial statements for the year ended August 31, 2016 and their unaudited financial statements for the three months ended November 30, 2016, and discussion with MBS's management regarding our significant accounting policies to identify material adjustments. The identified differences in the accounting policies has resulted in material reclassifications to MBS's consolidated financial statements as a result of conforming MBS's accounting policies to those of BNED.

(Dollars in thousands)

Additionally, the historical consolidated financial statements of MBS presented herein have been adjusted by reclassifying certain line items in order to conform to our financial statement presentation; these reclassifications are reflected in the column "Reclassifications."

The reclassification adjustments on the statements of operations pertain to the following: (1) reclassification of product and other sales to rental income; (2) reclassification of product and other cost of sales to rental cost of sales; (3) reclassification of selling and administrative expenses to sales and cost of sales; and (4) reclassification of other income to sales, cost of sales, selling and administrative expenses, and interest expense. The reclassification of selling and administrative expenses to cost of sales was primarily comprised of payroll and warehouse costs related to inventory management and order fulfillment.

The reclassification adjustments on the balance sheet pertain to the following: (1) reclassification of the sales return allowance to accrued liabilities; (2) reclassification of merchandise inventory to textbook rental inventories; (3) reclassification of prepaid expenses and other current assets to accrued liabilities; (4) reclassification of other noncurrent assets to current assets; and (5) reclassification of accounts payable to accrued liabilities.

3. PRELIMINARY CONSIDERATION TRANSFERRED AND PRELIMINARY FAIR VALUE OF NET ASSETS ACQUIRED

The Acquisition has been accounted for using the acquisition method of accounting in accordance with ASC 805, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill.

We acquired 100% of the equity interests of MBS for cash consideration of $174,200. The following is a summary of consideration paid by BNED in the Acquisition:

Cash paid to Seller or escrow	$	165,499
Consideration to Seller for pre-closing costs		4,657
Cash paid for Seller closing costs		4,044
Contract purchase price	$	174,200
Consideration for payment to settle Seller's outstanding short-term borrowings		24,437
Consideration for reimbursement of pre-acquisition tax liability to Seller		14,668
Less: Consideration to Seller for pre-closing costs		(4,657)
Less: Consideration for settlement of pre-existing payable to Seller		(44,453)
Total value of consideration transferred	$	164,195

The following is a summary of the preliminary estimated fair values of the net assets acquired:

Total estimated consideration transferred	$	164,195
Cash and cash equivalents	$	472
Accounts receivable, net		3,675
Merchandise inventory		129,299
Prepaid assets		722
Property and equipment		12,403
Intangible assets		21,576
Other assets		4,390
Total assets	$	172,537
Accounts payable	$	35,383
Other accrued liabilities		8,836
Deferred compensation		5,734
Other long-term liabilities		7,035
Total liabilities	$	56,988
Net assets to be acquired	$	115,549
Goodwill	$	48,646

(Dollars in thousands)

We paid $6,386 for our transaction-related costs, which primarily represents the fees paid to advisers and legal fees related to the Acquisition. For purposes of these unaudited pro forma condensed combined financial statements and the preliminary purchase accounting allocation, we adjusted the cash and cash equivalents balance for these transaction-related costs.

We have engaged a third-party valuation company to complete the valuation of the MBS assets acquired and liabilities assumed. However, we have not completed the detailed valuation work necessary to arrive at the required final estimates of the fair value of the MBS assets to be acquired and the liabilities to be assumed and the related allocation of purchase price. The final consideration, and amounts allocated to assets acquired and liabilities assumed in the Acquisition could differ materially from the preliminary amounts presented in these unaudited pro forma condensed combined financial statements. A decrease in the fair value of assets acquired or an increase in the fair value of liabilities assumed in the Acquisition from those preliminary valuations presented in these unaudited pro forma condensed combined financial statements would result in a dollar-for-dollar corresponding increase in the amount of goodwill that will result from the Acquisition. In addition, if the value of the acquired assets is higher than the preliminary indication, it may result in higher amortization and depreciation expense than is presented in these unaudited pro forma condensed combined financial statements.

The primary areas of the purchase price that are not yet finalized are related to inventory, intangible assets, property and equipment, amortization and depreciation lives, income tax items, and residual goodwill. Accordingly, adjustments will be made to the values of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances that existed at the valuation date. The final determination of the purchase price allocation is expected to be substantially complete in the second quarter of Fiscal Year 2018. The valuations will consist of discounted cash flow analyses, or other appropriate valuation techniques to determine the fair value of the assets acquired and liabilities assumed.

4. PRELIMINARY PRO FORMA ADJUSTMENTS RELATED TO THE ACQUISITION

The preliminary pro forma adjustments included in the unaudited pro forma condensed combined financial statements related to the Acquisition are as follows:

(a) Sales

MBS is a new and used textbook wholesaler, which also sells textbooks online and provides bookstore systems and distant learning distribution services. Prior to the acquisition, we had a long-term supply agreement (“Supply Agreement”) with MBS, under which we purchased new and used printed textbooks for a given academic term prior to buying them from other suppliers, other than in connection with student buy-back programs. Additionally, the Supply Agreement provided that we could sell to MBS certain textbooks that we could not return to suppliers or use in our stores. MBS paid us commissions based on the volume of these textbooks sold to MBS each year and with respect to the textbook requirements of certain distance learning programs that MBS fulfilled on our behalf. Also, prior to the Acquisition, we entered into an agreement with MBS pursuant to which MBS purchased books from us, which had no resale value for a flat rate per box. For additional information, see Note 11 (Related Party Transactions) set forth on page 67 in our Form 10-K for the fiscal year ended April 30, 2016.

The pro forma adjustments include the elimination of these transactions between BNED and MBS, as well as a reduction to sales for certain contracts that expired prior to the acquisition date.

	Pro Forma Condensed Combined	
Sales Adjustments:	52 weeks ended, April 30, 2016	39 weeks ended, Jan. 28, 2017
Eliminate MBS sales to BNED & BNED commissions earned from MBS, net	$ (78,010)	$ (109,538)
Reversal of the net period change for the sales return allowance related to BNED	(5,613)	23,828
Certain contracts that expired prior to the acquisition date	(13,166)	(392)
	$ (96,789)	$ (86,102)

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(Dollars in thousands)

(b) Cost of Sales

The cost of sales adjustments included below are primarily related to the sales adjustments described in pro forma footnote Note 4(a) above which includes the eliminations related to product purchased and sold between BNED and MBS and the cost of sales related to the contract that expired prior to the acquisition date. In addition, we eliminated the intercompany profit in BNED's unsold ending inventory. The inventory fair value has been adjusted to conform with our inventory reserve methodology and to record amortization of the step-up in inventory fair value associated with the preliminary valuation.

	Pro Forma Condensed Combined	
Cost of Sales Adjustments:	52 weeks ended, April 30, 2016	39 weeks ended, Jan. 28, 2017
Eliminate BNED purchases from MBS & MBS commissions recognized related to BNED, net	$ (78,010)	$ (109,538)
Net period change in fair value adjustment to MBS inventory, net of change in inventory reserve	(1,271)	21,958
Net period change in the reversal of return allowance, including allowance related to BNED	(2,762)	10,365
Net period change in the reduction of BNED inventory held at end of period (purchased from MBS) to MBS cost	(136)	8,430
Certain contracts that expired prior to the acquisition date	(9,783)	(313)
	$ (91,962)	$ (69,098)

(c) Selling and administrative expenses

The consolidated financial statements for MBS include its subsidiaries and/or affiliates, all of which were included in the Acquisition, except for MBS Realty Partner, L.P. ("MBS Realty"). MBS Realty leases office and warehouse space solely to MBS. At consolidation all intercompany accounts and transactions between MBS and MBS Realty were eliminated. The rent adjustment below reverses the elimination to reflect rent expense for MBS.

As part of the Acquisition, certain MBS employees were offered retention agreements. The agreements require continuous employment over the term of approximately three years and the related expense is amortized over that period.

The pro forma adjustments also include a reduction to selling and administrative expenses related to the allocated costs for certain contracts that expired prior to the acquisition date.

	Pro Forma Condensed Combined	
Selling and Administrative Expenses Adjustments:	52 weeks ended, April 30, 2016	39 weeks ended, Jan. 28, 2017
Pro forma rent expense	$ 1,380	$ 1,035
Pro forma retention accrual	445	334
Certain contracts that expired prior to the acquisition date	(495)	(204)
	$ 1,330	$ 1,165

(d) Depreciation and amortization expense

As discussed in pro forma footnote Note 4(c), we did not acquire MBS Realty. This pro forma adjustment eliminates the MBS Realty depreciation which was included in the historical results of MBS.

The pro forma adjustments for amortization and depreciation reflect the net incremental amortization and depreciation expense associated with the estimated fair value of the property and equipment assets of $12,403 and the estimated fair value of the identifiable intangible assets of $21,576 acquired in the Acquisition. Refer to pro forma footnote Note 4(l) and 4(m) for details.

The pro forma adjustments also include a reduction to depreciation expense related to the allocated costs for certain contracts that expired prior to the acquisition date.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Dollars in thousands)

	Pro Forma Condensed Combined	
Depreciation and Amortization Adjustments:	52 weeks ended, April 30, 2016	39 weeks ended, Jan. 28, 2017
Pro forma amortization of intangible assets	$ 2,315	$ 1,736
Pro forma depreciation of property & equipment assets	3,454	2,591
Less: MBS historical depreciation and amortization expense	(2,667)	(1,705)
Less: MBS Realty depreciation	(297)	(206)
Certain contracts that expired prior to the acquisition date	(81)	(54)
	$ 2,724	$ 2,362

(e) Transaction costs

For purposes of these unaudited pro forma condensed combined financial statements and the preliminary purchase accounting allocation, we did not recognize expense for the transaction-related expenses incurred of $6,386, which primarily represents the fees paid to advisers and legal fees related to the Acquisition, as they are non-recurring expenses. We adjusted the cash and cash equivalents balance on the unaudited pro forma balance sheet for these payments.

(f) Other income

The pro forma adjustments include a reduction to other income of $5,875 and $4,790 for the 52 weeks ended April 30, 2016 and 39 weeks ended January 31, 2017, respectively, for MBS income earned for certain contracts that expired prior to the acquisition date.

(g) Interest expense, net

In connection with entering into the Purchase Agreement, we amended our existing credit agreement to add a new $100,000 incremental first in, last out seasonal loan facility (the "FILO Facility"), and borrowed approximately $55,000 under the credit facility to fund the Acquisition at February 27, 2017.

Loans under the FILO Facility will bear interest at a rate equal to the LIBOR rate, plus 3.00%. The FILO Facility will be available solely during the draw period each year, from April 1 through July 31. We are required to borrow 100% of the aggregate commitments under the FILO Facility on April 1 of each year, and the loans must be repaid in full (including interest and fees) on July 31 of each year. The Commitments under the FILO Facility will decrease from $100,000 to $75,000 on August 1, 2018, from $75,000 to $50,000 on August 1, 2019 and from $50,000 to $25,000 on August 1, 2020. We will pay a commitment fee of 0.375% on the daily unused portion of the FILO Facility.

The pro forma adjustment to interest expense reflects the additional interest expense that would have been incurred during the historical periods presented assuming the Acquisition, borrowings and repayments under the credit facility and seasonal required borrowings under the FILO Facility.

Financial adviser fees and debt issuance costs of $2,906 were incurred in conjunction with the amendment to the credit agreement and have been amortized over the term of the debt instrument for the purpose of calculating the net pro forma adjustment to interest expense.

	Pro Forma Condensed Combined	
Interest Expense Adjustments:	52 weeks ended, April 30, 2016	39 weeks ended, Jan. 28, 2017
Amortization of financial adviser fees and debt issuance costs	$ 850	$ 638
Pro forma interest expense	5,866	5,390
Less: MBS historical interest costs	(681)	(842)
	$ 6,035	$ 5,186

(h) Income tax expense

Prior to the Acquisition, MBS elected to be taxed as an S corporation, under the applicable provisions of the Internal Revenue Code. As a result of this election, MBS generally did not incur federal or state income tax liability. Instead, MBS's net income or loss was included in computing the taxable income of the individual shareholders.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Dollars in thousands)

The pro forma adjustment reflects a combined federal and state statutory rate of 40.0% and 41.0% for the 52 weeks ended April 30, 2016 and 39 weeks ended January 31, 2017, respectively, applied to the pro forma pre-tax income of the combined entity. This rate does not take into account any historical or possible future tax events that may impact the combined company.

(i) Cash and Cash Equivalents

The following cash and cash equivalent pro forma adjustments are primarily related to payments related to the Acquisition and for the credit agreement amendment as described in pro forma footnote Note 3 and Note 4(e) and 4(g) above.

	Pro Forma Condensed Combined	
Cash and Cash Equivalents Adjustments:	As of Jan. 28, 2017	
Cash portion of Acquisition consideration, including debt payment	$	(193,980)
Pro forma proceeds from additional borrowings, net		78,500
Payment of transaction-related expenses		(6,386)
Payment for financial adviser fees and debt issuance costs		(2,905)
Less: MBS Realty cash		(264)
	$	(125,035)

(j) Receivables, net

The pro forma adjustment reflects the elimination of MBS's accounts receivable from BNED. Refer to pro forma footnote Note 4(a), 4(b), and 4(p).

(k) Merchandise Inventories, net

The pro forma adjustment reflects the elimination of MBS's return allowance related to BNED, the reduction of BNED's inventory held at the end of the period to MBS cost and the net reduction in the fair value of MBS's inventory. Refer to pro forma footnote Note 4(a) and 4(b).

	Pro Forma Condensed Combined	
Merchandise Inventory Adjustments:	As of Jan. 28, 2017	
Reduction of BNED inventory held at the end of the period to MBS cost for inventory purchased from MBS	$	(11,027)
Adjust MBS inventory to fair value, net of inventory reserve adjustment		1,335
	$	(9,692)

(l) Property and equipment, net

The pro forma adjustment primarily reflects the adjustment to the estimated fair value of the property and equipment assets, as well as the net incremental depreciation expense associated with the estimated fair value of the property and equipment assets.

	Pro Forma Condensed Combined	
Property and Equipment Adjustments:	As of Jan. 28, 2017	
Adjust property and equipment to fair value	$	7,452
Pro forma depreciation expense for property & equipment assets		(6,045)
Less: MBS historical depreciation expense		4,080
Less: MBS Realty property		(5,088)
	$	399

(Dollars in thousands)

(m) Intangible assets, net

The pro forma adjustment reflects the intangible assets identified measured at their estimated fair value, as well as the net incremental amortization expense associated with the estimated fair value of the intangible assets.

Intangible Assets Adjustments:	Estimated Useful Life (Years)		Pro Forma Condensed Combined As of Jan. 28, 2017
Favorable leasehold interest	6.6	$	1,091
Trade name	10.0		3,500
Technology	3.0		1,500
Bookstore relationships	13.0		13,000
Direct customer relationships	15.0		2,000
Non-compete agreements	3.0		500
Estimated fair value of identified intangible acquisitions		$	21,591
Pro forma amortization expense for intangible assets			(3,760)
		$	17,831

The favorable leasehold intangible relates to the lease for the office and warehouse space leased from MBS Realty, which is majority-owned by Mr. Riggio, who also owns approximately 16% of BNED's outstanding shares. See pro forma footnote Note 4(c).

The estimated fair value of intangible assets is expected to be amortized on a straight-line basis over the estimated useful lives. The amortizable lives reflect the periods over which the assets are expected to provide material economic benefit. With other assumptions held constant, a 10% increase in the fair value adjustment for amortizable intangible assets would increase annual pro forma amortization by approximately $232. In addition, with other assumptions held constant, a one year increase in the estimated useful lives of the intangible assets would change annual amortization expense by approximately $300.

(n) Goodwill

The adjustment reflects the preliminary estimated adjustment to goodwill as a result of the Acquisition. Goodwill represents the excess of the consideration transferred over the preliminary fair value of the assets acquired and liabilities assumed as described in pro forma footnote Note 3. The preliminary pro forma adjustment to goodwill of $48,646 is the net of the preliminary purchase price consideration of $164,195 less the fair value of the net assets acquired of $115,549. The goodwill will not be amortized, but instead will be tested for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment exists. In the event management determines that the value of goodwill has become impaired, we will incur an accounting charge for the amount of the impairment during the period in which the determination is made. The goodwill is primarily attributable to the acquired assembled and trained workforce of MBS and new growth opportunities. The goodwill is expected to be deductible for tax purposes.

(o) Other noncurrent assets

The pro forma adjustment of $79 is the remaining unamortized debt issuance costs of $1,417 ($2,906 in debt issuance costs less amortization of $851 and $638 for the 52 weeks ended April 30, 2016 and 39 weeks ended January 31, 2017, respectively) less the elimination of MBS's historical goodwill and intangible assets of $1,338 previously classified as other noncurrent assets. Refer to pro forma footnote Note 4(g).

(p) Accounts payable

The pro forma adjustment of $45,708 reflects the elimination of BNED's accounts payable to MBS. Refer to pro forma footnote Note 4(a), 4(b) and 4(j).

(Dollars in thousands)

(q) Accrued liabilities

The pro forma adjustment primarily reflects the adjustment to increase accrued liabilities for income taxes.

Prior to the Acquisition, MBS elected to be taxed as an S corporation under the applicable provisions of the Internal Revenue Code. As a result of this election, MBS generally did not incur federal or state income tax liability. Instead, MBS's net income or loss was included in computing the taxable income of the individual shareholders. In lieu of the Seller receiving a distribution for the pre-acquisition tax liability, we will reimburse the Seller for the pre-acquisition tax liability and have included a pro forma accrual adjustment for the liability.

The accrual for pro forma income tax liability has been reduced to the extent that the liability for income tax has been included in the pre-acquisition tax liability of the Seller.

As discussed in pro forma footnote Note 3, final estimates of the fair value of the MBS assets to be acquired and the liabilities to be assumed and the related allocation of purchase price have not been determined. Accordingly, adjustments may be made to the assets acquired and liabilities assumed as additional information is obtained, such as when the final pre-acquisition tax liability amount is determined. A decrease in the fair value of assets acquired or an increase in the fair value of liabilities assumed in the Acquisition from those preliminary valuations presented in these unaudited pro forma condensed combined financial statements would result in a dollar-for-dollar corresponding increase in the amount of goodwill that will result from the Acquisition. The final determination of the purchase price allocation may be substantially complete in the second quarter of Fiscal Year 2018.

Refer to pro forma footnote Note 3 and Note 4(h).

	Pro Forma Condensed Combined
Accrued Liabilities Adjustments:	As of Jan. 28, 2017
Consideration for reimbursement of pre-acquisition tax liability to Seller (see pro forma footnote Note 3)	$ 14,668
Less Interest paid to settle MBS's debt (see Note 4(r))	(1,637)
Pro forma elimination of accrued expenses related to BNED	(846)
Pro forma retention expense accrual	334
Pro forma income tax expense accrual	10,574
	$ 23,093

(r) Short-term borrowings

In connection with entering into the Purchase Agreement, we amended our existing credit agreement to add a new $100,000 incremental first in, last out seasonal loan facility (the "FILO Facility"), and borrowed approximately $55,000 under the Credit Facility to fund the acquisition at February 27, 2017. The pro forma combined balance sheet as of January 28, 2017 reflect the estimated total short-term borrowings of $78,500 assuming the Acquisition occurred on January 28, 2017. Refer to pro forma footnote Note 4(g).

The pro forma adjustment also includes the reduction of MBS's debt of $22,800 which was consideration paid by us at closing. Refer to pro forma footnote Note 3.

(s) Stockholders' equity

Adjustment reflects the elimination of the historical equity balances of MBS, the pro forma reduction to retained earnings to reflect the pro forma adjustments discussed in the pro forma footnotes above.