

BARNES & NOBLE INC

FORM 10-Q (Quarterly Report)

Filed 11/30/17 for the Period Ending 10/28/17

Address	122 FIFTH AVE NEW YORK, NY, 10011
Telephone	2126333300
CIK	0000890491
Symbol	BKS
SIC Code	5940 - Retail-Miscellaneous Shopping Goods Stores
Industry	Other Specialty Retailers
Sector	Consumer Cyclical
Fiscal Year	05/29

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 28, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 1-12302

BARNES & NOBLE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

122 Fifth Avenue, New York, NY
(Address of Principal Executive Offices)

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

10011
(Zip Code)

(212) 633-3300

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

As of October 31, 2017, 72,786,736 shares of Common Stock, par value \$0.001 per share, were outstanding, which number includes 140,840 shares of unvested restricted stock that have voting rights and are held by members of the Board of Directors and the Company's employees.

BARNES & NOBLE, INC. AND SUBSIDIARIES

Fiscal Quarter Ended October 28, 2017

Index to Form 10-Q

	<u>Page No.</u>
PART I -	
	FINANCIAL INFORMATION
Item 1.	Financial Statements (Unaudited)
	Consolidated Statements of Operations – For the 13 and 26 weeks ended October 28, 2017 and October 29, 2016 3
	Consolidated Statements of Comprehensive Loss – For the 13 and 26 weeks ended October 28, 2017 and October 29, 2016 4
	Consolidated Balance Sheets – October 28, 2017, October 29, 2016 and April 29, 2017 5
	Consolidated Statement of Changes in Shareholders’ Equity – For the 26 weeks ended October 28, 2017 6
	Consolidated Statements of Cash Flows – For the 26 weeks ended October 28, 2017 and October 29, 2016 7
	Notes to Consolidated Financial Statements 8
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations 20
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 28
Item 4.	Controls and Procedures 29
PART II -	
	OTHER INFORMATION
Item 1.	Legal Proceedings 29
Item 1A.	Risk Factors 31
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 31
Item 6.	Exhibits 32
	SIGNATURES 33

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements**BARNES & NOBLE, INC. AND SUBSIDIARIES****Consolidated Statements of Operations**
(In thousands, except per share data)
(unaudited)

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Sales	\$ 791,117	858,548	\$1,644,433	1,772,430
Cost of sales and occupancy	562,422	603,173	1,162,257	1,239,516
Gross profit	228,695	255,375	482,176	532,914
Selling and administrative expenses	253,728	254,646	496,023	522,537
Depreciation and amortization	27,199	29,994	53,597	61,031
Operating loss	(52,232)	(29,265)	(67,444)	(50,654)
Interest expense, net and amortization of deferred financing fees	2,678	1,961	4,718	3,590
Loss before taxes	(54,910)	(31,226)	(72,162)	(54,244)
Income taxes	(24,816)	(10,817)	(31,290)	(19,419)
Net loss	\$ (30,094)	(20,409)	\$ (40,872)	(34,825)
Loss per common share:				
Basic	\$ (0.41)	(0.29)	\$ (0.56)	(0.49)
Diluted	\$ (0.41)	(0.29)	\$ (0.56)	(0.49)
Weighted average common shares outstanding:				
Basic	72,597	72,212	72,525	72,558
Diluted	72,597	72,212	72,525	72,558
Dividends declared per common share	\$ 0.15	0.15	\$ 0.30	0.30

See accompanying notes to consolidated financial statements.

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

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Net loss	\$ (30,094)	(20,409)	\$ (40,872)	(34,825)
Other comprehensive income, net of tax:				
Decrease in postretirement plan liability (net of deferred tax expense of \$0, \$0, \$0 and \$30, respectively)	—	—	—	47
Total comprehensive loss	<u>\$ (30,094)</u>	<u>(20,409)</u>	<u>\$ (40,872)</u>	<u>(34,778)</u>

See accompanying notes to consolidated financial statements.

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

	October 28, 2017 (unaudited)	October 29, 2016 (unaudited)	April 29, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,324	11,365	11,993
Receivables, net	73,903	75,744	67,294
Merchandise inventories, net	1,177,080	1,218,822	946,909
Prepaid expenses and other current assets	141,244	129,404	101,816
Total current assets	<u>1,403,551</u>	<u>1,435,335</u>	<u>1,128,012</u>
Property and equipment:			
Land and land improvements	2,541	2,541	2,541
Buildings and leasehold improvements	1,076,591	1,062,377	1,072,007
Fixtures and equipment	1,644,472	1,592,849	1,608,433
	<u>2,723,604</u>	<u>2,657,767</u>	<u>2,682,981</u>
Less accumulated depreciation and amortization	2,451,675	2,369,074	2,406,859
Net property and equipment	<u>271,929</u>	<u>288,693</u>	<u>276,122</u>
Goodwill	207,381	211,276	207,381
Intangible assets, net	309,860	310,543	310,205
Other non-current assets	9,967	11,916	11,201
Total assets	<u>\$ 2,202,688</u>	<u>2,257,763</u>	<u>1,932,921</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 656,620	717,220	473,686
Accrued liabilities	280,905	311,150	283,157
Gift card liabilities	327,217	344,044	351,424
Total current liabilities	<u>1,264,742</u>	<u>1,372,414</u>	<u>1,108,267</u>
Long-term debt	242,833	191,423	64,900
Deferred taxes	83,785	54,290	86,132
Other long-term liabilities	95,155	110,844	99,311
Shareholders' equity:			
Common stock; \$0.001 par value; 300,000 shares authorized; 112,226, 111,560 and 111,933 shares issued, respectively	112	112	112
Additional paid-in capital	1,745,822	1,741,120	1,741,380
Accumulated other comprehensive income	315	198	315
Retained earnings	(108,383)	(81,319)	(46,425)
Treasury stock, at cost, 39,580, 39,741 and 39,497 shares, respectively	<u>(1,121,693)</u>	<u>(1,131,319)</u>	<u>(1,121,071)</u>
Total shareholders' equity	<u>516,173</u>	<u>528,792</u>	<u>574,311</u>
Commitments and contingencies	—	—	—
Total liabilities and shareholders' equity	<u>\$ 2,202,688</u>	<u>2,257,763</u>	<u>1,932,921</u>

See accompanying notes to consolidated financial statements.

BARNES & NOBLE, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Shareholders' Equity
For the 26 weeks ended October 28, 2017
(In thousands)
(unaudited)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Gains	Retained Earnings	Treasury Stock at Cost	Total
Balance at April 29, 2017	<u>\$ 112</u>	<u>1,741,380</u>	<u>315</u>	<u>(46,425)</u>	<u>(1,121,071)</u>	<u>\$574,311</u>
Adoption of ASU 2016-09 (see Note 18)	—	1,310	—	1,037	—	2,347
Net loss	—	—	—	(40,872)	—	(40,872)
Stock-based compensation expense	—	3,132	—	—	—	3,132
Cash dividends declared	—	—	—	(21,800)	—	(21,800)
Accrued dividends for long-term incentive awards	—	—	—	(323)	—	(323)
Purchase of treasury stock related to stock-based compensation, 83 shares	—	—	—	—	(622)	(622)
Balance at October 28, 2017	<u>\$ 112</u>	<u>1,745,822</u>	<u>315</u>	<u>(108,383)</u>	<u>(1,121,693)</u>	<u>\$516,173</u>

See accompanying notes to consolidated financial statements.

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

	26 weeks ended	
	October 28, 2017	October 29, 2016
Cash flows from operating activities:		
Net loss	\$ (40,872)	(34,825)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization (including amortization of deferred financing fees)	54,574	62,000
Stock-based compensation expense	3,132	3,162
Loss on disposal of property and equipment	509	974
Net decrease in other long-term liabilities	(4,156)	(3,263)
Net decrease in other non-current assets	221	1,201
Changes in operating assets and liabilities, net	(119,903)	(80,985)
Net cash flows used in operating activities	<u>(106,495)</u>	<u>(51,736)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(49,532)	(51,737)
Net cash flows used in investing activities	<u>(49,532)</u>	<u>(51,737)</u>
Cash flows from financing activities:		
Proceeds from credit facility	608,833	645,423
Payments on credit facility	(430,900)	(501,200)
Cash dividends paid	(21,779)	(22,104)
Treasury stock repurchase plan	—	(19,788)
Purchase of treasury stock related to stock-based compensation	(622)	(1,093)
Payment of new credit facility related fees	—	(474)
Proceeds from exercise of common stock options	—	312
Cash dividends paid for long-term incentive awards	(174)	(76)
Net cash flows provided by financing activities	<u>155,358</u>	<u>101,000</u>
Net decrease in cash and cash equivalents	(669)	(2,473)
Cash and cash equivalents at beginning of period	11,993	13,838
Cash and cash equivalents at end of period	<u>\$ 11,324</u>	<u>11,365</u>
Changes in operating assets and liabilities, net:		
Receivables, net	\$ (6,609)	49,173
Merchandise inventories, net	(230,171)	(285,099)
Prepaid expenses and other current assets	(39,428)	(23,522)
Accounts payable, accrued liabilities and gift card liabilities	156,305	178,463
Changes in operating assets and liabilities, net	<u>\$(119,903)</u>	<u>(80,985)</u>
Supplemental cash flow information		
Cash paid during the period for:		
Interest	\$ 3,556	2,491
Income taxes (net of refunds)	\$ (113)	2,145
Non-cash financing activity:		
Accrued cash dividends	\$ 21	—
Accrued dividends for long-term incentive awards	\$ 726	415

See accompanying notes to consolidated financial statements.

BARNES & NOBLE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the 26 weeks ended October 28, 2017 and October 29, 2016
(Thousands of dollars, except per share data)
(unaudited)

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

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements of the Company contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its consolidated financial position as of October 28, 2017 and the results of its operations for the 13 and 26 weeks and its cash flows for the 26 weeks then ended. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the 52 weeks ended April 29, 2017 (fiscal 2017).

Due to the seasonal nature of the business, the results of operations for the 26 weeks ended October 28, 2017 are not indicative of the results expected for the 52 weeks ending April 28, 2018 (fiscal 2018).

1. EBook Settlement

The Company provided credits to eligible customers resulting from the settlement reached with Apple Inc. (Apple) in an antitrust lawsuit filed by various State Attorneys General and private class plaintiffs regarding the price of digital books. The Company's customers were entitled to \$95,707 in total credits as a result of the settlement, which was funded by Apple. If a customer's credit was not used to make a purchase by June 24, 2017, the entire credit would have expired. The program concluded on July 1, 2017, through which date the Company's customers had activated \$60,397 in credits, of which \$55,735 were redeemed. No balances were due from the Apple settlement fund as of October 28, 2017 related to this portion of the program.

On September 7, 2017, the court approved redistribution of remaining funds from the Apple settlement. Customers who redeemed some or all of their credits from the first distribution that concluded on July 1, 2017 were eligible to receive additional credits in October 2017. The Company's customers were entitled to \$14,815 in total credits as a result of the redistribution. These credits are funded by Apple and will expire on April 20, 2018. The Company estimated total activations of \$9,000, which are recorded as a liability to customers to the extent they have not yet been activated and as a receivable from the Apple settlement fund to the extent they have not yet been reimbursed. As of October 28, 2017, the Company's customers had activated \$3,807 in credits, of which \$2,331 were redeemed. Total receivables from the Apple settlement fund were \$9,000 as of October 28, 2017.

2. Merchandise Inventories

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

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

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

3. Revenue Recognition

Revenue from sales of the Company's products is recognized at the time of sale or shipment, other than those with multiple elements and Free On Board (FOB) destination point shipping terms. The Company accrues for estimated sales returns in the period in which the related revenue is recognized based on historical experience. ECommerce revenue from sales of products ordered through the Company's websites is recognized upon estimated delivery and receipt of the shipment by its customers. Freight costs are included within the Company's cost of sales and occupancy. Sales taxes collected from retail customers are excluded from reported revenues. All of the Company's sales are recognized as revenue on a "net" basis, including sales in connection with any periodic promotions offered to customers. The Company does not treat any promotional offers as expenses.

[Table of Contents](#)

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

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

The average percentage of a NOOK[®]'s sales price that is deferred for undelivered items and recognized over its 2-year estimated life ranges between 0% and 5%, depending on the type of device sold. The amount of NOOK[®]-related deferred revenue as of October 28, 2017, October 29, 2016 and April 29, 2017 was \$119, \$354 and \$226, respectively. These amounts are classified on the Company's balance sheet in accrued liabilities for the portion that is subject to deferral for one year or less and other long-term liabilities for the portion that is subject to deferral for more than one year.

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

The Company rents physical textbooks. Revenue from the rental of physical textbooks is deferred and recognized over the rental period commencing at point of sale. The Company offers a buyout option to allow the purchase of a rented book at the end of the semester. The Company records the buyout purchase when the customer exercises and pays the buyout option price. In these instances, the Company would accelerate any remaining deferred rental revenue at the point of sale.

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

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

4. Research and Development Costs for Software Products

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

5. Internal-Use Software and Website Development Costs

Direct costs incurred to develop software for internal use and website development costs are capitalized and amortized over an estimated useful life of three to seven years. The Company capitalized costs, primarily related to labor, consulting, hardware and software, of \$8,610 and \$10,622 during the 26 weeks ended October 28, 2017 and October 29, 2016, respectively. Amortization of previously capitalized amounts was \$5,471 and \$6,154 during the 13 weeks ended October 28, 2017 and October 29, 2016, respectively, and \$10,845 and \$12,749 during the 26 weeks ended October 28, 2017 and October 29, 2016, respectively. Costs related to the design or maintenance of internal-use software and website development are expensed as incurred.

6. Net Earnings (Loss) per Share

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

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

During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. Due to the net loss during the 13 weeks ended October 28, 2017 and October 29, 2016 and the 26 weeks ended October 28, 2017 and October 29, 2016, participating securities in the amounts of 116,574, 1,224,579, 113,480 and 1,305,303, respectively, were excluded from the calculation of loss per share using the two-class method because the effect would be antidilutive. The Company's outstanding non-participating securities consisting of dilutive stock options and restricted stock units of 67,644, 126,282, 38,030 and 166,327 for the 13 weeks ended October 28, 2017 and October 29, 2016 and the 26 weeks ended October 28, 2017 and October 29, 2016, respectively, were excluded from the calculation of loss per share using the two-class method because the effect would be antidilutive.

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

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Numerator for basic loss per share:				
Net loss	\$ (30,094)	(20,409)	\$ (40,872)	(34,825)
Less allocation of dividends to participating securities	(27)	(188)	(38)	(391)
Net loss available to common shareholders	\$ (30,121)	(20,597)	\$ (40,910)	(35,216)
Numerator for diluted loss per share:				
Net loss available to common shareholders	\$ (30,121)	(20,597)	\$ (40,910)	(35,216)
Denominator for basic and diluted loss per share:				
Basic and diluted weighted average common shares	72,597	72,212	72,525	72,558
Loss per common share:				
Basic	\$ (0.41)	(0.29)	\$ (0.56)	(0.49)
Diluted	\$ (0.41)	(0.29)	\$ (0.56)	(0.49)

7. Segment Reporting

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

B&N Retail

This segment includes 632 bookstores as of October 28, 2017, primarily under the Barnes & Noble Booksellers trade name. These Barnes & Noble stores generally offer a comprehensive trade book title base, a café, and departments dedicated to Juvenile, Toys & Games, DVDs, Music & Vinyl, Gift, Magazine, Bargain products and a dedicated NOOK® area. The stores also offer a calendar of ongoing events, including author appearances and children's activities. The B&N Retail segment also includes the Company's eCommerce website, www.barnesandnoble.com, and its publishing operation, Sterling Publishing Co., Inc.

NOOK

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

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

Sales by Segment

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
B&N Retail	\$ 769,709	830,719	\$1,599,745	1,712,432
NOOK	25,964	35,042	55,464	76,090
Elimination (a)	(4,556)	(7,213)	(10,776)	(16,092)
Total	<u>\$ 791,117</u>	<u>858,548</u>	<u>\$1,644,433</u>	<u>1,772,430</u>

Sales by Product Line

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Media (b)	71%	71%	72%	71%
Digital (c)	3%	4%	3%	4%
Other (d)	26%	25%	25%	25%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Depreciation and Amortization

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
B&N Retail	\$ 24,117	24,558	\$ 47,196	49,520
NOOK	3,082	5,436	6,401	11,511
Total	<u>\$ 27,199</u>	<u>29,994</u>	<u>\$ 53,597</u>	<u>61,031</u>

Operating Loss

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
B&N Retail	\$ (49,311)	(21,083)	\$ (61,821)	(28,450)
NOOK	(2,921)	(8,182)	(5,623)	(22,204)
Total	<u>\$ (52,232)</u>	<u>(29,265)</u>	<u>\$ (67,444)</u>	<u>(50,654)</u>

[Table of Contents](#)

Capital Expenditures	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
B&N Retail	\$ 27,045	27,381	\$ 45,944	49,207
NOOK	1,782	1,554	3,588	2,530
Total	<u>\$ 28,827</u>	<u>28,935</u>	<u>\$ 49,532</u>	<u>51,737</u>

	October 28, 2017	October 29, 2016
Total Assets (e)		
B&N Retail	\$2,174,430	2,134,004
NOOK (f)	28,258	123,759
Total	<u>\$2,202,688</u>	<u>2,257,763</u>

- (a) Represents sales from NOOK to B&N Retail on a sell-through basis.
 (b) Includes tangible books, music, movies, rentals and newsstand.
 (c) Includes NOOK[®], related accessories, eContent and warranties.
 (d) Includes Toys & Games, café products, gifts and miscellaneous other.
 (e) Excludes intercompany balances.
 (f) Decrease in assets is related to the net tax receivable position.

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

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Reportable segments operating loss	\$ (52,232)	(29,265)	\$ (67,444)	(50,654)
Interest expense, net and amortization of deferred financing costs	2,678	1,961	4,718	3,590
Consolidated loss before taxes	<u>\$ (54,910)</u>	<u>(31,226)</u>	<u>\$ (72,162)</u>	<u>(54,244)</u>

8. Intangible Assets and Goodwill

Amortizable Intangible Assets	Useful Life	As of October 28, 2017		
		Gross Carrying Amount	Accumulated Amortization	Total
Technology	5-10	\$ 10,710	(10,200)	\$510
Other	3-10	6,494	(6,438)	56
		<u>\$ 17,204</u>	<u>(16,638)</u>	<u>\$566</u>

Unamortizable Intangible Assets	
Trade name	\$293,400
Publishing contracts	15,894
	<u>\$309,294</u>
Total amortizable and unamortizable intangible assets as of October 28, 2017	<u>\$309,860</u>

[Table of Contents](#)

Amortizable Intangible Assets	Useful Life	As of October 29, 2016		
		Gross Carrying Amount	Accumulated Amortization	Total
Technology	5-10	\$ 10,710	(9,793)	\$ 917
Distribution contracts	10	8,325	(8,053)	272
Other	3-10	6,395	(6,335)	60
		<u>\$ 25,430</u>	<u>(24,181)</u>	<u>\$ 1,249</u>

Unamortizable Intangible Assets

Trade name	\$ 293,400
Publishing contracts	15,894
	<u>\$ 309,294</u>
Total amortizable and unamortizable intangible assets as of October 29, 2016	<u>\$ 310,543</u>

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

Aggregate Amortization Expense

For the 26 weeks ended October 28, 2017	\$ 382
For the 26 weeks ended October 29, 2016	\$ 381

Estimated Amortization Expense

(12 months ending on or about April 30)	
2018	\$ 617
2019	\$ 331

The carrying amount of goodwill was \$207,381 and \$211,276 as of October 28, 2017 and October 29, 2016, respectively.

9. Gift Cards

The Company sells gift cards, which can be used in its stores, on www.barnesandnoble.com, on NOOK® devices and at Barnes & Noble Education, Inc. (B&N Education) stores. The Company does not charge administrative or dormancy fees on gift cards and gift cards have no expiration dates. Upon the purchase of a gift card, a liability is established for its cash value. Revenue associated with gift cards is deferred until redemption of the gift card. Gift cards redeemed at B&N Education are funded by the gift card liability at the Company. Over time, a portion of the gift cards issued is typically not redeemed. The Company estimates the portion of the gift card liability for which the likelihood of redemption is remote based upon the Company's historical redemption patterns. The Company records this amount in revenue on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. Additional breakage may be required if gift card redemptions continue to run lower than historical patterns.

The Company recognized gift card breakage of \$4,858 and \$4,835 during the 13 weeks ended October 28, 2017 and October 29, 2016, respectively, and \$9,727 and \$9,756 during the 26 weeks ended October 28, 2017 and October 29, 2016, respectively. The Company had gift card liabilities of \$327,217 and \$344,044 as of October 28, 2017 and October 29, 2016, respectively.

10. Other Long-Term Liabilities

Other long-term liabilities consist primarily of deferred rent, tax liabilities and reserves, long-term insurance liabilities and asset retirement obligations. The Company provides for minimum rent expense over the lease terms (including the build-out period) on a straight-line basis. The excess of such rent expense over actual lease payments (net of tenant allowances) is classified as deferred rent. Other long-term liabilities also include store closing expenses, long-term deferred revenues and a health care and life insurance plan for certain retired employees. The Company had the following other long-term liabilities at October 28, 2017, October 29, 2016 and April 29, 2017:

	October 28, 2017	October 29, 2016	April 29, 2017
Deferred rent	\$ 55,150	63,741	59,142
Tax liabilities and reserves	8,711	13,758	8,711
Insurance liabilities	14,162	15,296	14,225
Asset retirement obligations	12,538	12,819	11,482
Other	4,594	5,230	5,751
Total other long-term liabilities	<u>\$ 95,155</u>	<u>110,844</u>	<u>99,311</u>

11. Income Taxes

The Company recorded an income tax benefit of \$24,816 on a pre-tax loss of \$54,910 during the 13 weeks ended October 28, 2017, which represented an effective income tax rate of 45.2%. The Company recorded an income tax benefit of \$10,817 on a pre-tax loss of \$31,226 during the 13 weeks ended October 29, 2016, which represented an effective income tax rate of 34.6%. The Company's effective tax rates for the 13 weeks ended October 28, 2017 and October 29, 2016 differ from the statutory rates due to the impact of permanent items such as meals and entertainment, non-deductible executive compensation, tax credits, changes in uncertain tax positions and state tax provision, net of federal benefit. The change in effective tax rates for the 13 weeks ended October 28, 2017 and October 29, 2016 was due to changes in uncertain tax positions and return to provision adjustments.

The Company recorded an income tax benefit of \$31,290 on a pre-tax loss of \$72,162 during the 26 weeks ended October 28, 2017, which represented an effective income tax rate of 43.4%. The Company recorded an income tax benefit of \$19,419 on a pre-tax loss of \$54,244 during the 26 weeks ended October 29, 2016, which represented an effective income tax rate of 35.8%. The Company's effective tax rates for the 26 weeks ended October 28, 2017 and October 29, 2016 differ from the statutory rates due to the impact of permanent items such as meals and entertainment, non-deductible executive compensation, tax credits, changes in uncertain tax positions and state tax provision, net of federal benefit. The change in effective tax rates for the 26 weeks ended October 28, 2017 and October 29, 2016 was due to changes in uncertain tax positions and return to provision adjustments. The Company continues to maintain a valuation allowance against certain state items.

The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits at October 28, 2017 could decrease by approximately \$3,551 within the next twelve months, as a result of settlement of certain tax audits or lapses of statutes of limitations, which could impact the effective tax rate.

12. Fair Values of Financial Instruments

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

- Level 1 – Observable inputs that reflect quoted prices in active markets
- Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable
- Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring the Company to develop its own assumptions

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

13. Credit Facility

On August 3, 2015, the Company and certain of its subsidiaries entered into a credit agreement (Credit Agreement) with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and the other lenders from time to time party thereto, under which the lenders committed to provide a five-year asset-backed revolving credit facility in an aggregate committed principal amount of up to \$700,000 (Revolving Credit Facility). On September 30, 2016, the Company amended the Credit Agreement to provide for a new "first-in, last-out" revolving credit facility (the FILO Credit Facility and, together with the Revolving Credit Facility, the Credit Facility) in an aggregate principal amount of up to \$50,000, which supplements availability under the Revolving Credit Facility. The Company generally must draw down the FILO Credit Facility before making any borrowings under the Revolving Credit Facility.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Wells Fargo Bank, N.A. and SunTrust Robinson Humphrey, Inc. are the joint lead arrangers for the Credit Facility. The Credit Facility replaced the prior credit facility. Proceeds from the Credit Facility are used for general corporate purposes, including seasonal working capital needs.

The Company and certain of its subsidiaries are permitted to borrow under the Credit Facility. The Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the Credit Facility (collectively, the Loan Parties), but excluding the equity interests in the Company and its subsidiaries, intellectual property, equipment and certain other property. Borrowings under the Credit Facility are limited to a specified percentage of eligible collateral. The Company has the option to request an increase in commitments under the Credit Facility of up to \$250,000, subject to certain restrictions.

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

Interest under the Revolving Credit Facility accrues, at the election of the Company, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin, which is determined by reference to the level of excess availability under the Revolving Credit Facility. Through the end of the fiscal quarter during which the closing of the Revolving Credit Facility occurred, loans under the Revolving Credit Facility bore interest at LIBOR plus 1.750% per annum, in the case of LIBOR borrowings, or at the alternate base rate plus 0.750% per annum, in the alternative, and thereafter the interest rate began to fluctuate between LIBOR plus 2.000% per annum and LIBOR plus 1.500% per annum (or between the alternate base rate plus 1.000% per annum and the alternate base rate plus 0.500% per annum), based upon the average daily availability under the Revolving Credit Facility for the immediately preceding fiscal quarter. Interest under the FILO Credit Facility accrues, at the election of the Company, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin, which is also determined by reference to the level of excess availability under the Revolving Credit Facility. Loans under the FILO Credit Facility bear interest at 1.000% per annum more than loans under the Revolving Credit Facility.

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

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

The Company wrote off \$460 of deferred financing fees related to the prior credit facility during the second quarter of fiscal 2016 and the remaining unamortized deferred financing fees of \$3,542 were deferred and are being amortized over the five-year term of the Credit Facility. The Company also incurred \$5,701 of fees to secure the Credit Facility, which are being amortized over the five-year term accordingly. During the second quarter of fiscal 2017, the Company incurred \$474 of fees to secure the FILO Credit Facility, which are being amortized over the same term as the Credit Facility.

[Table of Contents](#)

The Company had \$242,833 and \$191,423 of outstanding debt under the Credit Facility as of October 28, 2017 and October 29, 2016, respectively. The Company had \$36,733 and \$46,895 of outstanding letters of credit under the Credit Facility as of October 28, 2017 and October 29, 2016, respectively.

14. Stock-Based Compensation

For the 13 and 26 weeks ended October 28, 2017 and October 29, 2016, the Company recognized stock-based compensation expense in selling and administrative expenses as follows:

	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Restricted Stock Expense	\$ 237	280	\$ 447	490
Restricted Stock Units Expense	1,079	(451)	1,988	2,110
Performance-Based Stock Unit Expense	493	258	697	562
Stock-Based Compensation Expense	<u>\$ 1,809</u>	<u>87</u>	<u>\$ 3,132</u>	<u>3,162</u>

15. Defined Contribution Plan

The Company maintains a defined contribution plan (the Savings Plan) for the benefit of substantially all employees. Total Company contributions charged to employee benefit expenses for the Savings Plan were \$2,789 and \$2,774 for the 13 weeks ended October 28, 2017 and October 29, 2016, respectively, and \$5,838 and \$6,161 for the 26 weeks ended October 28, 2017 and October 29, 2016, respectively.

16. Shareholders' Equity

On October 20, 2015, the Company's Board of Directors authorized a stock repurchase program (prior repurchase plan) of up to \$50,000 of its common shares. On March 15, 2017, subsequent to completing the prior repurchase plan, the Company's Board of Directors authorized a new stock repurchase program of up to \$50,000 of its common shares. Stock repurchases under this program may be made through open market and privately negotiated transactions from time to time and in such amounts as management deems appropriate. The new stock repurchase program has no expiration date and may be suspended or discontinued at any time. The Company's repurchase plan is intended to comply with the requirements of Rule 10b-18 under the Securities Exchange Act of 1934. The Company did not repurchase shares under this plan during the 13 and 26 weeks ended October 28, 2017. During the 13 and 26 weeks ended October 29, 2016, the Company repurchased 878,195 shares at a cost of \$10,045 and 1,708,778 shares at a cost of \$19,788, respectively, under the prior repurchase plan. The Company has remaining capacity of \$50,000 under the new repurchase program as of October 28, 2017.

As of October 28, 2017, the Company has repurchased 39,580,151 shares at a cost of approximately \$1,087,036 since the inception of the Company's stock repurchase programs. The repurchased shares are held in treasury.

17. Legal Proceedings

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

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

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

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

PIN Pad Litigation

As previously disclosed, the Company discovered that PIN pads in certain of its stores had been tampered with to allow criminal access to card data and PIN numbers on credit and debit cards swiped through the terminals. Following public disclosure of this matter on October 24, 2012, the Company was served with four putative class action complaints (three in federal district court in the Northern District of Illinois and one in the Northern District of California), each of which alleged on behalf of national and other classes of customers who swiped credit and debit cards in Barnes & Noble Retail stores common law claims such as negligence, breach of contract and invasion of privacy, as well as statutory claims such as violations of the Fair Credit Reporting Act, state data breach notification statutes, and state unfair and deceptive practices statutes. The actions sought various forms of relief including damages, injunctive or equitable relief, multiple or punitive damages, attorneys' fees, costs, and interest. All four cases were transferred and/or assigned to a single judge in the United States District Court for the Northern District of Illinois, and a single consolidated amended complaint was filed. The Company filed a motion to dismiss the consolidated amended complaint in its entirety, and in September 2013, the Court granted the motion to dismiss without prejudice. The Plaintiffs then filed an amended complaint, and the Company filed a second motion to dismiss. On October 3, 2016, the Court granted the second motion to dismiss, and dismissed the case without prejudice; in doing so, the Court permitted plaintiffs to file a second amended complaint by October 31, 2016. On October 31, 2016, the plaintiffs filed a second amended complaint, and on January 25, 2017 the Company filed a motion to dismiss the second amended complaint. On June 13, 2017, the Court granted the Company's motion to dismiss with prejudice. Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Seventh Circuit. The appeal is fully briefed, and the Court has set the matter for oral argument on December 6, 2017.

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

On November 27, 2013, former Associate Store Manager Cassandra Carag (Carag) brought suit in Sacramento County Superior Court, asserting claims on behalf of herself and all other hourly (non-exempt) Barnes & Noble employees in California in the preceding four years for unpaid regular and overtime wages based on alleged off-the-clock work, penalties and pay based on missed meal and rest breaks, and for improper wage statements, payroll records, and untimely pay at separation as a result of the alleged pay errors during employment. Via the complaint, Carag seeks to recover unpaid wages and statutory penalties for all hourly Barnes & Noble employees within California from November 27, 2009 to present. On February 13, 2014, the Company filed an answer to the complaint in the state court and concurrently requested removal of the action to federal court. On May 30, 2014, the federal court granted Plaintiff's motion to remand the case to state court and denied Plaintiff's motion to strike portions of the answer to the complaint (referring the latter motion to the lower court for future consideration). The Court has not yet scheduled any further hearings or deadlines.

Café Manager Class Actions

Two former Café Managers have filed separate actions alleging similar claims of entitlement to unpaid compensation for overtime. In each action, the plaintiff seeks to represent a class of allegedly similarly situated employees who performed the same position (Café Manager). Specifically, Christine Hartpence filed a complaint against Barnes & Noble, Inc. (Barnes & Noble) in Philadelphia County Court of Common Pleas on May 26, 2015, alleging that she is entitled to unpaid compensation for overtime under Pennsylvania law and seeking to represent a class of allegedly similarly situated employees who performed the same position (Café Manager). On July 14, 2016, Ms. Hartpence amended her complaint to assert a purported collective action for alleged unpaid overtime compensation under the federal Fair Labor Standards Act (FLSA), by which she sought to act as a class representative for similarly situated Café Managers throughout the United States. On July 27, 2016, Barnes & Noble removed the case to the U.S. District Court of the Eastern District of Pennsylvania. Ms. Hartpence then voluntarily dismissed her complaint and subsequently re-filed a similar complaint in the Philadelphia County Court of Common Pleas, where it is currently pending. The re-filed complaint alleges only claims of unpaid overtime under Pennsylvania law and alleges class claims under Pennsylvania law that are limited to current and former Café Managers within Pennsylvania. On June 22, 2017, Ms.

[Table of Contents](#)

Hartpence filed an additional, separate action in Philadelphia County Court of Common Pleas in which she repeats her allegations under Pennsylvania law and asserts a similar claim for unpaid wages under New Jersey law, purportedly on behalf of herself and others similarly situated. The Court consolidated the two pending cases on November 1, 2017.

On September 20, 2016, Kelly Brown filed a complaint against Barnes & Noble in the U.S. District Court for the Southern District of New York in which she also alleges that she is entitled to unpaid compensation under the FLSA and Illinois law. Ms. Brown seeks to represent a national class of all similarly situated Café Managers under the FLSA, as well as an Illinois-based class under Illinois law. On November 9, 2016, Ms. Brown filed an amended complaint to add an additional plaintiff named Tiffany Stewart, who is a former Café Manager who also alleges unpaid overtime compensation in violation of New York law and seeks to represent a class of similarly situated New York-based Café Managers under New York law. On May 2, 2017, the Court denied Plaintiffs' Motion for Conditional Certification, without prejudice. There are currently 16 former Café Managers who have joined the action as opt-in plaintiffs.

Bernardino v. Barnes & Noble Booksellers, Inc.

On June 16, 2017, a putative class action complaint was filed against Barnes & Noble Booksellers, Inc. (B&N Booksellers) in the United States District Court for the Southern District of New York, alleging violations of the federal Video Privacy Protection Act and related New York law. The plaintiff, who seeks to represent a class of subscribers of Facebook, Inc. (Facebook) who purchased DVDs or other video media from the Barnes & Noble website, seeks damages, injunctive relief and attorneys' fees, among other things, based on her allegation that B&N Booksellers supposedly knowingly disclosed her personally identifiable information to Facebook without her consent when she bought a DVD from Barnes & Noble's website. On July 10, 2017, the plaintiff moved for a preliminary injunction requiring Barnes & Noble to change the operation of its website, which motion B&N Booksellers opposed. On July 31, 2017, B&N Booksellers moved to compel the case to arbitration, consistent with the terms of use on Barnes & Noble's website. On August 28, 2017, the court denied the plaintiff's motion for a preliminary injunction. On November 20, 2017, the magistrate judge issued its report and recommendation that the Court grant B&N's motion to compel arbitration and stay all proceedings.

18. Recent Accounting Pronouncements

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740) – Intra-Entity Transfers of Assets Other Than Inventory* (ASU 2016-16). This standard requires that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this standard eliminate the exception for an intra-entity transfer of an asset other than inventory. The amendments in this standard do not include new disclosure requirements; however, existing disclosure requirements might be applicable. The Company will be required to adopt ASU 2016-16 as of April 29, 2018 using a modified retrospective approach. Early adoption is permitted. The Company does not anticipate the adoption of this standard to have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15). This update clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. ASU 2016-15 is effective for the Company beginning May 1, 2018 under a retrospective approach. Since the standard only impacts classification in the statements of cash flows, adoption will not affect the Company's cash and cash equivalents.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09). ASU 2016-09 includes provisions to simplify certain aspects related to the accounting for share-based awards and the related financial statement presentation. ASU 2016-09 provides for changes to accounting for stock compensation, including: 1) excess tax benefits and tax deficiencies related to share based payment awards to be recognized as income tax benefit or expense when the awards vest or are settled (previously such amounts were recognized in additional paid-in capital); entities must apply the new guidance on accounting for excess tax benefits and tax deficiencies prospectively, except for excess tax benefits that were identified from previous transactions that had not been previously recognized because the related tax deduction did not reduce income taxes payable; entities must use a modified retrospective transition method to recognize such excess tax benefits as a credit to retained earnings; any deferred tax assets recorded in connection with the modified retrospective recognition of excess tax benefits must be assessed for realizability, and, if necessary, a valuation allowance must be recognized through a cumulative-effect adjustment to retained earnings; 2) excess tax benefits will be classified as an operating activity in the statement of cash flows; 3) the option to elect to estimate forfeitures or account for them when they occur; 4) classification of cash payments made on an employee's behalf for withheld shares should be presented as a financing activity in the statements of cash flows; and 5) eliminating the requirement to delay the recognition of excess tax benefits until it reduces current taxes payable.

[Table of Contents](#)

The Company adopted ASU 2016-09 during the first quarter ended July 29, 2017. Accordingly, the primary effects of the adoption are as follows: 1) excess tax expense of \$338 and \$904, respectively, were recorded during the 13 and 26 weeks ended October 28, 2017 related to the prospective application of excess tax benefits and tax deficiencies related to stock-based compensation settlements, 2) using a modified retrospective application, the Company recorded unrecognized excess tax benefits of \$1,823 as a cumulative-effect adjustment, which increased retained earnings, and reduced deferred taxes by the same, 3) using a modified retrospective application, the Company has elected to recognize forfeitures as they occur and recorded a \$1,310 increase to additional paid-in capital, a \$786 reduction to retained earnings, and a \$524 reduction to deferred taxes to reflect the incremental stock-based compensation expense, net of the related tax impacts, that would have been recognized in prior years under the modified guidance, and 4) \$14 in excess tax benefits from stock-based compensation was reclassified from cash flows from financing activities to cash flows from operating activities for the 26 weeks ended October 29, 2016, in the Consolidated Statements of Cash Flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous Generally Accepted Accounting Principles. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. ASU 2016-02 requires expanded disclosures about the nature and terms of lease agreements and is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company currently anticipates early adoption of ASU 2016-02 effective April 29, 2018 in conjunction with the adoption of ASU 2014-09. While the Company's ability to early adopt depends on system readiness and completing the Company's analysis of information necessary to restate prior period consolidated financial statements, the Company remains on schedule and has implemented key system functionality to enable the preparation of restated financial information. The Company is currently evaluating the provisions of this standard and assessing its existing lease portfolio in order to determine the impact on its accounting systems, processes and internal controls over financial reporting. The Company expects the adoption of this standard will result in a significant increase to its long-term assets and liabilities on its consolidated balance sheet. However, the Company does not expect adoption will have a material impact on its consolidated statement of operations and cash flows.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* (ASU 2015-11), modifying the accounting for inventory. Under ASU 2015-11, the measurement principle for inventory will change from lower of cost or market value to lower of cost and net realizable value. ASU 2015-11 defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is applicable to inventory that is accounted for under the first-in, first-out method and is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted. The Company adopted ASU 2015-11 effective May 1, 2017. The majority of the Company's merchandise inventories are valued using the retail inventory method, which is outside the scope of ASU 2015-11. The remaining inventory of the Company's merchandise inventories are valued at the lower of cost and net realizable value using the average cost method. The Company applied the amendments in this update prospectively to the measurement of inventory after the date of adoption with no material impact to the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20, is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted for annual reporting periods beginning after December 15, 2016. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company plans to adopt ASU 2014-09 effective April 29, 2018. The Company currently anticipates adopting the standard using the modified retrospective method. The Company has begun the process of implementing this standard, including performing a review of its revenue streams to identify any differences in the timing, measurement, or presentation of revenue recognition. The Company currently believes that the primary impact will be changes to the timing of recognition of revenues related to gift card breakage. The Company will continue to assess the impact on all areas of its revenue recognition, disclosure requirements and changes that may be necessary to its internal controls over financial reporting. The Company is continuing to evaluate the impact of adopting this ASU on its consolidated financial statements. The Company remains on schedule to adopt this ASU effective April 29, 2018.

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

Liquidity and Capital Resources

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

Credit Facility

On August 3, 2015, the Company and certain of its subsidiaries entered into a credit agreement (Credit Agreement) with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and the other lenders from time to time party thereto, under which the lenders committed to provide a five-year asset-backed revolving credit facility in an aggregate committed principal amount of up to \$700.0 million (Revolving Credit Facility). On September 30, 2016, the Company amended the Credit Agreement to provide for a new "first-in, last-out" revolving credit facility (the FILO Credit Facility and, together with the Revolving Credit Facility, the Credit Facility) in an aggregate principal amount of up to \$50.0 million, which supplements availability under the Revolving Credit Facility. The Company generally must draw down the FILO Credit Facility before making any borrowings under the Revolving Credit Facility.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Wells Fargo Bank, N.A. and SunTrust Robinson Humphrey, Inc. are the joint lead arrangers for the Credit Facility. The Credit Facility replaced the prior credit facility. Proceeds from the Credit Facility are used for general corporate purposes, including seasonal working capital needs.

The Company and certain of its subsidiaries are permitted to borrow under the Credit Facility. The Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the Credit Facility (collectively, the Loan Parties), but excluding the equity interests in the Company and its subsidiaries, intellectual property, equipment and certain other property. Borrowings under the Credit Facility are limited to a specified percentage of eligible collateral. The Company has the option to request an increase in commitments under the Credit Facility of up to \$250.0 million, subject to certain restrictions.

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

Interest under the Revolving Credit Facility accrues, at the election of the Company, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin, which is determined by reference to the level of excess availability under the Revolving Credit Facility. Through the end of the fiscal quarter during which the closing of the Revolving Credit Facility occurred, loans under the Revolving Credit Facility bore interest at LIBOR plus 1.750% per annum, in the case of LIBOR borrowings, or at the alternate base rate plus 0.750% per annum, in the alternative, and thereafter the interest rate began to fluctuate between LIBOR plus 2.000% per annum and LIBOR plus 1.500% per annum (or between the alternate base rate plus 1.000% per annum and the alternate base rate plus 0.500% per annum), based upon the average daily availability under the Revolving Credit Facility for the immediately preceding fiscal quarter. Interest under the FILO Credit Facility accrues, at the election of the Company, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin, which is also determined by reference to the level of excess availability under the Revolving Credit Facility. Loans under the FILO Credit Facility bear interest at 1.000% per annum more than loans under the Revolving Credit Facility.

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

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

[Table of Contents](#)

The Company wrote off \$0.5 million of deferred financing fees related to the prior credit facility during the second quarter of fiscal 2016 and the remaining unamortized deferred financing fees of \$3.5 million were deferred and are being amortized over the five-year term of the Credit Facility. The Company also incurred \$5.7 million of fees to secure the Credit Facility, which are being amortized over the five-year term accordingly. During the second quarter of fiscal 2017, the Company incurred \$0.5 million of fees to secure the FILO Credit Facility, which are being amortized over the same term as the Credit Facility.

The Company had \$242.8 million and \$191.4 million of outstanding debt under the Credit Facility as of October 28, 2017 and October 29, 2016, respectively. The Company had \$36.7 million and \$46.9 million of outstanding letters of credit under the Credit Facility as of October 28, 2017 and October 29, 2016, respectively.

Cash Flows

The Company's cash and cash equivalents were \$11.3 million as of October 28, 2017, compared with \$11.4 million as of October 29, 2016. The decrease in cash and cash equivalents of \$0.1 million versus the prior year period was due to changes in working capital and cash flows as outlined below.

Net cash flows used in operating activities were \$106.5 million for the 26 weeks ended October 28, 2017 as compared to \$51.7 million for the 26 weeks ended October 29, 2016. The unfavorable year-over-year comparison was primarily attributable to changes in working capital.

Net cash flows used in investing activities were \$49.5 million for the 26 weeks ended October 28, 2017 as compared to \$51.7 million for the 26 weeks ended October 29, 2016. The Company's investing activities primarily consisted of capital expenditures for the maintenance of existing stores, merchandising initiatives, new store construction and enhancements to systems and the website.

Net cash flows provided by financing activities were \$155.4 million for the 26 weeks ended October 28, 2017 as compared to \$101.0 million for the 26 weeks ended October 29, 2016. The Company's financing activities during the 26 weeks ended October 28, 2017 consisted primarily of net proceeds on the Credit Facility, offset by common dividends. Financing activities during the 26 weeks ended October 29, 2016 consisted primarily of net proceeds from the Credit Facility, offset by common dividends and share repurchases.

Over the past 12 months, the Company has returned \$47.1 million in cash to its shareholders through share repurchases and dividends. Since July 2015, the Company has returned \$161.7 million in cash to its shareholders through share repurchases and dividends.

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

- Receivables, net decreased \$1.8 million, or 2.4%, to \$73.9 million as of October 28, 2017, compared to \$75.7 million as of October 29, 2016.
- Merchandise inventories, net decreased \$41.7 million, or 3.4%, to \$1.177 billion as of October 28, 2017, compared to \$1.219 billion as of October 29, 2016.
- Prepaid expenses and other current assets increased \$11.8 million, or 9.1%, to \$141.2 million as of October 28, 2017, compared to \$129.4 million as of October 29, 2016 primarily on income tax differences.
- Property and equipment, net decreased \$16.8 million, or 5.8%, to \$271.9 million as of October 28, 2017, compared to \$288.7 million as of October 29, 2016, as depreciation outpaced capital expenditures.
- Intangible assets, net decreased \$0.7 million, or 0.2%, to \$309.9 million as of October 28, 2017, compared to \$310.5 million as of October 29, 2016, on additional amortization.
- Other non-current assets decreased \$1.9 million, or 16.4%, to \$10.0 million as of October 28, 2017, compared to \$11.9 million as of October 29, 2016.
- Accounts payable decreased \$60.6 million, or 8.4%, to \$656.6 million as of October 28, 2017, compared to \$717.2 million as of October 29, 2016. Accounts payable represented 55.8% and 58.8% of merchandise inventories as of October 28, 2017 and October 29, 2016, respectively. This ratio is subject to changes in product mix and the timing of purchases, payments and returns.
- Accrued liabilities decreased \$30.2 million, or 9.7%, to \$280.9 million as of October 28, 2017, compared to \$311.2 million as of October 29, 2016. Accrued liabilities include the eBook settlement, deferred income, compensation, occupancy related, legal and other selling and administrative miscellaneous accruals.
- Gift card liabilities decreased \$16.8 million, or 4.9%, to \$327.2 million as of October 28, 2017, compared to \$344.0 million as of October 29, 2016. The Company estimates the portion of the gift card liability for which the likelihood of redemption is remote based upon the Company's historical redemption patterns. The Company recognized gift card breakage of \$4.9 million and \$4.8 million during the 13 weeks ended October 28, 2017 and October 29, 2016, respectively, and \$9.7 million and \$9.8 million during the 26 weeks ended October 28, 2017 and October 29, 2016, respectively. Additional breakage may be required if gift card redemptions continue to run lower than historical patterns.

Table of Contents

- Deferred taxes increased \$29.5 million, or 54.3%, to \$83.8 million as of October 28, 2017, compared to \$54.3 million as of October 29, 2016, due primarily to recurring movement in temporary differences.
- Other long-term liabilities decreased \$15.7 million, or 14.2%, to \$95.2 million as of October 28, 2017, compared to \$110.8 million as of October 29, 2016, due to lower deferred rent and lower tax reserves.

The Company has arrangements with third-party manufacturers to produce certain NOOK[®] products. These manufacturers procure and assemble unfinished parts and components from third-party suppliers based on forecasts provided by the Company. Given production lead times, commitments are generally made far in advance of finished product delivery. Based on current purchase commitments and product development plans, the Company did not record any provision for purchase commitments. Future charges may be required based on changes in forecasted sales or strategic direction.

Segments

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

Seasonality

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

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

Business Overview

Barnes & Noble has been experiencing declining sales trends due primarily to lower store traffic and the challenging retail environment. The Company's book sales trends have been improving, while sales in non-book categories have been declining. Despite the sales declines, the Company has been able to sustain profit levels on cost reductions. While the Company believes it has lost share on its recent sales performance, it also sees opportunities in an industry that has become more stable.

To grow sales, the Company will leverage the strength of its Barnes & Noble brand, knowledgeable booksellers, vast book selection and retail footprint to attract customers to its omni-channel offerings. Merchandising initiatives are focused on increasing the number of value offers, narrowing product assortments, improving SKU productivity, improving inventory management processes, testing changes to existing store layouts and remerchandising select business units in stores. The Company believes there is opportunity to increase conversion through higher customer engagement and by improving navigation and discovery throughout the store, including a customer friendly and more intuitive organization of books and improved signage for easier browsing within and across sections.

In-store events also drive traffic, reinforcing Barnes & Noble as a community center where customers can meet, browse and discover. The Company is also utilizing social media, where booksellers communicate events, promotions and new product offerings with customers at the local level.

In addition to initiatives focused on growing sales through its existing store base, the Company is also testing new bookstore formats, which it believes could foster sales growth in the future.

BN.com and NOOK are important components of the Company's omni-channel strategy. The Company believes that in the long term, enhancements to its BN.com platform will enable it to be more competitive in the marketplace. The Company continues to improve its overall eCommerce user experience across channels, including desktop, tablet, mobile and app based, with the goal of providing a great device agnostic user experience. For customers interested in eBooks, the Company continues to judiciously bring new NOOK[®] devices and apps to market.

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

[Table of Contents](#)

In light of the declining sales trends, the Company remains committed to right sizing its cost structure. The Company is focused on simplification throughout its organization to create efficiencies and reinvest resources to support sales growth. At B&N Retail, the Company is focused on increasing store and supply chain productivity, streamlining operations and eliminating non-productive spend. At NOOK, the Company exited non-core businesses and outsourced certain functions, which enabled it to close its Santa Clara, CA and Taiwan offices. NOOK expects to continue to re-calibrate its cost structure commensurate with sales, further reducing its losses.

Results of Operations

The following tables summarize the Company's results of operations for the 13 and 26 weeks ended October 28, 2017 compared with the 13 and 26 weeks ended October 29, 2016.

Sales

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 28, 2017	% of Total	October 29, 2016	% of Total	October 28, 2017	% of Total	October 29, 2016	% of Total
B&N Retail	\$ 769,709	97.3%	\$ 830,719	96.8%	\$1,599,745	97.3%	\$1,712,432	96.6%
NOOK	25,964	3.3%	35,042	4.1%	55,464	3.4%	76,090	4.3%
Elimination	(4,556)	(0.6)%	(7,213)	(0.8)%	(10,776)	(0.7)%	(16,092)	(0.9)%
Total Sales	<u>\$ 791,117</u>	<u>100.0%</u>	<u>\$ 858,548</u>	<u>100.0%</u>	<u>\$1,644,433</u>	<u>100.0%</u>	<u>\$1,772,430</u>	<u>100.0%</u>

During the 13 weeks ended October 28, 2017, the Company's sales decreased \$67.4 million, or 7.9%, to \$791.1 million from \$858.5 million during the 13 weeks ended October 29, 2016. The changes by segment are as follows:

- B&N Retail sales for the 13 weeks ended October 28, 2017 decreased \$61.0 million, or 7.3%, to \$769.7 million from \$830.7 million during the same period one year ago, and accounted for 97.3% of total Company sales. Comparable store sales decreased \$44.5 million, or 6.3%, as compared to the prior year on lower store traffic. Approximately half of the decline in comparable stores sales is attributable to the prior year release of *Harry Potter and the Cursed Child*. Closed stores decreased sales by \$7.3 million, while new stores increased sales by \$3.6 million. Online sales decreased \$12.7 million, or 17.7%, on sales of *Harry Potter and the Cursed Child* in the prior year, lower promotional activity and comparisons to the prior year eBook settlement. B&N Retail also includes third-party sales of Sterling Publishing Co., Inc., which decreased by \$0.8 million, or 6.8%, versus the prior year.

Of the \$44.5 million decrease in comparable store sales, book categories decreased sales by \$26.9 million, or 5.8%, due primarily to declines in Juvenile as the prior year included the release of *Harry Potter and the Cursed Child*, Bargain (primarily coloring books) and Trade titles. Excluding *Harry Potter and the Cursed Child* and coloring books, comparable store sales of books were essentially flat. Non-book core categories decreased sales by \$14.9 million, or 6.5%, across most departments. Comparable sales of NOOK® products at B&N Retail stores decreased \$2.7 million, or 35.3%, primarily on lower device unit volume and lower average selling prices.

- NOOK sales decreased \$9.1 million, or 25.9%, to \$26.0 million during the 13 weeks ended October 28, 2017 from \$35.0 million during the 13 weeks ended October 29, 2016, and accounted for 3.3% of total Company sales. Digital content sales decreased \$5.8 million, or 21.4%, compared to the prior year on lower unit sales. Device and accessories sales decreased \$3.3 million, or 41.7%, primarily on lower average selling prices and lower unit sales.
- Elimination sales, which represent sales from NOOK to B&N Retail on a sell-through basis, decreased \$2.7 million, or 36.8%, versus the prior year. NOOK sales, net of elimination, accounted for 2.7% of total Company sales.

During the 13 weeks ended October 28, 2017, B&N Retail had no store openings and no store closings.

[Table of Contents](#)

During the 26 weeks ended October 28, 2017, the Company's sales decreased \$128.0 million, or 7.2%, to \$1.644 billion from \$1.772 billion during the 26 weeks ended October 29, 2016. The changes by segment are as follows:

- B&N Retail sales for the 26 weeks ended October 28, 2017 decreased \$112.7 million, or 6.6%, to \$1.600 billion from \$1.712 billion during the same period one year ago, and accounted for 97.3% of total Company sales. Comparable store sales decreased \$82.1 million, or 5.6%, as compared to the prior year on lower store traffic and comparisons to the prior year release of *Harry Potter and the Cursed Child*. Closed stores decreased sales by \$16.3 million, while new stores increased sales by \$7.3 million. Online sales decreased \$19.8 million, or 14.7%, on sales of *Harry Potter and the Cursed Child* in the prior year, lower promotional activity and comparisons to the prior year eBook settlement. B&N Retail also includes third-party sales of Sterling Publishing Co., Inc., which decreased by \$1.8 million, or 9.0%, versus the prior year on lower coloring book sales.

Of the \$82.1 million decrease in comparable store sales, book categories decreased sales by \$41.0 million, or 4.2%, due primarily to declines in Juvenile as the prior year included the release of *Harry Potter and the Cursed Child*, Bargain (primarily coloring books) and, to a lesser extent, Trade titles. Non-book core categories decreased sales by \$36.0 million, or 7.6%, across most departments. Comparable sales of NOOK® products at B&N Retail stores decreased \$5.1 million, or 30.7%, primarily on lower average selling prices due to product mix and lower device unit volume.

- NOOK sales decreased \$20.6 million, or 27.1%, to \$55.5 million during the 26 weeks ended October 28, 2017 from \$76.1 million during the 26 weeks ended October 29, 2016, and accounted for 3.4% of total Company sales. Digital content sales decreased \$13.0 million, or 22.7%, compared to the prior year primarily on lower unit sales. Device and accessories sales decreased \$7.6 million, or 40.9%, primarily on lower average selling prices and lower unit sales.
- Elimination sales, which represent sales from NOOK to B&N Retail on a sell-through basis, decreased \$5.3 million, or 33.0%, versus the prior year. NOOK sales, net of elimination, accounted for 2.7% of total Company sales.

During the 26 weeks ended October 28, 2017, B&N Retail had no store openings and one store closing.

Cost of Sales and Occupancy

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 28, 2017	% of Sales	October 29, 2016	% of Sales	October 28, 2017	% of Sales	October 29, 2016	% of Sales
B&N Retail	\$ 555,273	72.1%	\$ 591,784	71.2%	\$ 1,146,419	71.7%	\$ 1,215,210	71.0%
NOOK	11,705	45.1%	18,602	53.1%	26,614	48.0%	40,398	53.1%
Elimination	(4,556)	(17.5)%	(7,213)	(20.6)%	(10,776)	(19.4)%	(16,092)	(21.1)%
Total Cost of Sales and Occupancy	<u>\$ 562,422</u>	<u>71.1%</u>	<u>\$ 603,173</u>	<u>70.3%</u>	<u>\$ 1,162,257</u>	<u>70.7%</u>	<u>\$ 1,239,516</u>	<u>69.9%</u>

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

During the 13 weeks ended October 28, 2017, cost of sales and occupancy decreased \$40.8 million, or 6.8%, to \$562.4 million from \$603.2 million during the 13 weeks ended October 29, 2016. Cost of sales and occupancy increased as a percentage of sales to 71.1% from 70.3% during the same period one year ago. The changes by segment are as follows:

- B&N Retail cost of sales and occupancy increased as a percentage of sales to 72.1% from 71.2%, or 90 basis points, during the same period one year ago primarily on occupancy deleverage (85 basis points). Store markdowns included a heavier concentration of higher discount member sales, partially offset by the prior year discounts on *Harry Potter and the Cursed Child*. The remaining variance was attributable to timing differences and sales deleverage.
- NOOK cost of sales and occupancy decreased as a percentage of sales to 45.1% from 53.1% during the same period one year ago primarily due to favorable sales mix and lower occupancy costs.

Table of Contents

During the 26 weeks ended October 28, 2017, cost of sales and occupancy decreased \$77.3 million, or 6.2%, to \$1.162 billion from \$1.240 billion during the 26 weeks ended October 29, 2016. Cost of sales and occupancy increased as a percentage of sales to 70.7% from 69.9% during the same period one year ago. The changes by segment are as follows:

- B&N Retail cost of sales and occupancy increased as a percentage of sales to 71.7% from 71.0%, or 70 basis points, during the same period one year ago primarily on occupancy deleverage (75 basis points). Store markdowns included a heavier concentration of higher discount member sales, partially offset by the prior year discounts on *Harry Potter and the Cursed Child*. The remaining variance was attributable to sales mix and general timing differences.
- NOOK cost of sales and occupancy decreased as a percentage of sales to 48.0% from 53.1% during the same period one year ago primarily due to lower occupancy costs.

Gross Profit

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 28, 2017	% of Sales	October 29, 2016	% of Sales	October 28, 2017	% of Sales	October 29, 2016	% of Sales
B&N Retail	\$ 214,436	27.9%	\$ 238,935	28.8%	\$ 453,326	28.3%	\$ 497,222	29.0%
NOOK	14,259	66.6%	16,440	59.1%	28,850	64.6%	35,692	59.5%
Total Gross Profit	\$ 228,695	28.9%	\$ 255,375	29.7%	\$ 482,176	29.3%	\$ 532,914	30.1%

The Company's consolidated gross profit decreased \$26.7 million, or 10.4%, to \$228.7 million during the 13 weeks ended October 28, 2017 from \$255.4 million during the 13 weeks ended October 29, 2016. This change was due to the matters discussed above.

The Company's consolidated gross profit decreased \$50.7 million, or 9.5%, to \$482.2 million during the 26 weeks ended October 28, 2017 from \$532.9 million during the 26 weeks ended October 29, 2016. This change was due to the matters discussed above.

Selling and Administrative Expenses

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 28, 2017	% of Sales	October 29, 2016	% of Sales	October 28, 2017	% of Sales	October 29, 2016	% of Sales
B&N Retail	\$ 239,630	31.1%	\$ 235,460	28.3%	\$ 467,951	29.3%	\$ 476,152	27.8%
NOOK	14,098	65.9%	19,186	68.9%	28,072	62.8%	46,385	77.3%
Total Selling and Administrative Expenses	\$ 253,728	32.1%	\$ 254,646	29.7%	\$ 496,023	30.2%	\$ 522,537	29.5%

Selling and administrative expenses decreased \$0.9 million, or 0.4%, to \$253.7 million during the 13 weeks ended October 28, 2017 from \$254.6 million during the 13 weeks ended October 29, 2016. Selling and administrative expenses increased as a percentage of sales to 32.1% from 29.7% as compared to the same period one year ago. The changes by segment are as follows:

- B&N Retail selling and administrative expenses increased \$4.2 million as compared to prior year, or an increase of 280 basis points as a percentage of sales to 31.1% from 28.3%, largely deleveraging due to the lower sales volume and seasonality of the business. Store payroll increased 100 basis points (on store sales) on sales deleverage and wage increases. The current year also included increased professional fees to support strategic initiatives (60 basis points), higher employee benefit costs (55 basis points) on higher medical claims and higher eCommerce expenses (25 basis points). These increases were partially offset by prior year severance charges (55 basis points). The remaining variance was attributable to sales deleverage and the general timing of expenses.
- NOOK selling and administrative expenses decreased \$5.1 million as compared to prior year, decreasing as a percentage of sales to 65.9% from 68.9% for the quarter primarily attributable to continued cost rationalization efforts, including lower compensation expense, lower advertising expense and lower variable costs on the sales decline, partially offset by higher legal expenses.

[Table of Contents](#)

Selling and administrative expenses decreased \$26.5 million, or 5.1%, to \$496.0 million during the 26 weeks ended October 28, 2017 from \$522.5 million during the 26 weeks ended October 29, 2016. Selling and administrative expenses increased as a percentage of sales to 30.2% from 29.5% as compared to the same period one year ago. The changes by segment are as follows:

- B&N Retail selling and administrative expenses decreased \$8.2 million as compared to prior year. As a percent of sales, B&N Retail expenses increased 145 basis points as a percentage of sales to 29.3% from 27.8% primarily due to higher store payroll (105 basis points on store sales) on sales deleverage and wage increases, higher employee benefit costs (35 basis points) on higher medical claims, increased professional fees to support strategic initiatives (30 basis points) and higher website expenses (15 basis points). These increases were partially offset by lower severance costs (60 basis points). The remaining variance was attributable to sales deleverage and the general timing of expenses.
- NOOK selling and administrative expenses decreased \$18.3 million as compared to prior year, decreasing as a percentage of sales to 62.8% from 77.3% for the quarter. The prior year included severance and transitional costs of \$8.0 million related to the outsourcing of certain services and the closure of NOOK's California and Taiwan offices. Excluding these costs, the decrease in dollars was primarily attributable to continued cost rationalization efforts, including lower compensation expense, lower severance, consulting, advertising and legal costs, as well as lower variable costs on the sales decline.

Depreciation and Amortization

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 28, 2017	% of Sales	October 29, 2016	% of Sales	October 28, 2017	% of Sales	October 29, 2016	% of Sales
B&N Retail	\$ 24,117	3.1%	\$ 24,558	3.0%	\$ 47,196	3.0%	\$ 49,520	2.9%
NOOK	3,082	14.4%	5,436	19.5%	6,401	14.3%	11,511	19.2%
Total Depreciation and Amortization	\$ 27,199	3.4%	\$ 29,994	3.5%	\$ 53,597	3.3%	\$ 61,031	3.4%

During the 13 weeks ended October 28, 2017, depreciation and amortization decreased \$2.8 million, or 9.3%, to \$27.2 million from \$30.0 million during the same period one year ago. This decrease was primarily attributable to fully depreciated assets, partially offset by additional capital expenditures.

During the 26 weeks ended October 28, 2017, depreciation and amortization decreased \$7.4 million, or 12.2%, to \$53.6 million from \$61.0 million during the same period one year ago. This decrease was primarily attributable to fully depreciated assets, partially offset by additional capital expenditures.

Operating Loss

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 28, 2017	% of Sales	October 29, 2016	% of Sales	October 28, 2017	% of Sales	October 29, 2016	% of Sales
B&N Retail	\$ (49,311)	(6.4)%	\$ (21,083)	(2.5)%	\$ (61,821)	(3.9)%	\$ (28,450)	(1.7)%
NOOK	(2,921)	(13.6)%	(8,182)	(29.4)%	(5,623)	(12.6)%	(22,204)	(37.0)%
Total Operating Loss	\$ (52,232)	(6.6)%	\$ (29,265)	(3.4)%	\$ (67,444)	(4.1)%	\$ (50,654)	(2.9)%

The Company's consolidated operating loss increased \$23.0 million, or 78.5%, to \$52.2 million during the 13 weeks ended October 28, 2017 from \$29.3 million during the 13 weeks ended October 29, 2016. This change was due to the matters discussed above.

The Company's consolidated operating loss increased \$16.8 million, or 33.1%, to \$67.4 million during the 26 weeks ended October 28, 2017 from \$50.7 million during the 26 weeks ended October 29, 2016. This change was due to the matters discussed above.

[Table of Contents](#)

Interest Expense, Net and Amortization of Deferred Financing Fees

<i>Dollars in thousands</i>	13 weeks ended			26 weeks ended		
	October 28, 2017	October 29, 2016	% of Change	October 28, 2017	October 29, 2016	% of Change
Interest Expense, Net and Amortization of Deferred Financing Fees	\$ 2,678	\$ 1,961	36.6%	\$ 4,718	\$ 3,590	31.4%

Net interest expense and amortization of deferred financing fees increased \$0.7 million, or 36.6%, to \$2.7 million during the 13 weeks ended October 28, 2017 from \$2.0 million during the 13 weeks ended October 29, 2016 on higher average borrowings.

Net interest expense and amortization of deferred financing fees increased \$1.1 million, or 31.4%, to \$4.7 million during the 26 weeks ended October 28, 2017 from \$3.6 million during the 26 weeks ended October 29, 2016 on higher average borrowings.

Income Taxes

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 28, 2017	Effective Rate	October 29, 2016	Effective Rate	October 28, 2017	Effective Rate	October 29, 2016	Effective Rate
Income Taxes	\$ (24,816)	45.2%	\$ (10,817)	34.6%	\$ (31,290)	43.4%	\$ (19,419)	35.8%

The Company recorded an income tax benefit of \$24.8 million during the 13 weeks ended October 28, 2017 compared with an income tax benefit of \$10.8 million during the 13 weeks ended October 29, 2016. The Company's effective tax rate was 45.2% and 34.6% for the 13 weeks ended October 28, 2017 and October 29, 2016, respectively. The Company's effective tax rates for the 13 weeks ended October 28, 2017 and October 29, 2016 differ from the statutory rates due to the impact of permanent items such as meals and entertainment, non-deductible executive compensation, tax credits, changes in uncertain tax positions and state tax provision, net of federal benefit. The change in effective tax rates for the 13 weeks ended October 28, 2017 and October 29, 2016 was due to changes in uncertain tax positions and return to provision adjustments.

The Company recorded an income tax benefit of \$31.3 million during the 26 weeks ended October 28, 2017 compared with an income tax benefit of \$19.4 million during the 26 weeks ended October 29, 2016. The Company's effective tax rate was 43.4% and 35.8% for the 26 weeks ended October 28, 2017 and October 29, 2016, respectively. The Company's effective tax rates for the 26 weeks ended October 28, 2017 and October 29, 2016 differ from the statutory rates due to the impact of permanent items such as meals and entertainment, non-deductible executive compensation, tax credits, changes in uncertain tax positions and state tax provision, net of federal benefit. The change in effective tax rates for the 26 weeks ended October 28, 2017 and October 29, 2016 was due to changes in uncertain tax positions and return to provision adjustments. The Company continues to maintain a valuation allowance against certain state items.

The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits at October 28, 2017 could decrease by approximately \$3.6 million within the next twelve months, as a result of settlement of certain tax audits or lapses of statutes of limitations, which could impact the effective tax rate.

Net Loss

<i>Dollars in thousands</i>	13 weeks ended		26 weeks ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Net Loss	\$ (30,094)	\$ (20,409)	\$ (40,872)	\$ (34,825)

As a result of the factors discussed above, the Company reported consolidated net loss of \$30.1 million during the 13 weeks ended October 28, 2017, compared with consolidated net loss of \$20.4 million during the 13 weeks ended October 29, 2016.

As a result of the factors discussed above, the Company reported consolidated net loss of \$40.9 million during the 26 weeks ended October 28, 2017, compared with consolidated net loss of \$34.8 million during the 26 weeks ended October 29, 2016.

Critical Accounting Policies

During the 26 weeks ended October 28, 2017, except for the adoption of ASU 2016-09 during the first quarter of fiscal 2018, there were no changes in the Company's policies regarding the use of estimates and other critical accounting policies.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations," found in the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 2017 for additional information relating to the Company's use of estimates and other critical accounting policies.

Disclosure Regarding Forward-Looking Statements

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

Such statements reflect the current views of Barnes & Noble with respect to future events, the outcome of which is subject to certain risks, including, among others, the general economic environment and consumer spending patterns, decreased consumer demand for Barnes & Noble's products, low growth or declining sales and net income due to various factors, including store closings, higher-than-anticipated or increasing costs, including with respect to store closings, relocation, occupancy (including in connection with lease renewals) and labor costs, the effects of competition, the risk of insufficient access to financing to implement future business initiatives, risks associated with data privacy and information security, risks associated with Barnes & Noble's supply chain, including possible delays and disruptions and increases in shipping rates, various risks associated with the digital business, including the possible loss of customers, declines in digital content sales, risks and costs associated with ongoing efforts to rationalize the digital business, risks associated with the eCommerce business, including the possible loss of eCommerce customers and declines in eCommerce sales, the risk that financial and operational forecasts and projections are not achieved, the performance of Barnes & Noble's initiatives including but not limited to new store concepts and eCommerce initiatives, unanticipated adverse litigation results or effects, potential infringement of Barnes & Noble's intellectual property by third parties or by Barnes & Noble of the intellectual property of third parties, and other factors, including those factors discussed in detail in Item 1A, "Risk Factors," in Barnes & Noble's Annual Report on Form 10-K for the fiscal year ended April 29, 2017, and in Barnes & Noble's other filings made hereafter from time to time with the SEC.

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

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The Company limits its interest rate risks by investing certain of its excess cash balances in short-term, highly-liquid instruments with an original maturity of one year or less. The Company does not expect any material losses from its invested cash balances and the Company believes that its interest rate exposure is modest. As of October 28, 2017, the Company's cash and cash equivalents totaled approximately \$11.3 million. A 50 basis point increase in annual interest rates would have increased the Company's interest income by \$0.0 million in the second quarter of fiscal 2018. Conversely, a 50 basis point decrease in annual interest rates would have reduced interest income by \$0.0 million in the second quarter of fiscal 2018.

Additionally, the Company may from time to time borrow money under its credit facility at various interest rate options based on the Base Rate or LIBO Rate (each term as defined in the amended and restated credit agreement described in the Quarterly Report under the section titled "Notes to Consolidated Financial Statements") depending upon certain financial tests. Accordingly, the Company may be exposed to interest rate risk on borrowings under its credit facility. The Company had borrowings under its credit facility of \$242.8 million at October 28, 2017 and \$191.4 million at October 29, 2016. A 50 basis point increase in annual interest rates would have increased the Company's interest expense by \$0.2 million in the second quarter of fiscal 2018. Conversely, a 50 basis point decrease in annual interest rates would have reduced interest expense by \$0.2 million in the second quarter of fiscal 2018.

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

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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

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

PIN Pad Litigation

As previously disclosed, the Company discovered that PIN pads in certain of its stores had been tampered with to allow criminal access to card data and PIN numbers on credit and debit cards swiped through the terminals. Following public disclosure of this matter on October 24, 2012, the Company was served with four putative class action complaints (three in federal district court in the Northern District of Illinois and one in the Northern District of California), each of which alleged on behalf of national and other classes of customers who swiped credit and debit cards in Barnes & Noble Retail stores common law claims such as negligence, breach of contract and invasion of privacy, as well as statutory claims such as violations of the Fair Credit Reporting Act, state data breach notification statutes, and state unfair and deceptive practices statutes. The actions sought various forms of

relief including damages, injunctive or equitable relief, multiple or punitive damages, attorneys' fees, costs, and interest. All four cases were transferred and/or assigned to a single judge in the United States District Court for the Northern District of Illinois, and a single consolidated amended complaint was filed. The Company filed a motion to dismiss the consolidated amended complaint in its entirety, and in September 2013, the Court granted the motion to dismiss without prejudice. The Plaintiffs then filed an amended complaint, and the Company filed a second motion to dismiss. On October 3, 2016, the Court granted the second motion to dismiss, and dismissed the case without prejudice; in doing so, the Court permitted plaintiffs to file a second amended complaint by October 31, 2016. On October 31, 2016, the plaintiffs filed a second amended complaint, and on January 25, 2017 the Company filed a motion to dismiss the second amended complaint. On June 13, 2017, the Court granted the Company's motion to dismiss with prejudice. Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Seventh Circuit. The appeal is fully briefed, and the Court has set the matter for oral argument on December 6, 2017.

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

On November 27, 2013, former Associate Store Manager Cassandra Carag (Carag) brought suit in Sacramento County Superior Court, asserting claims on behalf of herself and all other hourly (non-exempt) Barnes & Noble employees in California in the preceding four years for unpaid regular and overtime wages based on alleged off-the-clock work, penalties and pay based on missed meal and rest breaks, and for improper wage statements, payroll records, and untimely pay at separation as a result of the alleged pay errors during employment. Via the complaint, Carag seeks to recover unpaid wages and statutory penalties for all hourly Barnes & Noble employees within California from November 27, 2009 to present. On February 13, 2014, the Company filed an answer to the complaint in the state court and concurrently requested removal of the action to federal court. On May 30, 2014, the federal court granted Plaintiff's motion to remand the case to state court and denied Plaintiff's motion to strike portions of the answer to the complaint (referring the latter motion to the lower court for future consideration). The Court has not yet scheduled any further hearings or deadlines.

Café Manager Class Actions

Two former Café Managers have filed separate actions alleging similar claims of entitlement to unpaid compensation for overtime. In each action, the plaintiff seeks to represent a class of allegedly similarly situated employees who performed the same position (Café Manager). Specifically, Christine Hartpence filed a complaint against Barnes & Noble, Inc. (Barnes & Noble) in Philadelphia County Court of Common Pleas on May 26, 2015, alleging that she is entitled to unpaid compensation for overtime under Pennsylvania law and seeking to represent a class of allegedly similarly situated employees who performed the same position (Café Manager). On July 14, 2016, Ms. Hartpence amended her complaint to assert a purported collective action for alleged unpaid overtime compensation under the federal Fair Labor Standards Act (FLSA), by which she sought to act as a class representative for similarly situated Café Managers throughout the United States. On July 27, 2016, Barnes & Noble removed the case to the U.S. District Court of the Eastern District of Pennsylvania. Ms. Hartpence then voluntarily dismissed her complaint and subsequently re-filed a similar complaint in the Philadelphia County Court of Common Pleas, where it is currently pending. The re-filed complaint alleges only claims of unpaid overtime under Pennsylvania law and alleges class claims under Pennsylvania law that are limited to current and former Café Managers within Pennsylvania. On June 22, 2017, Ms. Hartpence filed an additional, separate action in Philadelphia County Court of Common Pleas in which she repeats her allegations under Pennsylvania law and asserts a similar claim for unpaid wages under New Jersey law, purportedly on behalf of herself and others similarly situated. The Court consolidated the two pending cases on November 1, 2017.

On September 20, 2016, Kelly Brown filed a complaint against Barnes & Noble in the U.S. District Court for the Southern District of New York in which she also alleges that she is entitled to unpaid compensation under the FLSA and Illinois law. Ms. Brown seeks to represent a national class of all similarly situated Café Managers under the FLSA, as well as an Illinois-based class under Illinois law. On November 9, 2016, Ms. Brown filed an amended complaint to add an additional plaintiff named Tiffany Stewart, who is a former Café Manager who also alleges unpaid overtime compensation in violation of New York law and seeks to represent a class of similarly situated New York-based Café Managers under New York law. On May 2, 2017, the Court denied Plaintiffs' Motion for Conditional Certification, without prejudice. There are currently 16 former Café Managers who have joined the action as opt-in plaintiffs.

Bernardino v. Barnes & Noble Booksellers, Inc.

On June 16, 2017, a putative class action complaint was filed against Barnes & Noble Booksellers, Inc. (B&N Booksellers) in the United States District Court for the Southern District of New York, alleging violations of the federal Video Privacy Protection Act and related New York law. The plaintiff, who seeks to represent a class of subscribers of Facebook, Inc. (Facebook) who purchased DVDs or other video media from the Barnes & Noble website, seeks damages, injunctive relief and attorneys' fees, among other things, based on her allegation that B&N Booksellers supposedly knowingly disclosed her personally identifiable information to

[Table of Contents](#)

Facebook without her consent when she bought a DVD from Barnes & Noble's website. On July 10, 2017, the plaintiff moved for a preliminary injunction requiring Barnes & Noble to change the operation of its website, which motion B&N Booksellers opposed. On July 31, 2017, B&N Booksellers moved to compel the case to arbitration, consistent with the terms of use on Barnes & Noble's website. On August 28, 2017, the court denied the plaintiff's motion for a preliminary injunction. On November 20, 2017, the magistrate judge issued its report and recommendation that the Court grant B&N's motion to compel arbitration and stay all proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 2017.

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

Issuer Purchases of Equity Securities

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

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
July 30, 2017 – August 26, 2017	11,492	\$ 7.91	—	\$ 50,000,000
August 27, 2017 – September 30, 2017	7,664	\$ 7.31	—	\$ 50,000,000
October 1, 2017 – October 28, 2017	2,694	\$ 7.60	—	\$ 50,000,000
Total	<u>21,850</u>	<u>\$ 7.66</u>	<u>—</u>	

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

On October 20, 2015, the Company's Board of Directors authorized a stock repurchase program (prior repurchase plan) of up to \$50.0 million of its common shares. On March 15, 2017, subsequent to completing the prior repurchase plan, the Company's Board of Directors authorized a new stock repurchase program of up to \$50.0 million of its common shares. Stock repurchases under this program may be made through open market and privately negotiated transactions from time to time and in such amounts as management deems appropriate. The new stock repurchase program has no expiration date and may be suspended or discontinued at any time. The Company's repurchase plan is intended to comply with the requirements of Rule 10b-18 under the Securities Exchange Act of 1934. The Company did not repurchase shares under this plan during the 13 and 26 weeks ended October 28, 2017. During the 13 and 26 weeks ended October 29, 2016, the Company repurchased 878,195 shares at a cost of \$10.0 million and 1,708,778 shares at a cost of \$19.8 million, respectively, under the prior repurchase plan. The Company has remaining capacity of \$50.0 million under the new repurchase program as of October 28, 2017.

As of October 28, 2017, the Company has repurchased 39,580,151 shares at a cost of approximately \$1.09 billion since the inception of the Company's stock repurchase programs. The repurchased shares are held in treasury.

[Table of Contents](#)

Item 6. Exhibits

Exhibits filed with this Form 10-Q:

3.1	Certificate of Incorporation, as amended.
3.2	By-Laws, as amended.
10.1	Release Agreement with Mary Amicucci, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 29, 2017.
31.1	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

SIGNATURES

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

BARNES & NOBLE, INC.

(Registrant)

By: /s/ ALLEN W. LINDSTROM

Allen W. Lindstrom
Chief Financial Officer
(principal financial officer)

By: /s/ PETER M. HERPICH

Peter M. Herpich
Vice President and Corporate Controller
(principal accounting officer)

November 30, 2017

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
BARNES & NOBLE, INC. *

BARNES & NOBLE, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

FIRST: The name of the corporation is Barnes & Noble, Inc. (the "Corporation").

SECOND: The registered office of the Corporation is to be located at 32 Lookerman Square, Suite L-100, City of Dover, County of Kent, State of Delaware. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH: (a) The total number of shares of all classes of stock which the Corporation shall have the authority to issue is (i) 300,000,000 shares with a par value of \$.001 per share which are to be of a class designated "Common Stock" and (ii) 5,000,000 shares with a par value of \$.001 per share which are to be of a class designated "Preferred Stock."

(b) The Board of Directors is hereby expressly granted authority to authorize from time to time in accordance with law the issue of one or more series of Preferred Stock and with respect to any such series to fix by resolution or resolutions the numbers, powers, designations, preferences and relative, participating, optional or other special rights of such series and the qualifications, limitations or restrictions thereof, including but without limiting the generality of the foregoing, the following:

(i) entitling the holders thereof to cumulative, non-cumulative or partially cumulative dividends, or to no dividends;

(ii) entitling the holders thereof to receive dividends payable on a parity with, junior to, or in preference to, the dividends payable on any other class or series of capital stock of the Corporation;

(iii) entitling the holders thereof to rights upon the voluntary or involuntary liquidation, dissolution or winding up of, or upon any other distribution of the assets of, the Corporation, on a parity with, junior to or in preference to, the rights of any other class or series of capital stock of the Corporation;

* Includes all amendments through ~~June 17, 1998~~ September 19, 2017.

(iv) providing for the conversion, at the option of the holder or of the Corporation or both, of the shares of Preferred Stock into shares of any other class or classes of capital stock of the Corporation or of any series of the same or any other class or classes or into property of the Corporation or into the securities or properties of any other corporation or person, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine, or providing for no conversion;

(v) providing for the redemption, in whole or in part, of the shares of Preferred Stock at the option of the Corporation or the holder thereof, in cash, bonds or other property, at such price or prices (which amount may vary under different conditions and at different redemption dates), within such period or periods, and under such conditions as the Board of Directors shall so provide, including provisions for the creation of a sinking fund for the redemption thereof, or providing for no redemption;

(vi) lacking voting rights or having limited voting rights or enjoying general, special or multiple voting rights; and

(vii) specifying the number of shares constituting that series and the distinctive designation of that series.

Dividends on outstanding shares of Preferred Stock shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on the Common Stock with respect to the same dividend period.

If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed in accordance with the respective priorities and preferential amounts (including unpaid cumulative dividends, if any, and interest thereon, if any) payable with respect thereto, and among the shares of any series of Preferred Stock, ratably among the shares of such series.

All shares of any one series of Preferred Stock shall be identical in all respects with the other shares of such series, except that shares of any one series of Preferred Stock issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

The Board of Directors may change the powers, designation, preferences, rights, qualifications, limitations and restrictions of, and number of shares in, any series of Preferred Stock as to which no shares are issued and outstanding.

(c) Seventy thousand (70,000) shares of the Preferred Stock have been designated Series A Preferred Stock. The designations, preferences and relative, participating, optional or other special rights of the Series A Preferred Stock and the qualifications, limitations or restrictions thereof, are as follows:

1. Designation.

The designation of said series shall be Series A Preferred Stock ("Series A Preferred").

2. Dividends.

The holders of Series A Preferred shall be entitled to receive, as and when declared by the Board of Directors and out of assets of the corporation which are by law available for payment of dividends, cumulative preferential cash dividends, at, but not exceeding, the rate of \$60 per share per annum, payable quarterly on February 15, May 15, August 15 and November 15 in each year, commencing on February 15, 1987, to holders of record of Series A Preferred on the fifteenth business day immediately preceding such respective dividend payment dates, accruing from the date on which respective shares of Series A Preferred shall be issued, except that if any such share is issued on a date not constituting a regular dividend payment date, the first dividend payable in respect of such share on the next regular dividend payment date shall be calculated on the actual number of days elapsed over a 360-day year.

So long as any Series A Preferred shall remain outstanding, no dividend or distribution whatsoever shall be declared or paid upon or set apart for any class of stock or series thereof ranking junior to Series A Preferred in the payment of dividends (other than a dividend payable in stock ranking junior to the Series A Preferred as aforesaid) nor shall any shares of any class of stock or series thereof ranking junior to or on a parity with Series A Preferred in payment of dividends be redeemed or purchased by the Corporation or any subsidiary thereof nor shall any moneys be paid to or made available for a sinking fund for redemption or purchase of any shares of any class of stock or series thereof ranking junior to or on a parity with Series A Preferred in payment of dividends, unless in each instance full dividends on all outstanding shares of Series A Preferred for all past dividend periods shall have been paid at the rate fixed therefor and the dividends on all outstanding shares of Series A Preferred for the then current quarterly dividend period shall have been paid or declared and sufficient funds set apart for payment thereof. Accumulations of dividends on any shares of Series A Preferred shall not bear interest.

No dividend or distribution shall be paid upon or declared or set apart for any share of Series A Preferred for any dividend period unless at the same time a like proportionate dividend for the same dividend period shall be paid upon or declared or set apart for all shares of Series A Preferred then outstanding and entitled to receive such dividend.

3. Liquidation.

In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of Series A Preferred then outstanding shall be entitled to receive, out of the net assets of the Corporation, \$1,000 per share plus an amount equal to all dividends accrued and unpaid on each share of Series A Preferred to the date fixed for distribution, and no more, before any distribution or payment of assets shall be made to the holders of Common Stock or any other class or series of stock of the Corporation ranking junior to Series A Preferred with respect to the distribution of assets; provided, however, that no distribution as aforesaid shall be made to the holders of Series A Preferred unless at the same time a like proportionate distribution shall

be made ratably in proportion to the respective amounts payable upon liquidation, dissolution or winding up of the affairs of the Corporation, to the holders of all shares of any other class of stock or series thereof, if any, then outstanding and ranking e to distribution of assets on a parity with Series A Preferred.

No payment on account of such liquidation, dissolution or winding up of the affairs of the Corporation shall be made to the holders of any other class or series of stock ranking on a parity with Series; A Preferred with respect to preferential distribution of assets unless a payment on account of such liquidation, dissolution or winding up shall be made at the same time to the holders of Series A Preferred in proportion to the full distributive amounts to which they and the holders of such parity stock are respectively entitled.

Nothing herein contained shall be deemed to prevent redemption of Series A Preferred by the Corporation in the manner provided in paragraph 5 below of this subparagraph (c) of Article FOURTH.

Written notice of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, stating the payment date and the place where the distributable amounts shall be payable shall be given by mail, postage prepaid, but not less than 20 days prior to the payment date stated therein, to the holders of record of Series A Preferred at their respective addresses as the same shall appear on the books of the Corporation.

4. Voting Rights.

(a) Except for the voting rights expressly conferred by this paragraph 4 and except as otherwise provided by law, the holders of shares of Series A Preferred shall not be entitled to vote on any matters to be voted on by stockholders of the Corporation or to receive notice of, or to participate in, any meeting of stockholders of the Corporation at which such holders of Series A Preferred are not entitled to vote.

(b) So long as any shares of Series A Preferred are outstanding, the Corporation shall not in any manner, whether by amendment to the Corporation's Amended and Restated Certificate of Incorporation or By-Laws of the corporation, by merger (whether or not the Corporation is a surviving corporation in such merger), by consolidation, or otherwise, without the written consent or the affirmative vote at a meeting called for that purpose of the holders of at least 75% of the shares of Series A Preferred then outstanding, voting separately as a class, (a) amend, alter or repeal any of the provisions of the Corporation's Amended and Restated Certificate of Incorporation or By-Laws of the Corporation, so as to affect adversely the powers, preferences or special rights of the Series A Preferred; (b) authorize or increase the authorized amount of, or authorize any obligation or security Convertible into or evidencing the right to purchase shares of, any additional class or series of stock ranking prior to or on parity with the Series A Preferred in the payment of dividends or the preferential distribution of assets; or (c) increase the number of shares of Common Stock or Preferred Stock authorized by the Corporation's Amended and Restated Certificate of Incorporation; provided, however, that, except as otherwise required by law, no such consent or vote shall be required for any merger or consolidation:

(i) in which (x) the Corporation is the surviving corporation; (y) no change is made which would adversely affect the powers, preferences or special rights of the Series A Preferred; and (z) no additional class or series of stock is authorized or the authorized amount thereof increased, and no obligation or security convertible into or evidencing the right to purchase shares of any additional class or series of stock is authorized, if no such consent or vote would have been required by this subparagraph (b) for any such authorization, or increase in authorized amount, immediately prior to such merger or consolidation; or

(ii) in which (x) the Corporation is a party but is not the surviving corporation; (y) the surviving corporation shall, in connection with and at the same time as such merger or consolidation, issue in exchange for each share of Series A Preferred then outstanding a share of preferred stock of the surviving corporation with substantially the same powers, preferences and special rights as the Series A Preferred; and (z) immediately after such merger or consolidation only classes or series of stock of the surviving corporation and obligations or securities convertible into or evidencing the right to purchase shares of a class or series of stock of the surviving corporation shall be authorized or outstanding, for which no such consent or vote would have been required if such classes or series of stock and obligations or securities had been authorized by the Corporation immediately prior to such merger or consolidation, or which have, or are convertible into or evidence the right to purchase shares of a class or series of stock of the surviving corporation which have, substantially the same powers, preferences and special rights and authorized amount as a class or series of stock of the Corporation which was authorized (with such consent or vote) prior to such merger or consolidation and is continuing as an authorized class or series of stock at the time thereof.

5. Optional Redemption.

The Corporation at its option may, at any time or from time to time, redeem, out of funds legally available therefor, the whole or any part of the then outstanding Series A Preferred at a redemption price of \$1,000 per share plus accrued and unpaid dividends thereon to the date fixed for redemption.

At or prior to the time of each redemption pursuant to this paragraph 5, the Corporation shall pay or make provision for payment of all accrued and unpaid dividends on all shares of Series A Preferred.

In the event the Corporation shall determine to redeem less than the entire issue of series A Preferred then outstanding, (i) the shares to be redeemed shall be selected pro rata (as nearly as may be) so that the number of shares redeemed from each holder shall be the same proportion of all the shares to be redeemed that the total number of shares then held by such holder bears to the total number of shares then outstanding or (ii) if the number of holders of Series A Preferred exceeds 250, and the Board of Directors so determines, the shares shall be selected by lot.

Notice of every such redemption shall be mailed, first-class postage prepaid, not less than 30 nor more than 45 days prior to the date fixed for redemption (the "Redemption Date"), to each holder of record of shares to be redeemed, at his address as it appears on the books of the Corporation. Each such notice shall state the Redemption Date; the number of shares of Series A Preferred to be redeemed, and, if less than all shares of Series A Preferred held by such holder are to be redeemed, the number of such shares to be redeemed from him; the redemption price applicable to the shares to be redeemed; the place or places where such shares are to be surrendered; and that dividends on shares to be redeemed will cease to accrue on the Redemption Date.

Notice having been mailed, from and after the Redemption Date (unless the Corporation fails to provide money for the payment of the redemption price) dividends on shares called for redemption shall cease to accrue, said shares shall no longer be deemed to be outstanding, all rights of holders thereof as stockholders of the Corporation (except the right to receive the redemption price thereof, but without interest) shall terminate, and, upon surrender, in accordance with said notice, of the certificates for any such shares (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require), such shares shall be redeemed by the Corporation, at the applicable redemption price; provided, however, that the Corporation may include in such notice a statement that the money required for the payment of the redemption price, plus accrued and unpaid dividends thereon, if any, will be deposited on a specified date, prior to the Redemption Date, with a specified bank or trust company (which shall have an office in The City of New York and which shall have a combined capital and surplus of not less than \$50,000,000) in trust for the benefit of holders of shares called for redemption, and, notice having been given, from and after such deposit, shares called for redemption shall no longer be deemed to be outstanding, all rights with respect to such shares of Series A Preferred shall forthwith upon such deposit cease and terminate and holders of such shares shall look for the payment of the redemption price only to funds so deposited and in no event to the Corporation unless said funds shall be repaid to the Corporation as hereinafter provided. Holders of such shares shall not be entitled to any interest allowed by such depository on money so deposited but any such interest shall be paid to the Corporation. Any moneys deposited as aforesaid for redemption of any shares and remaining unclaimed for four years after the date of such deposit shall then be repaid to the Corporation upon its request, and the holders of such shares shall thereafter look only to the Corporation for the redemption price thereof and for payment of any dividends due which shall be in arrears, but without interest.

Any provision of this paragraph 5 to the contrary notwithstanding, until all such arrearages shall have been cured, the Corporation shall not redeem any shares of Series A Preferred unless all outstanding shares of Series A Preferred are simultaneously redeemed and shall not purchase or otherwise acquire any shares of Series A Preferred except in accordance with a purchase offer made by the Corporation on the same terms to all holders of record of Series A Preferred.

Any shares of Series A preferred redeemed or otherwise purchased or acquired by the Corporation shall be retired, shall no longer be deemed outstanding and shall not be reissued.

(d) Fourteen thousand five hundred (14,500) shares of the Preferred Stock have been designated Series B Preferred Stock. The designations, preferences and relative, participating, optional or other special rights of the Series B Preferred Stock and the qualifications, limitations or restrictions thereof, are as follows:

1. Designation.

The designation of said series shall be Series B Preferred stock ("Series B Preferred").

2. Dividends.

The holders of Series B Preferred shall be entitled to receive in respect of each share thereof, as and when declared by the Board of Directors and out of assets of the Corporation which are by law available for payment of dividends, cumulative preferential cash dividends, at, but not exceeding, \$1,000 times the rate per annum equal to 105.26 percent of (a) the rate announced by Citibank, N.A. in New York New York as its base or prime rate in effect from time to time during each semi-annual dividend period, plus (b) one percent; provided, however, that the sum of clauses (a) and (b) shall in no event be less than six percent per annum. Dividends shall be computed on the basis of a 360-day year of twelve 30-day months. Dividends shall be payable semi-annually on June 30 and December 31 in each year, commencing on December 31, 1987, to holders of record of Series B Preferred on the fifteenth day immediately preceding such respective dividend payment dates, accruing from the date of issuance of the Series B Preferred, except that if any such share is issued on a date not constituting a regular dividend payment date, the first dividend payable in respect of such share on the next regular dividend payment date shall be calculated on the actual number of days elapsed over a 360-day year of twelve 30-day months. Accumulations of accrued unpaid dividends on any shares of Series B Preferred shall bear interest at a rate per annum equal to (a) the rate announced by Citibank, N.A. in New York, New York as its base or prime rate in effect from time to time during each semi-annual dividend period, plus (b) one percent; provided, however, that if any such interest payment shall be subject to any United States withholding tax, the amount of such interest payment shall be increased to the extent necessary to cause the recipient to receive the full amount of such interest payment after giving effect to all such withholding taxes.

So long as any Series B Preferred shall remain outstanding, no dividend or distribution whatsoever shall be declared or paid upon or set apart for Series A Preferred, Common Stock, or any other class of stock or series thereof ranking junior to Series B Preferred in the payment of dividends (other than a dividend payable in stock ranking junior to Series B Preferred as aforesaid), nor shall any shares of any class of stock or series thereof ranking junior to or on a parity with Series B Preferred in payment of dividends be redeemed or purchased by the Corporation or any subsidiary thereof nor shall any moneys be paid to or made available for a sinking fund for redemption or purchase of any shares of any other class of stock or series thereof ranking junior to or on a parity with Series B Preferred in payment of dividends, unless in such instance full dividends on all outstanding shares of Series B Preferred for all past dividend periods shall have been paid at the rate fixed therefor and the dividends on all outstanding shares of Series B Preferred for the then current dividend period shall have been paid or declared and sufficient funds set apart for payment thereof.

No dividend or distribution shall be paid upon or declared or set apart for any share of Series B Preferred for any dividend period unless at the same time a like proportionate dividend for the same dividend period shall be paid upon or declared or set apart for all shares of Series B Preferred then outstanding and entitled to receive such dividend.

3. Liquidation.

In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of Series B Preferred then outstanding shall be entitled to receive, out of the net assets of the Corporation, \$1,100 per share plus an amount equal to all dividends accrued and unpaid on each share of Series B Preferred and all accrued and unpaid interest in respect of such dividends, in each case to the date fixed for distribution, and no more, before any distribution or payment of assets shall be made to the holders of Common Stock, Series A Preferred or any other class or series of stock of the Corporation ranking junior to Series B Preferred with respect to the distribution of assets; provided, however, that no distribution as aforesaid shall be made to the holders of Series B Preferred unless at the same time a like proportionate distribution shall be made ratably in proportion to the respective amounts payable upon liquidation, dissolution or winding up of the affairs of the Corporation, to the holders of all shares of any other class of stock or series thereof, if any, then outstanding and ranking as to distribution of assets on a parity with Series B Preferred.

No payment on account of such liquidation, dissolution or winding up of the affairs of the Corporation shall be made to the holders of any other class or series of stock ranking on a parity with Series B Preferred with respect to preferential distribution of assets unless a payment on account of such liquidation, dissolution or winding up shall be made at the same time to the holders of Series B Preferred in proportion to the full distributive amounts to which they and the holders of such parity stock are respectively entitled.

Nothing herein contained shall be deemed to prevent redemption of Series B Preferred by the Corporation in the manner provided in paragraph 5 below of this subparagraph (d) of Article FOURTH.

Written notice of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, stating the payment date and the place where the distributable amounts shall be payable shall be given by mail, postage prepaid, but not less than 20 days prior to the payment date stated therein, to the holders of record of Series B Preferred at their respective addresses as the same shall appear on the books of the Corporation.

4. Voting Rights.

(a) Except for the voting rights expressly conferred by this paragraph 4 and except as otherwise provided by law, the holders of shares of Series B Preferred shall not be entitled to vote on any matters to be voted on by stockholders of the Corporation or to receive notice of, or to participate in, any meeting of stockholders of the Corporation at which such holders of Series B Preferred are not entitled to vote.

(b) So long as any shares of Series B Preferred are outstanding, the Corporation shall not in any manner, whether by amendment to the Corporation's Amended and Restated Certificate of Incorporation or By-Laws of the Corporation, by merger (whether or not the Corporation is a surviving corporation in such merger), by consolidation, or otherwise, without the written consent or the affirmative vote at a meeting called for that purpose of the holders of at least 75% of the votes of the shares of Series B Preferred then outstanding, voting separately as a class, (a) amend, alter or repeal any of the provisions of the Corporation's Amended and Restated Certificate of Incorporation or By-Laws of the Corporation, so as to affect adversely the powers, preferences or special rights of the Series B Preferred; (b) authorize or increase the authorized amount of, or authorize any obligation or security convertible into or evidencing the right to purchase shares of, any additional class or series of stock ranking prior to or on a parity with the Series B Preferred in the payment of dividends or the preferential distribution of assets; or (c) increase the number of shares of common Stock or Preferred Stock authorized by the Corporation's Amended and Restated Certificate of Incorporation; provided, however, that, except as otherwise required by law, no such consent or vote shall be required for any merger or consolidation:

(i) in which (x) the Corporation is the surviving corporation; (y) no change is made which would adversely affect the powers, preferences or special rights of the Series B Preferred; and (a) no additional class or series of stock is authorized or the authorized amount thereof increased, and no obligation or security convertible into or evidencing the right to purchase shares of any additional class or series of stock is authorized, if no such consent or vote would have been required by this subparagraph (b) for any such authorization, or increase in authorized amount, immediately prior to such merger or consolidation; or

(ii) in which (x) the Corporation is a party but is not the surviving corporation; (y) the surviving corporation shall, in connection with and at the same time as such merger or consolidation, issue in exchange for each share of Series B Preferred then outstanding a share of preferred stock of the surviving corporation with substantially the same powers, preferences and special rights as the Series B Preferred; and (z) immediately after such merger or consolidation only classes or series of stock of the surviving corporation and obligations or securities convertible into or evidencing the right to purchase shares of a class or series of stock of the surviving corporation shall be authorized or outstanding, for which no such Consent or vote would have been required if such classes or series of stock and obligations or securities had been authorized by the Corporation immediately prior to such merger or consolidation, or which have, or are convertible into or evidence the right to purchase shares of a class or series of stock of the surviving corporation

which have, substantially the same powers, preferences and special rights and authorized amount as a class or series of stock of the Corporation which was authorized (with such consent or vote) prior to such merger or consolidation and is continuing as an authorized class or series of stock at the time thereof.

5. Optional Redemption.

The Corporation at its option may, at any time or from time to time, redeem, out of funds legally available therefor, the whole or any part of the then outstanding Series B Preferred at a redemption price of \$1,100 per share plus accrued and unpaid dividends thereon and all accrued and unpaid interest in respect of such dividends, in each case to the date fixed for redemption.

At or prior to the time of each redemption pursuant to this paragraph 5, the Corporation shall pay or make provision for payment of all accrued and unpaid dividends on all shares of Series B Preferred and of all accrued and unpaid interest in respect thereof.

In the event the Corporation shall determine to redeem less than the entire issue of Series B Preferred then outstanding, (i) the shares to be redeemed shall be selected pro rata (as nearly as may be) so that the number of shares redeemed from each holder shall be the same proportion of all the shares to be redeemed that the total number of shares then held by such holder bears to the total number of shares then outstanding or (ii) if the number of holders of Series B Preferred exceeds 250, and the Board of Directors so determines, the shares shall be selected by lot.

Notice of every such redemption shall be mailed, first-class postage prepaid, not less than 30 nor more than 45 days prior to the Redemption date, to each holder of record of shares to be redeemed, at his address as it appears on the books of the Corporation. Each such notice shall state the Redemption Date; the number of shares of Series a Preferred to be redeemed, and, if less than all shares of Series B Preferred held by such holder are to be redeemed, the number of such shares to be redeemed from him; the redemption price applicable to the shares to be redeemed; the place or places where such shares are to be surrendered; and that dividends on shares to be redeemed will cease to accrue on the Redemption date.

Notice having been mailed, from and after the Redemption Date (unless the Corporation fails to provide money for the payment of the redemption price) dividends on shares called for redemption shall cease to accrue, said shares shall no longer be deemed to be outstanding, all rights of holders thereof as stockholders of the Corporation (except the right to receive the redemption price thereof, but without interest) shall terminate, and, upon surrender, in accordance with said notice, of the certificates for any such shares (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require), such shares shall be redeemed by the Corporation, at the applicable redemption price; provided, however, that the corporation may include in such notice a statement that the money required for the payment of the redemption price, plus accrued and unpaid dividends thereon, if any, will be deposited on a specified date, prior to the Redemption Date, with a specified bank or trust company (which shall have an office in The City of New York and which shall have a combined capital and surplus of not less than \$50,000,000) in trust for the benefit of holders of shares called for redemption, and notice having been given, from and after such deposit, shares called for redemption shall no longer be deemed to be outstanding, all rights with respect to such shares of Series B Preferred shall forthwith upon

such deposit cease and terminate and holders of such shares shall look for the payment of the redemption price only to funds so deposited and in no event to the Corporation unless said funds shall be repaid to the Corporation as hereinafter provided. Holders of such shares shall not be entitled to any interest allowed by such depository on money so deposited but any such interest shall be paid to the Corporation. Any moneys deposited as aforesaid for redemption of any shares and remaining unclaimed for four years after the date of such deposit shall then be repaid to the Corporation upon its request, and the holders of such shares shall thereafter look only to the Corporation for the redemption price thereof and for payment of any dividends due which shall be in arrears, but without interest.

Any provision of this paragraph 5 to the contrary notwithstanding, in the event that any semi-annual dividend due on the Series B Preferred shall be in arrears, and until all such arrearages shall have been cured, the Corporation shall not redeem any shares of Series B Preferred unless all outstanding shares of Series B Preferred are simultaneously redeemed and shall not purchase or otherwise acquire any shares of Series B Preferred except in accordance with a purchase offer made by the Corporation on the same terms to all holders of record of Series B Preferred.

Any shares of Series B Preferred redeemed or otherwise purchased or acquired by the Corporation shall be retired, shall no longer be deemed outstanding and shall not be reissued.

(e) Except as otherwise required by law, or as otherwise provided in paragraphs (c) and (d) of this Article FOURTH above, the holders of the Class A Common Stock shall exclusively possess all voting power and each share of Class A Common Stock shall have one (1) vote.

FIFTH: The duration of this Corporation is to be perpetual.

SIXTH: (a) The directors, other than those who may be elected by the holders of Common Stock or Preferred Stock pursuant to resolutions of the Board of Directors, adopted pursuant to the provisions of this Amended and Restated Certificate of Incorporation, establishing any series of Preferred Stock and granting to holders of shares of such series of Preferred Stock rights to elect additional directors under specified circumstances, shall be classified with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible, ~~one class initially to be elected for a term expiring at the annual meeting of stockholders to be held in 1993, another class initially to be elected for a term expiring at the annual meeting of stockholders to be held in 1994 and another class initially to be elected for a term expiring at the annual meeting of stockholders to be held in 1995, with the members of each class to hold office until their successors have been elected and qualified. At each annual meeting of stockholders, the successors of the class of directors whose term expires at that meeting shall be elected to~~ and each such director shall hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of ~~their election~~ his or her election, with the members of each class to hold office until their successors have been elected and qualified. Notwithstanding the foregoing, effective as of the annual meeting of stockholders to be held in 2018 (the "2018 Annual Meeting"), and at each annual meeting of stockholders thereafter, subject to any such rights granted to holders of such series of Preferred Stock to elect additional directors under specified circumstances, each director elected at and after the 2018 Annual Meeting shall be elected for a term expiring at the next succeeding annual meeting of stockholders and

until such director 's successor shall have been elected and qualified; provided, however, that any director who prior to the 2018 Annual Meeting was elected to a term that continues beyond the date of the 2018 Annual Meeting (such term, a " Classified Term "), shall continue to serve as a director for the remainder of his or her elected Classified Term or until his or her death, resignation, disqualification or removal (each such director, including any director appointed to fill a vacancy caused by the death, resignation, disqualification, removal or other cause of such director, a " Continuing Classified Director " ; provided that any such director shall cease to be a Continuing Classified Director upon the expiration of the Classified Term to which he or she was most recently elected or appointed). As a result, effective as of the annual meeting of stockholders in 2020, the Board will no longer be classified under Section 141(d) of the General Corporation Law of the State of Delaware and directors shall no longer be divided into classes. Any director that is not a Continuing Classified Director may be removed with or without cause by the affirmative vote of the holders of a majority of the voting power of the Voting Stock, voting together as a single class. No director need be a stockholder.

(b) Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, any provision of this Article SIXTH.

SEVENTH: Except as required by law and subject to the rights of the holders of any series of Preferred Stock established pursuant to the provisions of this amended and Restated Certificate of Incorporation, special meetings of stockholders may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors of the Corporation (as determined in accordance with the By-laws) or by the Chairman of the Board. Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, any provision of this Article SEVENTH.

EIGHTH: Unless and except to the extent that the By-laws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

NINTH: The Board of Directors may from time to time make, amend, supplement or repeal the By-laws; provided, however, that the stockholders may change or repeal any Bylaw adopted by the Board of Directors. Notwithstanding the foregoing and anything contained in this Amended and Restated Certificate of Incorporation to the contrary, Section 3 ("Special Meetings") or Section 7 ("Order of Business") of Article II ("Meetings of Shareholders") of the By-laws, Section 2 ("Terms and Vacancies"), Section 3 ("Nominations of Directors; Election") or Section 8 ("Quorum and Manner of Acting") of Article III ("Directors") of the By-laws, Article X ("Indemnification of Directors and Officers") of the By-laws, or the final sentence of Article XI ("Amendments") of the By-laws shall not be amended or repealed, and no provision inconsistent with any thereof shall be adopted, without the affirmative vote of the holders of at least 80% of the voting power of the Voting Stock, voting together as a single class. Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, any provision of this Article NINTH.

TENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ELEVENTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this provision shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

TWELFTH: The Corporation expressly elects not to be governed by Section 203 of the Delaware General Corporation Law.

CERTIFICATE OF DESIGNATION OF
PREFERENCES AND RIGHTS OF
REDEEMABLE CONVERTIBLE PREFERRED STOCK, SERIES C OF
BARNES & NOBLE, INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

Barnes & Noble, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of the Company, the Board of Directors as of November 5, 1992 adopted the following resolution by unanimous written consent, creating a series of Preferred Stock designated as Redeemable Convertible Preferred Stock, Series C:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Company (the "Board") in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Company be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof, are as follows:

SECTION 1. Designation; Rank. This series of Preferred Stock shall be designated Redeemable Convertible Preferred Stock, Series C par value \$.001 per share (the "Series C Preferred"). The Series C Preferred shall be senior to the Series D Preferred Stock, par value \$.001 per share (the "Series D Preferred Stock"), the Series E Preferred Stock, par value \$.001 per share (the "Series E Preferred Stock"), the Series F Preferred Stock, par value \$.001 per share (the "Series F Preferred Stock"), the Series G Preferred Stock, par value \$.001 per share (the "Series G Preferred Stock"), and the Common Stock, par value \$.001 per share (the "Common Stock"), of the Company as to dividend payments and as to distributions upon liquidation, dissolution or winding up of the Company.

SECTION 2. Authorized Number. The number of shares constituting the Series C Preferred shall be 55,000 shares.

SECTION 3. Dividends. The holders of the Series C Preferred shall be entitled to receive, as and when declared by the Board of Directors and out of assets of the Company legally available for payment of dividends, quarterly cumulative dividends in cash on each outstanding share of Series C Preferred at the rate of \$120 per share per annum. Such cumulative dividends shall be paid in equal amounts (other than with respect to the initial dividend period) quarterly on January 15, April 15, July 15 and October 15 of each year (unless such day is not a business day, in which event on the next business day) (each, whether or not a dividend is paid on such date, a "Dividend Payment Date"), to holders of record as they appear on the register for the Series C Preferred on the fifteenth day immediately preceding the relevant Dividend Payment Date, out of

any assets at the time legally available therefor, and shall accrue until so paid from the date of issuance until so paid, whether or not declared. A quarterly dividend period shall begin on the day following each Dividend Payment Date and end on the next succeeding Dividend Payment Date. Notwithstanding the foregoing, the first quarterly dividend period shall commence on the date of issue, and the dividend payable in respect thereof shall be paid, if declared by the Board of Directors, on January 15, 1993 for the actual number of days in such period. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Series C Preferred at the aforesaid times and rates, such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest.

No dividends or other distribution (other than dividends payable in Common Stock), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in Common Stock or repurchases in the ordinary course of business of Common Stock issued in connection with the exercise of options outstanding on the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company (x) from employees of the Company upon their death, termination or retirement or (y) upon foreclosure pursuant to loans made in the ordinary course of business by the Company to employees of the Company secured by Common Stock (“Permitted Employee Repurchases”)), shall be made with respect to the Common Stock or any other class or series of the Company’s capital stock ranking pari passu with or junior to the Series C Preferred until cumulative dividends on the Series C Preferred in the full amounts as set forth above for all dividend periods ending, and all amounts payable upon redemption of any Series C Preferred then called for redemption, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

SECTION 4. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, distributions to the stockholders of the Company shall be made in the following manner:

(a) The holders of the Series C Preferred shall be entitled to receive prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Common Stock or any other class or series of the Company’s capital stock ranking pari passu with or junior to the Series C Preferred the preference amount (in cash) of \$1,000 per share for each share of Series C Preferred then held by them plus an amount equal to all accrued but unpaid dividends (whether or not declared) on the Series C Preferred to the date of liquidation, dissolution or winding up (the “Redemption Amount”). If the assets and funds thus distributed among the holders of Series C Preferred are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the Company legally available for distribution shall be distributed among the holders of Series C Preferred in the proportion that the number of shares of Series C Preferred held by each such holder bears to the number of all shares of the Series C Preferred then outstanding. After payment has been made to the holders of the Series C Preferred of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Series C Preferred, and the remaining assets of the Company shall be distributed among the holders of all capital stock of the Company junior to the Series C Preferred in accordance with the Amended and Restated Certificate of

Incorporation of the Company, the Certificates of Designation of the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock and applicable law.

(b) For purposes of this Section 4, a merger or consolidation of the Company with or into any other corporation or corporations in which the Company is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the Company, shall not be treated as a liquidation, dissolution or winding up of the Company (unless in connection therewith, the liquidation, dissolution or winding up of the Company is specifically approved), but shall be treated as provided in Sections 7(d) and 8(d) hereof.

SECTION 5. Provisions Generally Applicable to Dividends and Liquidation. Except as provided in Sections 6 and 9, the Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of Sections 3 and 4 and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Series C Preferred against impairment; provided, however, that nothing herein will prevent the Company from creating any new series of Preferred Stock with higher dividend rates or larger liquidation payments so long as the priority of such rights is junior to the rights of the Series C Preferred.

SECTION 6. Voting Rights. In addition to such other vote, if any, as may be required by Delaware law or provided by the resolution creating any other series of Preferred Stock, the affirmative vote of the holders of at least $66 \frac{2}{3}$ percent of the outstanding shares of Series C Preferred, voting together as a single class, shall be necessary to: (i) declare or pay any dividends on, or redeem or otherwise acquire, except for Permitted Employee Repurchases, any other class or series of capital stock ranking pari passu with or junior to the Series C Preferred as to dividends or liquidation preference; provided, that if all accrued dividends on the Series C Preferred have been paid through the most recent Dividend Payment Date, the Company may pay dividends on the Company's Series D Preferred Stock without seeking such approval; (ii) authorize, increase the number of authorized shares of, or issue any class of capital stock ranking pari passu with or senior to the Series C Preferred as to dividends or liquidation preference (including additional shares of Series C Preferred) or any other capital stock having earlier mandatory or optional redemption dates than the Series C Preferred; (iii) authorize an amendment to the Company's Amended and Restated Certificate of Incorporation decreasing the liquidation preference of the Series C Preferred or otherwise adversely affecting the preferences, rights or powers of the Series C Preferred; (iv) reclassify any shares of stock into stock ranking pari passu with or senior to the Series C Preferred as to dividends or liquidation preference; (v) issue any security exchangeable for, convertible into, or evidencing the right to purchase any stock ranking pari passu with or senior to the Series C Preferred as to dividends or liquidation preference; or (vi) effect a voluntary liquidation, dissolution or winding up of the Company, the sale of all or substantially all the assets of the Company, or the merger, consolidation or recapitalization of the Company.

SECTION 7. Conversion.

(a) Right to Convert. (i) Each share of Series C Preferred may, at the option of the holder thereof, be converted into shares of Common Stock, on the terms and conditions set forth in this Section 7, at any time on or after May 1, 1996, at the office of the Company or any transfer agent for the Series C Preferred, into such number of fully paid and nonassessable shares of Common Stock having an aggregate Fair Market Value on the date of delivery of written notice to the Company of the holder's election to convert in accordance with Section 7(c) equal to 110 percent of the Redemption Amount on that date. The "Fair Market Value" of a share of Common Stock shall be equal to the average closing sales price per share of Common Stock on the principal market on which the Common Stock is traded for the 20 trading days immediately preceding (but not including) the date of delivery of written notice to the Company of the holder's election to convert in accordance with this Section 7, less four percent of the amount determined by such method or the alternative method set forth below, representing the estimated costs of the distribution of such share, or, if the Common Stock is not publicly traded, the Fair Market Value of such share shall be determined as of such date by the Board of Directors of the Company; provided that if the holders of a majority of the shares of Series C Preferred being converted at such time do not agree with such determination, the Fair Market Value of such shares shall be determined by a nationally recognized firm of investment bankers reasonably acceptable to the Company and the holders of the Series C Preferred being converted at such time, the fees of which investment banking firm shall be paid by the Company; provided, however, that if the Fair Market Value as finally determined by such investment banking firm is greater than 95 percent of the Fair Market Value as determined by the Board of Directors of the Company, the holders of shares of Series C Preferred being converted at such time shall pay such fees. Such investment bankers shall take into account any illiquidity of such shares and shall assume that such shares do not represent a controlling interest.

(ii) Notwithstanding anything to the contrary in clause (i) hereof, if all holders of shares of Series C Preferred propose to convert all but not less than all of such shares at a time when the Company's Enterprise Value is less than an amount equal to the sum of the aggregate Series C Optional Conversion Amount of all outstanding shares of Series C Preferred and the aggregate Series D Optional Conversion Amount of all outstanding shares of Series D Preferred, then the following shall apply:

(A) If the Company's Enterprise Value is less than the aggregate Series C Optional Conversion Amount of all outstanding shares of Series C Preferred, then the holders of the shares of Series C Preferred being converted shall be entitled to receive a number of shares of Common Stock representing (as nearly as practicable) all of the outstanding Common Stock.

(B) In any other case, the holders of the shares of Series C Preferred shall be entitled to receive a number of shares of Common Stock that bears a proportion (as nearly as practicable) to the total number of Fully Diluted Shares outstanding after the conversion of the shares of Series C Preferred (and the conversion of the shares of Series D Preferred required pursuant to the Series D Certificate of Designation) equal to the Series C Relative Ownership Ratio.

provided, however; this clause (ii) shall not be applicable if such proposed conversion takes place after an initial public offering of Common Stock and the Fair Market Value of the Common Stock is greater than or equal to \$2.00 per share.

“Enterprise Value” means the fair market value of the capital stock of the Company as determined by the Board of Directors of the Company assuming such capital stock consisted exclusively of Common Stock (i.e., that no preferred stock of the Company existed); provided that if either the holders of a majority of the shares of Series D Preferred being converted at such time or the holders of a majority of the shares of Series 0 Preferred being converted at such time do not agree with such determination, the fair market value of such capital stock shall be determined by a nationally recognized firm of investment bankers reasonably acceptable to the Company and said holders of the Series C Preferred or said holders of the Series D Preferred, as the case may be, the fees of which investment banking firm shall be paid by the Company; provided, however, that in the case of a disagreement with such determination by said holders of the Series C Preferred if the fair market value as finally determined by such investment banking firm is greater than 95 percent of the fair market value as determined by the Board of Directors of the Company, the holders of shares of Series C Preferred being converted at such time shall pay such fees; provided, further, that in the case of a disagreement with such determination by said holders of the Series D Preferred if the fair market value as finally determined by such investment banking firm is less than 105 percent of the fair market value as determined by the Board of Directors of the Company, the holders of shares of Series D Preferred being converted at such time shall pay such fees.

“Fully Diluted Shares” means, at any time, the number of shares of Common Stock outstanding at such time plus all shares of Common Stock issuable upon the exercise or conversion of all options, warrants, convertible securities and other rights to acquire Common Stock of the Company.

“Series C Optional Conversion Amount” means, at any time, 110 percent of the Redemption Amount of a share of Series C Preferred at such time.

“Series C Relative Ownership Ratio” means, at any time, a fraction the numerator of which is the aggregate Series C Optional Conversion Amount of all outstanding shares of Series C Preferred and the denominator of which is the Company’s Enterprise Value.

“Series D Certificate of Designation” means the Certificate of Designation relating to the Series D Preferred.

“Series D Optional Conversion Amount” means, at any time, 109.23 percent of the Redemption Amount (as defined in the Series D Certificate of Designation) of a share of Series D Preferred at such time.

(b) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of the Series C Preferred surrendered for conversion into Common Stock. No fractional shares of Common Stock shall be issued upon conversion of the Series C Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the Fair Market Value of such share at the time of conversion.

(c) Mechanics of Conversion. Before any holder of Series C Preferred shall be entitled to convert the same into shares of Common Stock and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Series C Preferred to be converted, duly endorsed, at the office of the Company or of any transfer agent for the Series C Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. The Company shall, within 10 days after such delivery, issue and deliver at such office to such holder of the Series C Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series C Preferred to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date. In case any certificate for shares of the Series C Preferred shall be surrendered for conversion of only a part of the shares represented thereby, the Company shall deliver within 10 days at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Series C Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the Series C Preferred are either delivered to the Company or its transfer agent or the Company or its transfer agent shall have received evidence satisfactory to it evidencing that such certificates have been lost, stolen or destroyed and the holder of such Series C Preferred executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. The issuance of certificates of shares of Common Stock issuable upon conversion of shares of Series C Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Series C Preferred being converted.

(d) Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company, whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the Company, the shares of Series C Preferred shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property, of the Company or otherwise, to which the holder of such shares of Series C Preferred would have been entitled if immediately prior to such event such holder had converted its shares of Series C Preferred into Common Stock. The provisions of this Section 7(d) shall similarly apply to successive changes, reclassifications, conversions, exchanges or cancellations.

(e) No Impairment. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the

provisions of this Section 7 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series C Preferred against impairment.

(f) Notices.

(i) In the event that the Company shall propose at any time (A) to effect any transaction of the type described in Section 7(d) hereof, (B) to pay or make any dividend or distribution in shares of its capital stock, rights or warrants, cash or other assets or evidences of its indebtedness, (C) to subdivide, split or reclassify the outstanding shares of its capital stock into a larger number of shares, (D) to combine or reclassify the outstanding shares of its capital stock into a smaller number of shares, (E) to issue capital stock (or options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of capital stock) other than Common Stock issued pursuant to the exercise of options outstanding on the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company, (F) to repurchase (or if any subsidiary of the Company proposes to repurchase) any shares of capital stock or (G) to take any similar extraordinary corporate action affecting the Company's capital stock, then, in connection with each such event, the Company shall send to the holders of the Series C Preferred at least 20 days prior to (x) in the case of a dividend or other distribution, the applicable record date, a notice specifying the record date for purposes of such dividend or distribution and the date on which such dividend or other distribution is to be made, and (y) in any other case, the date on which such event is to become effective or the first date on which the Company intends to effect any such transaction, as the case may be, in each case specifying in reasonable detail what the transaction or event consists of and, if applicable, the aggregate amount or value of any cash or property proposed to be distributed, paid, purchased or received by the Company in connection therewith.

(ii) In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the holders of the Series C Preferred at least 20 days' prior written notice thereof.

(iii) Unless notice is otherwise required pursuant to Section 7(f)(i) hereof, the Company shall send written notice to the holders of the Series C Preferred immediately upon any public announcement with respect to an open market repurchase program for, any self-tender offer for and any other repurchase of capital stock of the Company, other than Permitted Employee Repurchases.

SECTION 8. Redemption.

(a) Optional Redemption. The Company may, at its option, redeem all or from time to time any part, but not fewer than 3,000 shares (or, if fewer than such number of shares are then outstanding, all outstanding shares) of the shares of Series C Preferred, out of funds legally available therefor, upon giving a Redemption Notice as set forth in Section 8(c) hereof. The redemption payment for each share of Series C Preferred shall be the Redemption Amount in cash determined as of the Redemption Date (as defined below). In the event of a redemption of only a part of the then outstanding Series C Preferred, the Company shall effect such redemption ratably according to the number of shares held by each holder of Series C Preferred.

(b) Mandatory Redemption. If the Company shall issue capital stock ranking pari passu with or junior to the Series C Preferred (a “Securities Issuance”), other than Common Stock issued pursuant to (x) the conversion of the Series C Preferred, the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock or the Series G Preferred Stock of the Company, or the exercise of the Series A Warrants to purchase Common Stock, (y) the exercise of stock options outstanding on the date of issuance of the Series C Preferred or (z) the exercise of options issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company, the Company shall apply all of the proceeds of such Securities Issuance, upon receipt thereof, to redeem shares of Series C Preferred at a price per share equal to the Redemption Amount on the Redemption Date. If the proceeds of the Securities Issuance are insufficient to permit the redemption of all of the Series C Preferred, then the Company shall effect such redemption ratably according to the number of shares held by each holder of Series C Preferred.

(c) Mechanics of Redemption.

(i) At least 20 days, but not more than 60 days, prior to the date fixed for any redemption pursuant to Section 8(a) or (b) (the “Redemption Date”), the Company shall send a written notice (the “Redemption Notice”) to each holder of shares of Series C Preferred to be redeemed on such date (the “Redemption Shares”) stating: (A) the total number of Redemption Shares; (B) the number of Redemption Shares held by such holder; (C) the Redemption Date; (D) the Redemption Amount per share; and (E) the manner in which and the place at which such holder is to surrender to the Company the certificate or certificates representing its Redemption Shares.

(ii) Upon surrender to the Company, in the manner and at the place designated, of a certificate or certificates representing Redemption Shares, the Redemption Amount for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. All such surrendered certificates shall be cancelled. Upon redemption of only a portion of the shares of the Series C Preferred represented by a certificate surrendered for redemption, the Company shall, within 10 days, issue and deliver to or upon the written order of the holder of the certificate so surrendered, at the expense of the Company (except for expenses relating to the issuance of such shares to a person other than the record holder of the Redemption Shares), a new certificate representing the unredeemed shares of the Series C Preferred represented by the certificate so surrendered.

(iii) On or prior to the Redemption Date, the Company shall have the option to deposit the aggregate of all Redemption Amounts for all Redemption Shares (other than Redemption Shares surrendered for conversion prior to such date) in a bank or trust company (designated in the Redemption Notice) doing business in the Borough of Manhattan, the City and State of New York, having aggregate capital and surplus in excess of \$300,000,000, as a trust fund for the benefit of the respective holders of Redemption Shares, with irrevocable instructions and authority to the bank or trust company to pay the appropriate Redemption Amount to the holders of Redemption Shares upon receipt of notification from the Company that such holder has surrendered the certificate representing such shares to the Company. Such instructions shall also provide that any such moneys remaining unclaimed at the expiration of one year following the Redemption Date shall thereafter be returned to the Company upon its request as expressed in a resolution of its Board of Directors. The holder of any Redemption Shares in respect of which

such deposit has been returned to the Company pursuant to the preceding sentence shall have a claim as an unsecured creditor against the Company for the Redemption Amount in respect thereof, without interest.

(iv) Provided that the Company has given the Redemption Notice described in Section 8(c)(i) and has on or prior to the Redemption Date either paid or made available (as described in Section 8(c)(iii)) Redemption Amounts to the holders of Redemption Shares, all Redemption Shares shall be deemed to have been redeemed as of the close of business of the Company on the applicable Redemption Date. Thereafter, the holder of such shares shall no longer be treated for any purposes as the record holder of such shares of Series C Preferred, regardless of whether the certificates representing such shares are surrendered to the Company or its transfer agent, excepting only the right of the holder to receive the appropriate Redemption Amount, without interest, upon such surrender. Such shares so redeemed shall not be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

(v) The Company shall not be obligated to pay the Redemption Amount to any holder of Redemption Shares unless the certificates evidencing such shares are either delivered to the Company or its transfer agent, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates.

(d) Change of Control. (i) If there shall occur a Change of Control (as defined below) or the Company shall take any of the actions described in Section 6 without obtaining the affirmative vote of the holders of at least $66 \frac{2}{3}$ percent of the outstanding shares of Series C Preferred or the Company shall breach any of the covenants contained in Section 9 in any material respect, any holder of shares of the Series C Preferred shall have the right, at such holder's option, to require the company to redeem, and upon the exercise of such right the company shall purchase, all of the shares of the Series C Preferred held by such holder at a price per share equal to the Redemption Amount determined as of the date the company proposes to redeem such shares as specified by the Company pursuant to Section 8(d)(ii). For purposes hereof, a "Change in Control" shall be deemed to have occurred on the day Leonard Riggio and his Affiliates shall cease to beneficially own securities (or rights, warrants or options to acquire securities) representing (x) 3,826,131 Common Share Equivalents less (y) not more than 425,126 Common Share Equivalents acquired by Vendex International N.V. ("Vendex") in connection with a foreclosure by Vendex on a pledge by Leonard Riggio of securities permitted to be pledged under the terms of the Securityholders Agreement (as defined below), each such number of Common Share Equivalents shall be adjusted as appropriate to reflect any event described in Section 7(d), any dividend or distribution of shares of the Company's capital stock, rights or warrants to acquire such capital stock, any subdivision, split or reclassification of the outstanding shares of the Company's capital stock into a larger number of shares and any combination or reclassification of the outstanding shares of the Company's capital stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of capital stock); provided that securities of the company owned by any of Leonard Riggio's Affiliates that are individuals shall not be deemed to be beneficially owned by Leonard Riggio and his Affiliates within the meaning of this sentence unless Leonard Riggio retains all of the voting rights of such securities. The number of "Common Share Equivalents" represented by a security on any date is (A) in the case of a share of Common

Stock, one or (B) in the case of all or a portion of the Series E and Series F Preferred Stock of the Company or any other convertible security that (1) was issued for a price equal to the fair market value thereof, (2) is convertible to Common Stock at no less than the fair market value of such Common Stock on the date the convertible security was issued and (3) is so convertible without the payment of additional consideration, the number of shares of common Stock receivable upon conversion of such security (or such portion of such security), if such security were converted on such date. "Affiliate", as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with, that Person, and, in the case of a Person that is an individual, such Person's spouse and siblings, and the lineal descendants and ancestors of such Person and his siblings. For purposes of this definition, "control" (including, with correlative meaning, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person means the ownership, directly or indirectly, of more than 50 percent of the outstanding voting securities of such Person or other ownership interests having ordinary voting power to elect a majority of the board of directors of such Person or other entity performing similar functions. "Person" means an individual, partnership, corporation, trust, joint stock company, association, joint venture, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

(ii) Procedure. On or before the 10th day after the occurrence of an event giving rise to a right of redemption pursuant to this Section 8(d), the Company shall send each holder of Series C Preferred a notice advising such holder of its rights hereunder and specifying the date, not less than 20 nor more than 60 days after the date such notice is delivered to such holder, on which the Company proposes to redeem the shares of those holders requesting redemption pursuant hereto; provided that no failure of the Company to give such notice shall limit the rights of holders hereunder. Any record holder of shares of the Series C Preferred wishing to exercise its rights hereunder shall deliver to the Company on or before the fifteenth day after receipt of the notice referred to in the first sentence of this clause (ii), (A) written notice (which shall be irrevocable) of such holder's exercise of such right, which notice shall set forth the name of the holder, the number of shares of Series C Preferred which such holder wishes to have redeemed and a statement that an election to exercise its rights hereunder is being made thereby, and (B) the certificate or certificates representing the shares of Series C Preferred such holder wishes to have redeemed, duly endorsed for transfer to the Company. Upon such surrender, the redemption procedures of Sections 8(c)(ii) through (v) shall be applicable (with the notice referred to in the first sentence of this clause (ii) constituting the Redemption Notice).

SECTION 9. Certain Covenants. So long as any shares of Series C Preferred shall be outstanding, the Company shall not, without the consent of the holders of more than $66 \frac{2}{3}$ percent of the then outstanding shares of the Series C Preferred:

(a) acquire stock or assets or make any other investment (by merger or otherwise) in any 12-month period for consideration in excess of \$10 million, other than in the ordinary course of business;

(b) permit any indebtedness for money borrowed other than as would be permitted under Section 1008 of the Indenture dated as of November 16, 1992 between the Company and United States Trust Company of New York, as trustee relating to the Company's 11 7/8% Senior Subordinated Notes due 2003 (as in effect on the date of issuance of the of the Series C Preferred and without regard to whether any such notes are outstanding) (the "Indenture");

(c) amend the certificate of incorporation or bylaws of the Company or any subsidiary in any manner that adversely affects the preferences, rights or powers of the holders of the Series C Preferred hereunder or under the Securityholders Agreement dated as of November 16, 1992, as amended from time to time, unless such agreement shall have been terminated with respect to the holders of the Series C Preferred (the "Securityholders Agreement");

(d) enter into any transactions with Affiliates, except as would be permitted under Section 1014(a) of the Indenture;

(e) sell, lease, pledge, transfer or otherwise dispose of any assets in any 12-month period for consideration in excess of \$20 million, other than the sale of inventory in the ordinary course of business; or

(f) to sell or permit any subsidiary of the Company to issue or sell any capital stock of a subsidiary of the Company, whether publicly or privately, unless the aggregate net proceeds of such issuance are used to redeem shares of Series C Preferred.

SECTION 10. Transfer and Legending of Shares. No transfer of shares of the Series C Preferred shall be effective until such transfer is registered on the books of the Company. Any shares so transferred must bear the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH.

The Company shall refuse to register any attempted transfer of shares of Series C Preferred not in compliance with this Section 10.

SECTION 11. Status of Converted Shares. If shares of the Series C Preferred are converted pursuant to Section 7 hereof or redeemed pursuant to Section 8 hereof, the shares so converted or redeemed shall assume the status of authorized but unissued shares of preferred stock of the Company.

SECTION 12. Reserved Shares. So long as any shares of Series C Preferred remain outstanding, the Company agrees to keep reserved for issuance in connection with the conversion of the Series C Preferred at all times a number of authorized but unissued shares of Common Stock at least equal to 200 percent of the number of shares of Common Stock issuable upon conversion of all of the Series C Preferred outstanding at such time.

SECTION 13. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telex or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of the Series C Preferred, to such holder's address of record, and (ii) in the case of the Company, to the Company's principal executive offices to the attention of the Company's president.

SECTION 14. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Series C Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Company and the affirmative vote or written consent of the holders of more than 66 ²/₃ percent of the shares of Series C Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the Company and all holders of the Series C Preferred.

IN WITNESS WHEREOF, Barnes & Noble, Inc. has caused this Certificate of Designation to be duly executed by its duly authorized officer and attested by its secretary this 16th day of November, 1992.

BARNES & NOBLE, INC.

By: /s/ Irene R. Miller

Name: Irene R. Miller

Title: Executive Vice President

ATTEST:

By: /s/ Michael N. Rosen

Name: Michael N. Rosen

Title: Secretary

CERTIFICATE OF DESIGNATION OF
PREFERENCES AND RIGHTS OF
REDEEMABLE CONVERTIBLE PREFERRED STOCK, SERIES D OF
BARNES & NOBLE, INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

Barnes & Noble, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of the Company, the Board of Directors as of November 5, 1992 adopted the following resolution by unanimous written consent, creating a series of Preferred Stock designated as Redeemable Convertible Preferred Stock, Series D:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Company (the "Board") in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Company be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof, are as follows:

SECTION 1. Designation Rank. This series of Preferred Stock shall be designated Redeemable Convertible Preferred Stock, Series D, par value \$.001 per share (the "Series D Preferred"). The Series D Preferred shall be senior to the Series E Preferred Stock, par value \$.001 per share (the "Series E Preferred"), the Series F Preferred Stock, par value \$.001 per share (the "Series F Preferred"), the Series G Preferred Stock, par value \$.001 per share (the "Series G Preferred"), and the common stock, par value \$.001 per share (the "Common Stock"), and junior to the Series C Preferred Stock, par value \$.001 per share (the "Series C Preferred") of the Company as to dividend payments and are to distributions upon liquidation, dissolution or winding up of the Company.

SECTION 2. Authorized Number. The number of shares constituting the Series D Preferred shall be 20,000 shares.

SECTION 3. Dividends. The holders of the Series D Preferred shall be entitled to receive, as and when declared by the Board of Directors and out of assets of the Company legally available for payment of dividends, quarterly cumulative dividends in cash on each outstanding share of Series D Preferred at the rate of \$120 per share per annum. Such cumulative dividends shall be paid in equal amounts (other than with respect to the initial dividend period) quarterly on January 15, April 15, July 15 and October 15 of each year (unless such day is not a business day, in

which event on the next business day) (each, whether or not a dividend is paid on such date, a "Dividend Payment Date") to holders of record as they appear on the register for the Series D Preferred on the fifteenth day immediately preceding the relevant Dividend Payment Date, out of any assets at the time legally available therefor, and shall accrue until so paid from the date of issuance until so paid, whether or not declared. A quarterly dividend period shall begin on the day following each Dividend Payment Date and end on the next succeeding Dividend Payment Date. Notwithstanding the foregoing, the first quarterly dividend period shall commence on the date of issue, and the dividend payable in respect thereof, if declared by the Board of Directors, shall be paid on January 15, 1993, for the actual number of days in such period. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Series D Preferred at the aforesaid times and rates, such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest. Notwithstanding the foregoing, the holders of the Series D Preferred shall not be entitled to receive any dividends if and so long as any accrued dividends on the Series C Preferred Stock, par value \$.001 per share, of the Company (the "Series C Preferred"), remains unpaid through any Dividend Payment Date specified in the certificate of designation for the Series C Preferred falling on or before any Dividend Payment Date.

No dividends or other distribution (other than dividends payable in Common Stock), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in Common Stock or repurchases in the ordinary course of business of Common Stock issued in connection with the exercise of options outstanding on the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company (x) from employees of the Company upon their death, termination or retirement or (y) upon foreclosure pursuant to loans made in the ordinary course of business by the Company to employees of the Company secured by Common Stock ("Permitted Employee Repurchases")), shall be made with respect to the Common Stock or any other class or series of the Company's capital stock ranking pari passu with or junior to the Series D Preferred until cumulative dividends on the Series D Preferred in the full amounts as set forth above for all dividend periods ending, and all amounts payable upon redemption of any Series D Preferred then called for redemption, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

SECTION 4. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, distributions to the stockholders of the Company shall be made in the following manner:

(a) The holders of the Series C Preferred shall be entitled to receive prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Series D Preferred all amounts due to them through the date of liquidation, dissolution or winding up. Thereafter, the holders of the Series D Preferred shall be entitled to receive prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Common Stock or any other class or series of the Company's capital stock ranking pari passu with or junior to the Series D Preferred the preference amount (in cash) of \$1,000 per share for each share of Series D Preferred then held by them plus an amount equal to all accrued but unpaid dividends (whether or not declared) on the Series D Preferred to the date of liquidation, dissolution or winding up (the "Redemption Amount").

If the assets and funds thus distributed among the holders of Series D Preferred are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the Company legally available for distribution shall be distributed among the holders of Series D Preferred in the proportion that the number of shares of Series D Preferred held by each such holder bears to the number of all shares of the Series D Preferred then outstanding. After payment has been made to the holders of the Series D Preferred of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Series D Preferred, and the remaining assets of the Company shall be distributed among the holders of all capital stock of the Company junior to the Series D Preferred in accordance with the Amended and Restated Certificate of Incorporation of the Company, the Certificates of Designation of the Series E, Series F and Series G Preferred Stock of the Company and applicable law.

(b) For purposes of this Section 4, a merger or consolidation of the Company with or into any other corporation or corporations in which the Company is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the Company, shall not be treated as a liquidation, dissolution or winding up of the Company (unless in connection therewith, the liquidation, dissolution or winding up of the Company is specifically approved), but shall be treated as provided in Section 7(e) and 8(c) hereof.

SECTION 5. Provisions Generally Applicable to Dividends and Liquidation. Except as provided in Section 6, the Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of Sections 3 and 4 and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Series D Preferred against impairment; provided, however, that nothing herein will prevent the Company from creating any new series of Preferred Stock with higher dividend rates or larger liquidation payments so long as the priority of such rights is junior to the rights of the Series D Preferred.

SECTION 6. Voting Rights. In addition to such other vote, if any, as may be required by Delaware law or provided by the resolution creating any other series of Preferred Stock, the affirmative vote of the holders of at least $66 \frac{2}{3}$ percent of the outstanding shares of Series D Preferred, voting together as a single class, shall be necessary to: (i) declare or pay any dividends on, or redeem or otherwise acquire, except for Permitted Employee Repurchases, any other class or series of capital stock ranking pari passu with or junior to the Series D Preferred as to dividends or liquidation preference; (ii) authorize, increase the number of authorized shares of, or issue any class of capital stock ranking pari passu with or senior to the Series D Preferred as to dividends or liquidation preference (including additional shares of Series D Preferred) or any other capital stock having earlier mandatory or optional redemption dates than the Series D Preferred; (iii) authorize an amendment to the Company's Amended and Restated Certificate of Incorporation decreasing the liquidation preference of the Series D Preferred, or otherwise adversely affecting the preferences, rights or powers of the Series D Preferred; (iv) reclassify any shares of stock into stock ranking pari passu with or senior to the Series D Preferred as to dividends or liquidation preference; (v) issue any security exchangeable for, convertible into, or evidencing

the right to purchase any stock ranking pari passu with or senior to the Series D Preferred as to dividends or liquidation preference; or (vi) effect a voluntary liquidation, dissolution or winding up of the Company, the sale of all or substantially all the assets of the Company, or the merger, consolidation or recapitalization of the Company; provided, however, that no such approval of the holders of Series Preferred shall be required in connection with the exercise by the holders of the Series C Preferred of their right to compel the sale of the Series D Preferred pursuant to the terms of Section 2.5 of the Securityholders' Agreement, dated November 16, 1992, among the Company, Leonard Riggio, Barnes & Noble Bookstores, Inc., Vendex International N.V., Princes Gate Investors, L.P., PGI Investments Limited, PGI Sweden AB and PG Investors, Inc., as Agent.

SECTION 7. Conversion.

(a) Optional Conversion. Each share of Series D Preferred may, at the option of the holder thereof, be converted into shares of Common Stock, on the terms and conditions set forth in this Section 7(a), at any time after May 1, 1996, at the office of the Company or any transfer agent for the Series D Preferred, into such number of fully paid and nonassessable shares of Common Stock having a Fair Market Value on the date of delivery of written notice to the Company of the holder's election to convert in accordance with Section 7(d) equal to the Series D Optional Conversion Amount (as hereinafter defined) on that date. The "Fair Market Value" of a share of Common Stock shall be equal to the average closing sales price per share of Common Stock on the principal market on which the Common Stock is traded for the 20 trading days immediately preceding (but not including) the date of delivery of written notice to the Company of the holder's election to convert in accordance with this Section 7, less four percent of the amount determined by such method or the alternative method set forth below, representing the estimated costs of the distribution of such share, or, if the Common Stock is not publicly traded, the Fair Market Value of such share shall be determined as of such date by the Board of Directors of the Company; provided that if the holders of a majority of the shares of Series D Preferred being converted at such time do not agree with such determination, the Fair Market Value of such shares shall be determined by a nationally recognized firm of investment bankers reasonably acceptable to the Company and the holders of the Series D Preferred being converted at such time, the fees of which investment banking firm shall be paid by the Company; provided, however, that if the Fair Market Value as finally determined by such investment banking firm is greater than 95 percent of the Fair Market Value as determined by the Board of Directors of the Company, the holders of shares of Series D Preferred being converted at such time shall pay such fees. Such investment bankers shall take into account any illiquidity of such shares and shall assume that such shares do not represent a controlling interest.

(b) Mandatory Conversion.

(i) Upon any mandatory redemption of shares of Series C Preferred pursuant to Section 8(b) of the Series C Certificate of Designation, the holders of the Series D Preferred shall be required to convert a Pro Rata Number of shares of Series D Preferred into a number of fully paid and nonassessable shares of Common Stock having an aggregate Fair Market Value on the date such shares of Series C Preferred are redeemed equal to the aggregate Redemption Amount of the shares of Series D Preferred so converted; provided, that in the case of such a redemption in connection with an initial public offering of Common Stock of the Company (the "IPO"), the Fair Market Value of a share of Common Stock shall be equal to the mid-point of

the range for the Common Stock price indicated in the last preliminary prospectus distributed prior to the consummation of the IPO; and, provided, further, that if the managing underwriter of the IPO determines that it would not adversely affect the marketability of the Common Stock if a portion of the proceeds of the IPO were to be used to redeem all or part of the Series D Preferred after all of the Series C Preferred has been redeemed, then, in such event and to such extent and upon the request of a majority of the holders of the Series D Preferred, the Series D Preferred shall not be converted into shares of Common Stock, and, instead, the Company shall redeem the Series D Preferred as set forth in Section 8 hereof.

(ii) Upon any conversion of shares of Series C Preferred for shares of Common Stock pursuant to Section 7 of the Series C Certificate of Designation, the holders of the Series D Preferred shall be required to convert a Pro Rata Number of shares of Series D Preferred into a number of fully paid and nonassessable shares of Common Stock having a Fair Market Value on the date such shares of Series C Preferred are converted equal to the aggregate Series D Optional Conversion Amount of the shares of Series D Preferred so converted.

(iii) Notwithstanding anything to the contrary in clause (ii) hereof, if all holders of shares of Series C Preferred propose to convert all but not less than all of such shares at a time when the Company's Enterprise Value is less than an amount equal to the sum of the aggregate Series C Optional Conversion Amount of all outstanding shares of Series C Preferred and the aggregate Series D Optional Conversion Amount of all outstanding shares of Series D Preferred, then the following shall apply:

(A) If the Company's Enterprise Value is less than the aggregate Series C Optional Conversion Amount of all outstanding shares of Series C Preferred, then each and every share of Series D Preferred outstanding shall be converted into one share of Common Stock prior to the determination of the number of shares of common Stock to be received in respect of the shares of Series C Preferred to be converted; and

(B) In any other case, (1) each and every one of a number of shares of Series D Preferred equal to the Excess Series D Share Amount shall be converted (on a pro rata basis among all holders of Series D Preferred) into one share of Common Stock prior to the determination of the number of shares of Common Stock to be received in respect of the shares of Series C Preferred to be converted and (2) the remaining shares of Series D Preferred shall be converted into a number of shares of Common Stock that bears a proportion to the total number of Fully Diluted Shares outstanding after the conversion of the Series C Preferred and Series D Preferred equal to (as nearly as practicable) the Series D Relative Ownership Ratio at such time;

provided, however, that this clause (iii) shall not be applicable if such proposed conversion takes place after an IPO and the Fair Market Value of the Common Stock is greater than or equal to \$2.00 per share.

“Enterprise Value” means the fair market value of the capital stock of the Company as determined by the Board of Directors of the Company assuming such capital stock consisted exclusively of Common Stock (i.e., that no Preferred Stock of the Company existed); provided that if either the holders of a majority of the shares of Series C Preferred being converted at such time or the holders of a majority of the shares of Series D Preferred being converted at such time do not agree with such determination, the fair market value of such capital stock shall be determined by a nationally recognized firm of investment bankers reasonably acceptable to the Company and such holders of the Series C Preferred or said holders of the Series D Preferred, as the case may be, the fees of which investment banking firm shall be paid by the Company; provided, however, that in the case of a disagreement with such determination by said holders of the Series C Preferred, if the fair market value as finally determined by such investment banking firm is greater than 95 percent of the fair market value as determined by the Board of Directors of the Company, the holders of shares of Series C Preferred being converted at such time shall pay such fees; provided, further, that in the case of a disagreement with such determination by said holders of the Series D Preferred, if the fair market value as finally determined by such investment banking firm is less than 105 percent of the fair market value as determined by the Board of Directors of the Company, the holders of shares of Series D Preferred being converted at such time shall pay such fees.

“Excess Series D Share Amount” means, at any time, the difference between (x) all outstanding shares of Series D Preferred immediately prior to such conversion and (y) such number of shares of Series D Preferred as has an aggregate Series D Optional Conversion Amount equal to the difference between (I) the Company’s Enterprise Value at such time and (II) the aggregate Series C Optional Conversion Amount of all outstanding shares of Series C Preferred at such time.

“Fully Diluted Shares” means, at any time, the number of shares of Common Stock outstanding at such time plus all shares of Common Stock issuable upon the exercise or conversion of all options, warrants, convertible securities and other rights to acquire Common Stock of the Company.

“Pro Rata Number” means, at any time shares of Series C Preferred are proposed to be redeemed or converted, the number of shares of Series D Preferred outstanding at such time multiplied by the Series C Conversion Ratio.

“Series C Certificate of Designation” means the Certificate of Designation relating to the Series C Preferred.

“Series C Conversion Ratio” means, at any time any shares of Series C Preferred are proposed to be redeemed or converted into Common Stock, a fraction the numerator of which is the number of shares of Series C Preferred to be redeemed or converted and the denominator of which is the number of shares of Series C Preferred outstanding immediately prior to such redemption or conversion.

“Series C Optional Conversion Amount” means, at any time, 110 percent of the Redemption Amount (as defined in the Series C Certificate of Designation) of a share of Series C Preferred at such time.

“Series D Optional Conversion Amount” means, at any time, 109.23 percent of the Redemption Amount of a share of Series D Preferred at such time.

“Series D Relative Ownership Ratio” means, at any time, a fraction (i) the numerator of which is (x) the Company’s Enterprise Value minus (y) the aggregate Series C Optional Conversion Amount of all outstanding shares of Series C Preferred and (ii) the denominator of which is the Company’s Enterprise Value.

(c) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of the Series D Preferred (x) in the case of a conversion pursuant to Section 7(a), when such shares are surrendered for conversion into Common Stock and (y) in the case of a conversion pursuant to Section 7(b), upon the occurrence of the event requiring the conversion of all or a portion of the Series D Preferred. No fractional shares of Common Stock shall be issued upon conversion of the Series D Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the value of each share at the time of conversion, as calculated pursuant to the applicable provision of Section 7(a) or (b) hereof.

(d) Mechanics of Conversion. (i) Before any holder of Series D Preferred shall be entitled to convert the same into shares of Common Stock pursuant to Section 7(a) and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Series D Preferred to be converted, duly endorsed, at the office of the Company or of any transfer agent for the Series D Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. The Company shall, within ten days after such delivery, issue and deliver at such office to such holder of the Series D Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series D Preferred to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date. In case any certificate for shares of the Series D Preferred shall be surrendered for conversion of only a part of the shares represented thereby, the Company shall deliver within ten days at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Series D Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the Series D Preferred are either delivered to the Company or its transfer agent or the Company or its transfer agent shall have received evidence satisfactory to it evidencing that such certificates have been lost, stolen or destroyed and the holder of such Series D Preferred executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. The issuance of certificates of shares of Common Stock issuable upon conversion of shares of Series D Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Series D Preferred being converted.

(ii) To the extent possible, before any holder of Series D Preferred shall be required to convert the same into shares of Common Stock pursuant to Section 7(b), such holder shall receive written notice from the Company of such conversion no less than ten days prior to the anticipated date of such conversion. Such holder shall surrender the certificate or certificates for the Series D Preferred to be converted, duly endorsed, at the office of the Company or of any transfer agent for the Series D Preferred, within ten days after receipt of written notice from the Company of its conversion of the same. The Company shall, within ten days after such delivery, issue and deliver at such office to such holder of the Series D Preferred (or to any other person specified in writing by such holder upon surrender of the Series D Preferred certificate or certificates), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. such conversion shall be deemed to have been made immediately upon the occurrence of the event triggering the applicable mandatory conversion provision of Section 7(b), whether or not any prior notice has been given with respect thereto, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock at such time. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the Series D Preferred are either delivered to the Company or its transfer agent or the Company or its transfer agent shall have received evidence satisfactory to it evidencing that such certificates have been lost, stolen or destroyed and the holder of such Series D Preferred executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates; provided, that after the conversion of the shares of Series D Preferred, the holder of Series D Preferred shares which have not been delivered but are required to be delivered pursuant to Section 7(b) shall no longer be treated for any purposes as the record holder of such Series D Preferred, but rather as the record holder of the number of shares of common Stock which such holder was entitled to receive upon such conversion. The issuance of certificates of shares of Common Stock issuable upon conversion of shares of Series D Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Series D Preferred being converted.

(e) Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company, whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the Company, the shares of Series D Preferred shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property, of the Company or otherwise, to which the holder of such shares of Series D Preferred would have been entitled if immediately prior to such event such holder had converted its shares of Series D Preferred into Common Stock. The provisions of this Section 7(e) shall similarly apply to successive changes, reclassifications, conversions, exchanges or cancellations.

(f) No Impairment. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 7 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series D Preferred against impairment.

(g) Notices.

(i) In the event that the Company shall propose at any time (A) to effect any transaction of the type described in Section 7(e) hereof, (B) to pay or make any dividend or distribution in shares of its capital stock, rights or warrants, cash or other assets or evidences of its indebtedness, (C) to subdivide, split or reclassify the outstanding shares of its capital stock into a larger number of shares, (D) to combine or reclassify the outstanding shares of its capital stock into a smaller number of shares, (E) to issue capital stock (or options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of capital stock) other than Common Stock issued pursuant to the exercise of options outstanding as of the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company, (F) to repurchase (or if any subsidiary of the Company proposes to repurchase) any shares of capital stock or (G) to take any similar extraordinary corporate action affecting the Company's capital stock, then, in connection with each such event, the Company shall send to the holders of the series D Preferred at least 20 days prior to (x) in the case of a dividend or other distribution, the applicable record date, a notice specifying the record date for purposes of such dividend or distribution and the date on which such dividend or other distribution is to be made, and (y) in any other case, the date on which such event is to become effective or the first date on which the Company intends to effect any such transaction, as the case may be, in each case specifying in reasonable detail what the transaction or event consists of and, if applicable, the aggregate amount or value of any cash or property proposed to be distributed, paid, purchased or received by the Company in connection therewith.

(ii) In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the holders of the Series D Preferred at least 20 days' prior written notice thereof.

(iii) Unless notice is otherwise required pursuant to Section 7(g)(i) hereof, the Company shall send written notice to the holders of the Series D Preferred immediately upon any public announcement with respect to an open market repurchase program for, any self-tender offer for and any other repurchase of capital stock of the Company, other than Permitted Employee Repurchases.

SECTION 8. Redemption.

(a) Optional Redemption. At any time after all shares of the Series C Preferred have been redeemed, the Company may, at its option, redeem all or from time to time any part, but not fewer than 3,000 shares (or, if fewer than such number of shares are then outstanding, all outstanding shares) of the shares of Series D Preferred, out of funds legally available therefor, upon giving a Redemption Notice as set forth in Section 8(b) hereof. The redemption payment for

each share of Series D Preferred shall be the Redemption Amount in cash determined as of the Redemption Date (as defined below). In the event of a redemption of only a part of the then outstanding Series D Preferred, the Company shall effect such redemption ratably according to the number of shares held by each holder of Series D Preferred.

(b) Mechanics of Redemption.

(i) At least 20 days, but not more than 60 days, prior to the date fixed for any redemption pursuant to Section 8(a) (the "Redemption Date"), the Company shall send a written notice (the "Redemption Notice") to each holder of shares of Series D Preferred to be redeemed on such date (the "Redemption Shares") stating: (A) the total number of Redemption Shares; (B) the number of Redemption Shares held by such holder; (C) the Redemption Date; (D) the Redemption Amount per share; and (E) the manner in which and the place at which such holder is to surrender to the Company the certificate or certificates representing its Redemption Shares.

(ii) Upon surrender to the Company, in the manner and at the place designated, of a certificate or certificates representing Redemption Shares, the Redemption Amount for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. All such surrendered certificates shall be cancelled. Upon redemption of only a portion of the shares of the Series Preferred represented by a certificate surrendered for redemption, the Company shall, within ten days, issue and deliver to or upon the written order of the holder of the certificate so surrendered, at the expense of the Company (except for expenses relating to the issuance of such shares to a person other than the record holder of the Redemption Shares), a new certificate representing the unredeemed shares of the Series D Preferred represented by the certificate so surrendered.

(iii) On or prior to the Redemption Date, the Company shall have the option to deposit the aggregate of all Redemption Amounts for all Redemption Shares (other than Redemption Shares surrendered for conversion prior to such date) in a bank or trust company (designated in the Redemption Notice) doing business in the Borough of Manhattan, the City and State of New York, having aggregate capital and surplus in excess of \$300,000,000, as a trust fund for the benefit of the respective holders of Redemption Shares, with irrevocable instructions and authority to the bank or trust company to pay the appropriate Redemption Amount to the holders of Redemption Shares upon receipt of notification from the Company that such holder has surrendered the certificate representing such shares to the Company. Such instructions shall also provide that any such moneys remaining unclaimed at the expiration of one year following the Redemption Date shall thereafter be returned to the Company upon its request as expressed in a resolution of its Board of Directors. The holder of any Redemption Shares in respect of which such deposit has been returned to the Company pursuant to the preceding sentence shall have a claim as an unsecured creditor against the Company for the Redemption Amount in respect thereof, without interest.

(iv) Provided that the Company has given the Redemption Notice described in Section 8(b)(i) and has on or prior to the Redemption Date either paid or made available (as described in Section 8(b)(iii)) Redemption Amounts to the holders of Redemption Shares, all Redemption Shares shall be deemed to have been redeemed as of the close of business of the Company on the applicable Redemption Date. Thereafter, the holder of such shares shall no

longer be treated for any purposes as the record holder of such shares of Series D Preferred, regardless of whether the certificates representing such shares are surrendered to the Company or its transfer agent, excepting only the right of the holder to receive the appropriate Redemption Amount, without interest, upon such surrender. Such shares so redeemed shall not be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

(v) The Company shall not be obligated to pay the Redemption Amount to any holder of Redemption Shares unless the certificates evidencing such shares are either delivered to the Company or its transfer agent, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates.

(c) Certain Events (i) If (x) there shall occur a Change of Control (as defined in the Series C Certificate of Designation or the Company shall take any of the actions described in Section 6 of the Series C Certificate of Designation without obtaining the affirmative vote of the holders of at least $66 \frac{2}{3}$ percent of the outstanding shares of Series C Preferred or the Company shall breach any of the covenants contained in Section 9 of the Series C Certificate of Designation, and (y) the holders of the Series C Preferred then outstanding exercise their right to require the Company to redeem their shares of Series C Preferred and the Company redeems all of the outstanding Series C Preferred, then any holder of shares of the Series D Preferred shall have the right, at such holder's option, to require the Company to redeem, and upon the exercise of such right the Company shall purchase, all of the shares of the Series D Preferred held by such holder at a price per share equal to the Redemption Amount determined as of the date of delivery by such holder of notice to the Company as set forth in Section 8(c)(ii).

(ii) Procedure. On or before the 10th day after the occurrence of an event giving rise to a right of redemption pursuant to this Section 8(c), the Company shall send each holder of Series D Preferred a notice advising such holder of its rights hereunder and specifying the date, not less than 20 nor more than 60 days after the date such notice is delivered to such holder, on which the Company proposes to redeem the shares of those holders requesting redemption pursuant hereto; provided that no failure of the Company to give such notice shall limit the rights of holders hereunder. Any record holder of shares of the Series D Preferred wishing to exercise its rights hereunder shall deliver to the Company on or before the 15th day after receipt of the notice referred to in the first sentence of this clause (ii) (A) written notice (which shall be irrevocable) of such holder's exercise of such right, which notice shall set forth the name of the holder, the number of shares of Series D Preferred which such holder wishes to have redeemed and a statement that an election to exercise its rights hereunder is being made thereby, and (B) the certificate or certificates representing the shares of Series D Preferred such holder wishes to have redeemed, duly endorsed for transfer to the Company. Upon such surrender, the redemption procedures of Sections 8(b)(ii) through (v) shall be applicable (with the notice referred to in the first sentence of this clause (ii) constituting the Redemption Notice).

SECTION 9. Transfer and Legending of Shares. No transfer of shares of the Series D Preferred shall be effective until such transfer is registered on the books of the Company. Any shares so transferred must bear the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH.

The Company shall refuse to register any attempted transfer of shares of Series D Preferred not in compliance with this Section 9.

SECTION 10. Status of Converted Shares. If shares of the Series D Preferred are converted pursuant to Section 7 hereof or redeemed pursuant to Section 8 hereof, the shares so converted or redeemed shall assume the status of authorized but unissued shares of preferred stock of the Company.

SECTION 11. Reserved Shares. So long as any shares of Series D Preferred remain outstanding, the Company agrees to keep reserved for issuance in connection with the conversion of the Series D Preferred at all times a number of authorized but unissued shares of Common Stock at least equal to 200 percent of the number of shares of Common Stock issuable upon conversion of all of the Series D Preferred outstanding at such time.

SECTION 12. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telex or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of the Series D Preferred, to such holder's address of record, and (ii) in the case of the Company, to the Company's principal executive offices to the attention of the Company's president.

SECTION 13. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Series D Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent: of the Company and the affirmative vote or written consent of the holders of more than $66 \frac{2}{3}$ percent of the shares of Series D Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the Company and all holders of the Series D Preferred.

IN WITNESS WHEREOF, Barnes & Noble, Inc. has caused this Certificate of Designation to be duly executed by its duly authorized officer and attested by its secretary this 16th day of November, 1992.

BARNES & NOBLE, INC.

By: /s/ Irene R. Miller

Title: Executive Vice President

ATTEST:

/s/ Michael N. Rosen

Secretary

CERTIFICATE OF DESIGNATION OF
PREFERENCES AND RIGHTS OF
CONVERTIBLE PREFERRED STOCK, SERIES E OF
BARNES & NOBLE, INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

Barnes & Noble, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of the Company, the Board of Directors as of November 5, 1992 adopted the following resolution by unanimous written consent, creating a series of Preferred Stock designated as Convertible Preferred Stock, Series E:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Company (the "Board") in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Company be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof, are as follows:

SECTION 1. Designation; Rank. This series of Preferred Stock shall be designated Convertible Preferred Stock, Series E, par value \$.001 per share (the "Series E Preferred"). The Series E Preferred shall be senior to the Series F Preferred Stock, par value \$.001 per share (the "Series F Preferred"), the Series G Preferred Stock, par value \$.001 per share (the "Series G Preferred"), and the common stock, par value \$.001 per share (the "Common Stock"), and junior to the Series C Preferred Stock, par value \$.001 per share (the "Series C Preferred") and the Series D Preferred Stock, par value \$.001 per share ("Series D Preferred"), of the Company as to dividend payments and as to distributions upon liquidation, dissolution or winding up of the Company.

SECTION 2. Authorized Number. The number of shares constituting the Series E Preferred shall be 33,950.15 shares.

SECTION 3. Dividends. The holders of the Series E Preferred shall be entitled to receive, as and when declared by the Board of Directors and out of assets of the Company legally available for payment of dividends, upon the declaration of dividends payable in respect of the Common Stock, cumulative dividends in cash on each outstanding share of Series E Preferred equal to the dividends to which such share of Series E Preferred would have been entitled upon the payment of such dividend to the holders of the Common Stock had such share of Series E

Preferred been converted into shares of Common Stock pursuant to Section 6 hereof immediately prior to the record date for determination of stockholders entitled thereto. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Series B Preferred at the aforesaid times and rates such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest. Notwithstanding the foregoing, the holders of the Series E Preferred shall not be entitled to receive any dividends if and so long as any accrued dividends on the Series C Preferred and the Series D Preferred remains unpaid through any Dividend Payment Date specified in the certificates of designation for each such class of preferred stock falling on or before any Dividend Payment Date.

No dividends or other distribution (other than dividends payable in Common Stock), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in Common Stock or repurchases in the ordinary course of business of Common Stock issued in connection with the exercise of options outstanding on the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company (x) from employees of the Company upon their death, termination or retirement or (y) upon foreclosure pursuant to loans made in the ordinary course of business by the Company to employees of the Company secured by Common Stock (“Permitted Employee Repurchases”)), shall be made with respect to the Common Stock or any other class or series of the Company’s capital stock ranking pari passu with or junior to the Series E Preferred until cumulative dividends on the Series E Preferred in the full amounts as set forth above, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

SECTION 4. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, distributions to the stockholders of the Company shall be made in the following manner:

(a) The holders of the Series C Preferred and the Series D Preferred shall be entitled to receive prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Series E Preferred all amounts due to them through the date of liquidation, dissolution or winding up. Thereafter, the holders of the Series E Preferred shall be entitled to receive such amounts as they would be entitled to receive if, at that time, they were the holders of the Common Stock into which such shares of Series E Preferred may be converted pursuant to Section 6(b) hereof plus an amount equal to all declared but unpaid dividends to which the Series E Preferred are entitled to the date of liquidation, dissolution or winding up (the “Liquidation Amount”). If the assets and funds thus distributed among the holders of Series E Preferred are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the Company legally available for distribution shall be distributed among the holders of Series E Preferred in the proportion that the number of shares of Series E Preferred held by each such holder bears to the number of all shares of the Series E Preferred then outstanding. After payment has been made to the holders of the Series E Preferred of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Series E Preferred, and the remaining assets of the Company shall be distributed among the holders of all capital stock of the Company junior to the Series E

Preferred in accordance with the Amended and Restated Certificate of Incorporation of the Company, the Certificates of Designation of the Series F and Series G Preferred Stock of the Company and applicable law.

(b) For purposes of this Section 4, a merger or consolidation of the Company with or into any other corporation or corporations in which the Company is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the Company, shall not be treated as a liquidation, dissolution or winding up of the Company (unless in connection therewith, the liquidation, dissolution or winding up of the Company is specifically approved), but shall be treated as provided in Section 6(e) hereof.

SECTION 5. Provisions Generally Applicable to Dividends and Liquidation. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of Sections 3 and 4 and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Series E Preferred against impairment; provided, however, that nothing herein will prevent the Company from creating any new series of Preferred Stock with higher dividend rates or larger liquidation payments so long as the priority of such rights is junior to the rights of the Series E Preferred.

SECTION 6. Conversion.

(a) Mandatory Conversion. Each share of Series E Preferred shall be converted into 37.844427 shares of Common Stock at the office of the Company or any transfer agent for the Series E Preferred upon the earliest to occur of (i) an initial primary or secondary public offering of Common Stock pursuant to an effective registration statement under the Securities Act of 1933, as amended, other than pursuant to a registration statement on Form S-4 or Form S-8 or any successor or similar form, (ii) the redemption or conversion of all of the outstanding shares of Series C Preferred, (iii) the Company seeking relief, or any person seeking relief against the Company, as debtor (unstayed for 60 days), under the United States Bankruptcy Code or making an assignment for the benefit of creditors and (iv) May 1, 1996.

(b) Optional Conversion. Each share of Series E Preferred may, at the option of the holder thereof, from time to time be converted into 37.844427 shares of Common Stock at the office of the Company or any transfer agent for the Series E Preferred.

(c) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of the Series E Preferred (x) in the case of a conversion pursuant to Section 6(a), upon the occurrence of the event requiring the conversion of all or a portion of the Series E Preferred and (y) in the case of a conversion pursuant to Section 6(b), when such shares are surrendered for conversion into Common Stock. No fractional shares of Common Stock shall be issued upon conversion of the Series E Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the value of each share at the time of conversion, as determined as of such date by the Board of Directors of the Company.

(d) Mechanics of Conversion. (i) To the extent possible, before any holder of Series E Preferred shall be required to convert the same into shares of Common Stock pursuant to Section 6(a), such holder shall receive written notice from the Company of such conversion no less than ten days prior to the anticipated date of such conversion. Such holder shall surrender the certificate or certificates for the Series E Preferred to be converted, duly endorsed, at the office of the Company or of any transfer agent for the Series E Preferred, within ten days after receipt of written notice from the Company of the conversion of the same. The Company shall, within ten days after such delivery, issue and deliver at such office to such holder of the Series E Preferred (or to any other person specified in writing by such holder upon surrender of the Series E Preferred certificate or certificates), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately upon the occurrence of the event triggering the applicable mandatory conversion provision of Section 6(a), whether or not any prior written notice has been given with respect thereto, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock at such time. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the Series E Preferred are either delivered to the Company or its transfer agent or the Company or its transfer agent shall have received evidence satisfactory to it evidencing that such certificates have been lost, stolen or destroyed and the holder of such Series E Preferred executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates; provided, that after the conversion of the shares of Series E Preferred, the holder of Series E Preferred shares which have not been delivered but are required to be delivered pursuant to Section 6(a) shall no longer be treated for any purposes as the record holder of such Series E Preferred, but rather as the record holder of the number of shares of Common Stock which such holder was entitled to receive upon such conversion. The issuance of certificates of shares of Common Stock issuable upon conversion of shares of Series E Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Series E Preferred being converted.

(ii) Before any holder of Series E Preferred shall be entitled to convert the same into shares of Common Stock pursuant to Section 6(b) and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Series E Preferred to be converted, duly endorsed, at the office of the Company or of any transfer agent for the Series E Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. The Company shall, within ten days after such delivery, issue and deliver at such office to such holder of the Series E Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion

shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series E Preferred to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date. In case any certificate for shares of the Series E Preferred shall be surrendered for conversion of only a part of the shares represented thereby, the Company shall deliver within ten days at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Series E Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the Series E Preferred are either delivered to the Company or its transfer agent or the Company or its transfer agent shall have received evidence satisfactory to it evidencing that such certificates have been lost, stolen or destroyed and the holder of such Series E Preferred executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. The issuance of certificates of shares of Common Stock issuable upon conversion of shares of Series E Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Series E Preferred being converted.

(e) Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company, whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the Company, the shares of Series E Preferred shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property, of the Company or otherwise, to which the holder of such shares of Series E Preferred would have been entitled if immediately prior to such event such holder had converted its shares of Series E Preferred into Common Stock. The provisions of this Section 6(e) shall similarly apply to successive changes, reclassifications, conversions, exchanges or cancellations.

(f) No Impairment. The company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series E Preferred against impairment.

(g) Notices.

(i) In the event that the Company shall propose at any time (A) to effect any transaction of the type described in Section 6(e) hereof, (B) to pay or make any dividend or distribution in shares of its capital stock, rights or warrants, cash or other assets or evidences of its indebtedness, (C) to subdivide, split or reclassify the outstanding shares of its capital stock into a

larger number of shares, (D) to combine or reclassify the outstanding shares of its capital stock into a smaller number of shares, (E) to issue capital stock (or options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of capital stock) other than Common Stock issued pursuant to the exercise of options outstanding as of the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company, (F) to repurchase (or if any subsidiary of the Company proposes to repurchase) any shares of capital stock or (G) to take any similar extraordinary corporate action affecting the Company's capital stock, then, in connection with each such event, the Company shall send to the holders of the Series E Preferred at least 20 days prior to (x) in the case of a dividend or other distribution, the applicable record date, a notice specifying the record date for purposes of such dividend or distribution and the date on which such dividend or other distribution is to be made, and (y) in any other case, the date on which such event is to become effective or the first date on which the Company intends to effect any such transaction, as the case may be, in each case specifying in reasonable detail what the transaction or event consists of and, if applicable, the aggregate amount or value of any cash or property proposed to be distributed, paid, purchased or received by the Company in connection therewith.

(ii) In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the holders of the Series E Preferred at least 20 days' prior written notice thereof.

(iii) Unless notice is otherwise required pursuant to Section 6(g)(i) hereof, the Company shall send written notice to the holders of the Series E Preferred immediately upon any public announcement with respect to an open market repurchase program for, any self-tender offer for and any other repurchase of capital stock of the Company, other than Permitted Employee Repurchases.

SECTION 7. Transfer and Legending of Shares. No transfer of shares of the Series E Preferred shall be effective until such transfer is registered on the books of the Company. Any shares so transferred must bear the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH.

The Company shall refuse to register any attempted transfer of shares of Series E Preferred not in compliance with this Section 7.

SECTION 8. Status of Converted Shares. If shares of the Series E Preferred are converted pursuant to Section 6 hereof, the shares so converted shall assume the status of authorized but unissued shares of preferred stock of the Company.

SECTION 9. Reserved Shares. So long as any shares of Series E Preferred remain outstanding, the Company agrees to keep reserved for issuance in connection with the conversion of the Series E Preferred at all times a number of authorized but unissued shares of Common Stock at least equal to 100 percent of the number of shares of Common Stock issuable upon conversion of all of the Series E Preferred outstanding at such time.

SECTION 10. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telex or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of the Series B Preferred, to such holder's address of record, and (ii) in the case of the Company, to the Company's principal executive offices to the attention of the Company's president.

SECTION 11. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Series E Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Company and the affirmative vote or written consent of the holders of more than 66 ²/₃ percent of the shares of Series E Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the Company and all holders of the Series E Preferred.⁴

IN WITNESS WHEREOF, Barnes & Noble, Inc. has caused this Certificate of Designation to be duly executed by its duly authorized officer and attested by its secretary this 16th day of November, 1992.

BARNES & NOBLE, INC.

By: /s/ Irene R. Miller

Title: Executive Vice President

Attest:

/s/ Michael N. Rosen

Secretary

CERTIFICATE OF DESIGNATION OF
PREFERENCES AND RIGHTS OF
CONVERTIBLE PREFERRED STOCK, SERIES F OF
BARNES & NOBLE, INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

Barnes & Noble, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of the Company, the Board of Directors as of November 5, 1992 adopted the following resolution by unanimous written consent, creating a series of Preferred Stock designated as Convertible Preferred Stock, Series F:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Company (the "Board") in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Company be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof, are as follows:

SECTION 1. Designation; Rank. This series of Preferred Stock shall be designated Convertible Preferred Stock, Series F, par value \$.001 per share (the "Series F Preferred"). The Series F Preferred shall be senior to the Series C Preferred Stock, par value \$.001 per share (the "Series C Preferred"), and the common stock, par value \$.001 per share (the "Common Stock"), and junior to the Series C Preferred Stock, par value \$.001 per share (the "Series C Preferred"), the Series D Preferred Stock, par value \$.001 per share (the "Series D Preferred") and the Series E Preferred Stock, par value \$.001 per share (the "Series E Preferred"), of the Company as to dividend payments and as to distributions upon liquidation, dissolution or winding up of the Company.

SECTION 2. Authorized Number. The number of shares constituting the Series F Preferred shall be 18,216 shares.

SECTION 3. Dividends. The holders of the Series F Preferred shall be entitled to receive, as and when declared by the Board of Directors and out of assets of the Company legally available for payment of dividends, upon the declaration of dividends payable in respect of the Common Stock, cumulative dividends in cash on each outstanding share of Series F Preferred equal to the dividends to which such share of Series F Preferred would have been entitled upon the payment of such dividend to the holders of the Common Stock had such share of Series F Preferred

been converted into shares of Common Stock pursuant to Section 6 hereof immediately prior to the record date for determination of stockholders entitled thereto. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Series F Preferred at the aforesaid times and rates, such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest. Notwithstanding the foregoing, the holders of the Series F Preferred shall not be entitled to receive any dividends if and so long as any accrued dividends on the Series C Preferred, the Series D Preferred and the Series E Preferred remains unpaid through any Dividend Payment Date specified in the certificates of designation for each such class of preferred stock falling on or before any Dividend Payment Date.

No dividends or other distribution (other than dividends payable in Common Stock), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in Common Stock or repurchases in the ordinary course of business of Common Stock issued in connection with the exercise of options outstanding on the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company (x) from employees of the Company upon their death, termination or retirement or (y) upon foreclosure pursuant to loans made in the ordinary course of business by the Company to employees of the Company secured by Common Stock (“Permitted Employee Repurchases”)), shall be made with respect to the Common Stock or any other class or series of the Company’s capital stock ranking pari passu with or junior to the Series F Preferred until cumulative dividends on the Series F Preferred in the full amounts as set forth above, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

SECTION 4. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, distributions to the stockholders of the Company shall be made in the following manner:

(a) The holders of the Series C Preferred, the Series D Preferred and the Series E Preferred shall be entitled to receive prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Series F Preferred all amounts due to them through the date of liquidation, dissolution or winding up. Thereafter, the holders of the Series F Preferred shall be entitled to receive such amounts as they would be entitled to receive at such time if, at that time, they were the holders of the Common Stock into which such shares of Series F Preferred may be converted pursuant to Section 6(b) hereof plus an amount equal to all declared but unpaid dividends to which the Series F Preferred are entitled to the date of liquidation, dissolution or winding up (the “Liquidation Amount”). If the assets and funds thus distributed among the holders of Series F Preferred are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the Company legally available for distribution shall be distributed among the holders of Series F Preferred in the proportion that the number of shares of Series F Preferred held by each such holder bears to the number of all shares of the Series F Preferred then outstanding. After payment has been made to the holders of the Series F Preferred of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Series F Preferred, and the remaining assets of the Company shall be distributed among the holders of all capital stock of the

Company junior to the Series F Preferred in accordance with the Amended and Restated Certificate of Incorporation of the Company, the Certificate of Designation of the Series G Preferred and applicable law.

(b) For purposes of this Section 4, a merger or consolidation of the Company with or into any other corporation or corporations in which the Company is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the Company, shall not be treated as a liquidation, dissolution or winding up of the Company (unless in connection therewith, the liquidation, dissolution or winding up of the Company is specifically approved), but shall be treated as provided in Section 6(e) hereof.

SECTION 5. Provisions Generally Applicable to Dividends and Liquidation. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of Sections 3 and 4 and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Series F Preferred against impairment; provided, however, that nothing herein will prevent the Company from creating any new series of Preferred Stock with higher dividend rates or larger liquidation payments so long as the priority of such rights is junior to the rights of the Series F Preferred.

SECTION 6. Conversion.

(a) Mandatory Conversion. Each share of Series F Preferred shall be converted into 37.34084 shares of Common Stock at the office of the Company or any transfer agent for the Series F Preferred upon the earliest to occur of (i) an initial primary or secondary public offering of Common Stock pursuant to an effective registration statement under the Securities Act of 1933, as amended, other than pursuant to a registration statement on Form S-4 or Form S-8 or any successor or similar form, (ii) the redemption or conversion of all of the outstanding shares of Series C Preferred, (iii) the Company seeking relief, or any person seeking relief against the Company, as debtor (unstayed for 60 days) under the United States Bankruptcy Code or making an assignment for the benefit of creditors and (iv) May 1, 1996.

(b) Optional Conversion. Each share of Series F Preferred may, at the option of the holder thereof, from time to time be converted into 37.340854 shares of Common Stock at the office of the Company or any transfer agent for the Series F Preferred.

(c) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of the Series F Preferred (x) in the case of a conversion pursuant to Section 6(a), upon the occurrence of the event requiring the conversion of all or a portion of the Series F Preferred and (y) in the case of a conversion pursuant to Section 6(b), when such shares are surrendered for conversion into Common Stock. No fractional shares of Common Stock shall be issued upon conversion of the Series F Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the value of each share at the time of conversion, as determined as of such date by the Board of Directors of the Company.

(d) Mechanics of Conversion. (i) To the extent possible, before any holder of Series F Preferred shall be required to convert the same into shares of Common Stock pursuant to Section 6(a), such holder shall receive written notice from the Company of such conversion no less than ten days prior to the anticipated date of such conversion. Such holder shall surrender the certificate or certificates for the Series F Preferred to be converted, duly endorsed, at the office of the Company or of any transfer agent for the Series F Preferred, within ten days after receipt of written notice from the Company of the conversion of the same. The company shall, within ten days after such delivery, issue and deliver at such office to such holder of the Series F Preferred (or to any other person specified in writing by such holder upon surrender of the Series F Preferred certificate or certificates), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately upon the occurrence of the event triggering the applicable mandatory conversion provision of Section 6(a), whether or not any prior written notice has been given with respect thereto, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock at such time. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the Series F Preferred are either delivered to the Company or its transfer agent or the Company or its transfer agent shall have received evidence satisfactory to it evidencing that such certificates have been lost, stolen or destroyed and the holder of such Series F Preferred executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates; provided, that after the conversion of the shares of Series F Preferred, the holder of Series F Preferred shares which have not been delivered but are required to be delivered pursuant to Section 6(a) shall no longer be treated for any purposes as the record holder of such Series F Preferred, but rather as the record holder of the number of shares of Common stock which such holder was entitled to receive upon such conversion. The issuance of certificates of shares of Common Stock issuable upon conversion of shares of Series F Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Series F Preferred being converted.

(ii) Before any holder of Series F Preferred shall be entitled to convert the same into shares of Common Stock pursuant to Section 6(b) and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Series F Preferred to be converted, duly endorsed, at the office of the Company or of any transfer agent for the Series F Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. The Company shall, within ten days after such delivery, issue and deliver at such office to such holder of the Series F Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion

shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series F Preferred to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date. In case any certificate for shares of the Series F Preferred shall be surrendered for conversion of only a part of the shares represented thereby, the Company shall deliver within ten days at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Series F Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the Series F Preferred are either delivered to the Company or its transfer agent or the Company or its transfer agent shall have received evidence satisfactory to it evidencing that such certificates have been lost, stolen or destroyed and the holder of such Series F Preferred executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. The issuance of certificates of shares of Common Stock issuable upon conversion of shares of Series F Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Series F Preferred being converted.

(e) Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company, whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the company, the shares of Series F Preferred shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property, of the Company or otherwise, to which the holder of such shares of Series F Preferred would have been entitled if immediately prior to such event such holder had converted its shares of Series F Preferred into Common Stock. The provisions of this section 6(e) shall similarly apply to successive changes, reclassifications, conversions, exchanges or cancellations.

(f) No Impairment. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series F Preferred against impairment.

(g) Notices.

(i) In the event that the Company shall propose at any time (A) to effect any transaction of the type described in Section 6(e) hereof, (B) to pay or make any dividend or distribution in shares of its capital stock, rights or warrants, cash or other assets or evidences of its indebtedness, (C) to subdivide, split or reclassify the outstanding shares of its Capital stock into a

larger number of shares, (D) to combine or reclassify the outstanding shares of its capital stock into a smaller number of shares, (E) to issue capital stock (or options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of capital stock) other than Common Stock issued pursuant to the exercise of options outstanding as of the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company, (F) to repurchase (or if any subsidiary of the Company proposes to repurchase) any shares of capital stock or (G) to take any similar extraordinary corporate action affecting the Company's capital stock, then, in connection with each such event, the Company shall send to the holders of the Series F Preferred at least 20 days prior to (x) in the case of a dividend or other distribution, the applicable record date, a notice specifying the record date for purposes of such dividend or distribution and the date on which such dividend or other distribution is to be made, and (y) in any other case, the date on which such event is to become effective or the first date on which the Company intends to effect any such transaction, as the case may be, in each case specifying in reasonable detail what the transaction or event consists of and, if applicable, the aggregate amount or value of any cash or property proposed to be distributed, paid, purchased or received by the Company in connection therewith.

(ii) In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the holders of the Series F Preferred at least 20 days' prior written notice thereof.

(iii) Unless notice is otherwise required pursuant to Section 6(g)(i) hereof, the Company shall send written notice to the holders of the Series F Preferred immediately upon any public announcement with respect to an open market repurchase program for, any self-tender offer for and any other repurchase of capital stock of the Company, other than Permitted Employee Repurchases.

SECTION 7. Transfer and Legending of Shares. No transfer of shares of the Series F Preferred shall be effective until such transfer is registered on the books of the Company. Any shares so transferred must bear the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH.

The Company shall refuse to register any attempted transfer of shares of Series F Preferred not in compliance with this Section 7.

SECTION 8. Status of Converted Shares. If shares of the Series F Preferred are converted pursuant to Section 6 hereof, the shares so converted shall assume the status of authorized but unissued shares of preferred stock of the Company.

SECTION 9. Reserved Shares. So long as any shares of Series F Preferred remain outstanding, the Company agrees to keep reserved for issuance in connection with the conversion of the Series F Preferred at all times a number of authorized but unissued shares of Common Stock at least equal to 100 percent of the number of shares of Common Stock issuable upon conversion of all of the Series F Preferred outstanding at such time.

SECTION 10. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telex or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of the Series F Preferred, to such holder's address of record, and (ii) in the case of the Company, to the Company's principal executive offices to the attention of the Company's president.

SECTION 11. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Series F Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Company and the affirmative vote or written consent of the holders of more than 66 ²/₃ percent of the shares of Series F Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the Company and all holders of the Series F Preferred.

IN WITNESS WHEREOF, Barnes & Noble, Inc. has caused this Certificate of Designation to be duly executed by its duly authorized officer and attested by its secretary this 16th day of November, 1992.

BARNES & NOBLE, INC.

By: /s/ Irene R. Miller

Title: Executive Vice President

ATTEST:

/s/ Michael N. Rosen

Secretary

CERTIFICATE OF DESIGNATION OF
PREFERENCES AND RIGHTS OF
REDEEMABLE CONVERTIBLE PREFERRED STOCK, SERIES G OF
BARNES & NOBLE, INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

Barnes & Noble, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of the Company, the Board of Directors as of November 5, 1992 adopted the following resolution by unanimous written consent, creating a series of Preferred Stock designated as Redeemable Convertible Preferred Stock, Series G:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Company (the "Board") in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Company be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof, are as follows:

SECTION 1. Designation; Rank. This series of Preferred Stock shall be designated Redeemable Convertible Preferred Stock, Series G, par value \$.001 per share (the "Series G Preferred"). The Series G Preferred shall be senior to the common stock, par value \$.001 per share (the "Common Stock"), of the Company as to dividend payments and as to distributions upon liquidation, dissolution or winding up of the Company.

SECTION 2. Authorized Number. The number of shares constituting the Series G Preferred shall be 250 shares.

SECTION 3. Dividends. The holders of the Series G Preferred shall be entitled to receive, as and when declared by the Board of Directors and out of assets of the Company legally available for payment of dividends, upon the declaration of dividends payable in respect of the Common Stock, cumulative dividends in cash on each outstanding share of Series G Preferred equal to the dividends to which such share of Series G Preferred would have been entitled upon the payment of such dividend to the holders of the Common Stock had such share of Series G Preferred been converted into shares of Common Stock pursuant to Section 6 hereof immediately prior to the record date for determination of stockholders entitled thereto. If the Company shall declare a dividend on its Common Stock, the Company agrees to pay each holder of the Series G Preferred, within 10 business days after payment of such dividend (not to exceed 60 days after

declaration of such dividend), an amount in cash equal to the dividend payable per share of Common Stock multiplied by the number of shares of Common Stock that such holder of Series G Preferred would have received had he converted his shares of Series G Preferred into Common Stock pursuant to Section 6 hereof immediately prior to such declaration. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Series G Preferred at the aforesaid times and rates, such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest. Notwithstanding the foregoing, the holders of the Series G Preferred shall not be entitled to receive any dividends if and so long as any accrued dividends on the Series C Preferred Stock, par value \$.001 per share, of the Company (the "Series C Preferred"), the Series D Preferred Stock, par value \$.001 per share, of the Company (the "Series D Preferred"), the Series E Preferred Stock, par value \$.001 per share, of the Company (the "Series E Preferred") and the Series F Preferred Stock, par value \$.001 per share, of the Company (the "Series F Preferred") remains unpaid through any Dividend Payment Date specified in the certificates of designation for each such class of preferred stock falling on or before any Dividend Payment Date.

No dividends or other distribution (other than dividends payable in Common Stock), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in Common Stock or repurchases in the ordinary course of business of Common Stock issued in connection with the exercise of options outstanding on the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company (x) from employees of the Company upon their death, termination or retirement or (y) upon foreclosure pursuant to loans made in the ordinary course of business by the Company to employees of the Company secured by Common Stock ("Permitted Employee Repurchases")), shall be made with respect to the Common Stock or any other class or series of the Company's capital stock ranking pari passu with or junior to the Series G Preferred until cumulative dividends on the Series C Preferred in the full amounts as set forth above, and all amounts payable upon redemption of any Series G Preferred then called for redemption, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

SECTION 4. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, distributions to the stockholders of the Company shall be made in the following manner:

(a) The holders of the Series C Preferred, the Series D Preferred, the Series E Preferred and the Series F Preferred shall be entitled to receive prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Series G Preferred all amounts due to them through the date of liquidation, dissolution or winding up. Thereafter, the holders of the Series G Preferred shall be entitled to receive prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Common Stock or any other class or series of the Company's capital stock ranking pari passu with or junior to the Series G Preferred the preference amount (in cash) of \$.001 per share for each share of Series G Preferred then held by them plus an amount equal to all accumulated but unpaid dividends on the Series G Preferred to the date of liquidation, dissolution or winding up (the "Redemption Amount"). If the assets and funds thus

distributed among the holders of Series C Preferred are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the Company legally available for distribution shall be distributed among the holders of Series C Preferred in the proportion that the number of shares of Series G Preferred held by each such holder bears to the number of all shares of the Series G Preferred then outstanding. After payment has been made to the holders of the Series G Preferred of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Series G Preferred, and the remaining assets of the Company shall be distributed among the holders of all capital stock of the Company junior to the Series G Preferred in accordance with the Amended and Restated Certificate of Incorporation of the Company and applicable law.

(b) For purposes of this Section 4, a merger or consolidation of the Company with or into any other corporation or corporations in which the Company is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the Company, shall not be treated as a liquidation, dissolution or winding up of the Company (unless in connection therewith, the liquidation, dissolution or winding up of the Company is specifically approved), but shall be treated as provided in Section 7(b) hereof.

SECTION 5. Provisions Generally Applicable to Dividends and Liquidation. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of Sections 3 and 4 and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Series G Preferred against impairment; provided, however, that nothing herein will prevent the Company from creating any new series of Preferred Stock with higher dividend rates or larger liquidation payments so long as the priority of such rights is junior to the rights of the Series G Preferred.

SECTION 6. Conversion.

(a) Right to Convert. The shares of Series G Preferred may, at the option of the holder thereof, from time to time, be converted into shares of Common Stock, on the terms and conditions set forth in this Section 6, at any time prior to November 16, 1997, at the office of the Company or any transfer agent for the Series G Preferred, into 939.372 fully paid and nonassessable shares of Common Stock for each share of Series G Preferred (the "Conversion Amount"); provided that if all of the shares of the Series C Preferred shall have not been redeemed before May 1, 1993, the Conversion Amount shall be increased to 1,026.108 shares of Common Stock; and, provided, further, that if all of the shares of the Series C Preferred shall have not been redeemed before May 1, 1994, the Conversion Amount shall be increased to 1,114.300 shares of Common Stock, in each case subject to the adjustments set forth in Section 7 hereof.

(b) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of the Series G Preferred surrendered for conversion into Common Stock. No fractional shares of Common stock shall be issued upon conversion of the Series G Preferred. In lieu of any

fractional shares to which the holder would otherwise be entitled, the Company shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the value of each share at the time of conversion, as determined as of such date by the Board of Directors of the Company.

(c) Mechanics of Conversion. Before any holder of Series G Preferred shall be entitled to convert the same into shares of Common Stock and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Series G Preferred to be converted, duly endorsed, plus a cash sum equal to \$.01 multiplied by the number of shares of Common Stock into which the shares of Series G Preferred are being converted, at the office of the Company or of any transfer agent for the Series G Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. The Company shall, within 10 days after such delivery, issue and deliver at such office to such holder of the Series G Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series G Preferred to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date. In case of any certificate for shares of the series G Preferred shall be surrendered for conversion of only a part of the shares represented thereby, the company shall deliver within 10 days at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Series G Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the Series G Preferred are either delivered to the Company or its transfer agent or the Company or its transfer agent shall have received evidence satisfactory to it evidencing that such certificates have been lost, stolen or destroyed and the holder of such Series G Preferred executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. The issuance of certificates of shares of Common Stock issuable upon Conversion of shares of Series G Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Series G Preferred being converted.

(d) No Impairment. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series G Preferred against impairment.

SECTION 7. Anti-Dilution Provisions. The Conversion Amount shall be subject to change or adjustment as follows:

(a) Common Stock Dividends, Subdivisions, Combinations. In case the Company shall (i) pay or make a dividend or other distribution to all holders of its Common Stock in shares of Common Stock, (ii) subdivide, split or reclassify the outstanding shares of its Common Stock into a larger number of shares, or (iii) combine or reclassify the outstanding shares of its Common Stock into a smaller number of shares, then in each such case the Conversion Amount shall be adjusted to equal the number of such shares to which the holder of shares of Series G Preferred would have been entitled upon the occurrence of such event had such shares of Series G Preferred been converted into Common Stock pursuant to Section 6 hereof immediately prior to the happening of such event or, in the case of a stock dividend or other distribution, prior to the record date for determination of stockholders entitled thereto. An adjustment made pursuant to this Section 7(a) shall become effective immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split, combination or reclassification.

(b) Reorganization or Reclassification. In case of any capital reorganization or any reclassification of the capital stock of the Company (whether pursuant to a merger or consolidation or otherwise), each share of Series G Preferred shall thereafter be convertible into the number of shares of stock or other securities or property receivable upon such capital reorganization or reclassification of capital stock, as the case may be, by a holder of the number of shares of Common Stock into which each share of Series G Preferred was convertible immediately prior to such capital reorganization or reclassification of capital stock; and, in any case, appropriate adjustment shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of a holder of shares of Series G Preferred to the end that the provisions set forth herein shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other securities or property thereafter deliverable upon the conversion of Series G Preferred.

(c) Distributions or Assets or Securities Other than Common Stock. In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any of its capital stock (other than Common Stock), rights or warrants to purchase any of its securities (other than those referred to in Section 7(d) below), cash, other assets or evidences of its indebtedness, then in each such case the Conversion Amount shall be adjusted by multiplying the Conversion Amount immediately prior to the date of such dividend or distribution by a fraction, of which the numerator shall be the Fair Market Value per share of Common Stock at the record date for determining stockholders entitled to such dividend or distribution, and of which the denominator shall be such Fair Market Value per share less the fair market value (as determined in good faith by the Board of Directors of the Company; provided that if a majority of the holders of the Series G Preferred in their discretion do not agree with such determination, such fair market value shall be determined by a nationally recognized firm of investment bankers reasonably acceptable to the Company and the holders of the Series G Preferred, whose fees shall be paid by the Company, provided, however, that if such fair market value as finally determined by such investment banking firm is less than or equal to 105 percent of such fair market value as determined by the Board of Directors of the Company, the holders of the Series G Preferred shall pay such fees) of the portion of the securities, cash, assets or evidences of indebtedness so

distributed applicable to one share of Common Stock. For purposes hereof, if the Company shall make any payment pursuant to Section 2 of the Exchange Agreement (Series E and Series F Preferred Stock) dated as of November 16, 1992 between Vendex International N.V. (“Vendex”) and the Company or Section 6.5 of the Securities Acquisition Agreement dated as of November 16, 1992 between Vendex and the Company (or any other similar payment to or on behalf of Vendex), then the aggregate amount of any such payment shall, for purposes of this Section 7(c), be treated as a cash dividend to all holders of Common Stock; provided that the amount of such deemed dividend “applicable to one share of Common Stock” shall be equal to the aggregate amount of such deemed dividend divided by the number of Common Share Equivalents outstanding on the date of any such payment. An adjustment made pursuant to this Section 7(c) shall become effective immediately after such distribution date.

(d) Below Market Distributions or Issuances of Common Stock. In case the Company shall issue Common Stock (or options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock) at a price per share (or having an effective exercise, exchange or conversion price per share) less than the Fair Market Value per share of Common Stock on the date such Common Stock (or options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of common Stock) is sold or issued (provided that no sale of securities pursuant to an underwritten public offering shall be deemed to be for less than Fair Market Value), then in each such case the Conversion Amount shall thereafter be adjusted by multiplying the Conversion Amount immediately prior to the date of issuance of such Common Stock (or options, rights, warrants or other securities) by a fraction, the numerator of which shall be (x) the sum of (i) the number of Common Share Equivalents represented by all securities outstanding immediately prior to such issuance and (ii) the number of additional Common Share Equivalents represented by all securities so issued multiplied by (y) the Fair Market Value of a share of Common Stock immediately prior to the date of such issuance, and the denominator of which shall be (x) the product of (A) the Fair Market Value of a share of Common Stock immediately prior to the date of such issuance and (B) the number of Common Share Equivalents represented by all securities outstanding immediately prior to such issuance plus (y) the aggregate consideration received by the Company for the total number of securities so issued plus, (z) in the case of options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock, the additional consideration required to be received by the Company upon the exercise, exchange or conversion of such securities. An adjustment made pursuant to this Section 7(d) shall become effective immediately after the date such Common Stock or other security is sold or issued. For purposes of this Section 7(d), in the case of an issuance in the ordinary course of business consistent with past practice of any options, rights, warrants or other securities or any shares of Common Stock (whether treasury shares or newly issued shares) pursuant to any employee (including consultants and directors) benefit or stock option or purchase plan or program of the Company, the Fair Market Value of such shares of Common Stock (or of the shares of Common Stock issuable upon the exercise, exchange or conversion of such options, rights, warrants or other securities) at the time such shares of Common Stock (or options, rights, warrants or other securities) are issued shall be deemed to be equal to the fair market value of such securities as determined pursuant to the provisions of such plan or program, so long as the fair market value of such securities is determined by an independent third-party appraiser. Notwithstanding anything herein to the contrary, (1) no further adjustment to the Conversion Amount shall be made (x) upon the issuance or sale of Common Stock pursuant to the exercise of any options, rights or warrants or (y) upon the issuance or sale of Common Stock

pursuant to the conversion or exchange of any convertible securities, if the adjustment in the Conversion Amount was made as required hereby upon the issuance or sale of such options, rights, warrants or convertible securities or no adjustment was required hereby at the time such option, right, warrant or convertible security was issued and (2) no adjustment to the Conversion Amount shall be made upon the issuance or sale of Common Stock (x) upon the exercise of any of the Company's Series A Warrants, (y) upon the conversion of any of the Company's Series C, D, E, F or G Preferred Stock or (z) upon the exercise of any options existing on the date hereof, without regard to the exercise price thereof.

(e) Below Market Distributions or Issuances of Preferred Stock or Other Securities. In case the Company shall issue Preferred Stock (or other securities of the Company other than Common Stock or options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock) at a price per share (or other similar unit) less than the Fair Market Value per share (or other similar unit) of such Preferred Stock (or other security) on the date such Preferred Stock (or other security) is sold (provided that no sale of Preferred Stock or other security pursuant to an underwritten public offering shall be deemed to be for less than its Fair Market Value), then in each such case the Conversion Amount shall thereafter be adjusted by multiplying the Conversion Amount immediately prior to the date of issuance of such Preferred Stock (or other security) by a fraction, the numerator of which shall be the product of (i) the number of Common Share Equivalents represented by all securities outstanding immediately prior to such issuance and (ii) the Fair Market Value of a share of Common Stock immediately prior to the date of such issuance, and the denominator of which shall be (x) the product of (A) the number of Common Share Equivalents represented by all securities outstanding immediately prior to such issuance and (B) the Fair Market Value of a share of the Common Stock immediately prior to the date of such issuance minus (y) the difference between (I) the aggregate Fair Market Value of such Preferred Stock (or other security) and (II) the aggregate consideration received by the Company for such Preferred Stock (or other security). An adjustment made pursuant to this Section 7(e) shall become effective immediately after the date such Preferred Stock (or other security) is sold.

(f) Above Market Repurchases of Common Stock. If at any time or from time to time the Company or any Subsidiary (as defined below) thereof shall repurchase, by self-tender offer or otherwise, any shares of Common Stock of the Company (or any security convertible into or exercisable or exchangeable for shares of Common Stock) at a weighted average purchase price in excess of the Fair Market Value thereof, on the business day immediately prior to the earliest of (i) the date of such repurchase, (ii) the commencement of an offer to repurchase or (iii) the public announcement of either (such date being referred to as the "Determination Date"), the Conversion Amount shall be determined by multiplying the Conversion Amount immediately prior to such Determination Date by a fraction, the numerator of which shall be the product of (1) the number of Common Share Equivalents represented by all securities outstanding immediately prior to such Determination Date minus the number of Common Share Equivalents represented by the securities repurchased or to be repurchased by the Company or any Subsidiary thereof in such repurchase and (2) the Fair Market Value of a share of Common Stock immediately prior to such Determination Date, and the denominator of which shall be (x) the product of (A) the number of Common Share Equivalents represented by all securities outstanding immediately prior to the Determination Date and (B) the Fair Market Value of a share of Common Stock immediately prior to such Determination Date minus (y) the sum of (I) the aggregate consideration paid by the

Company in connection with such repurchase and (II) in the case of options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock, the additional consideration required to be received by the Company upon the exercise, exchange or conversion of such securities. An adjustment made pursuant to this Section 7(f) shall become effective immediately after the effective date of such repurchase. As used in this Section 7(f), "Subsidiary" means any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

(g) Above Market Repurchases of Preferred Stock or Other Securities. If at any time or from time to time the Company or any subsidiary thereof shall repurchase, by self-tender offer or otherwise, any shares of Preferred Stock (or other securities of the Company other than Common Stock or options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock) at a weighted average purchase price in excess of the Fair Market Value thereof, on the business day immediately prior to the Determination Date, the Conversion Amount shall be determined by multiplying the Conversion Amount immediately prior to the Determination Date by a fraction, the numerator of which shall be the product of (i) the number of Common Share Equivalents represented by all securities outstanding immediately prior to such Determination Date and (ii) the Fair Market Value of a share of Common Stock immediately prior to such Determination Date, and the denominator of which shall be (x) the product of (A) the number of Common Share Equivalents represented by all securities outstanding immediately prior to such Determination Date and (B) the Fair Market Value of a share of Common Stock immediately prior to such Determination Date minus (y) the difference between (I) the aggregate consideration paid by the Company in connection with such repurchase and (II) the aggregate Fair Market Value of such Preferred Stock (or other security). An adjustment made pursuant to this Section 7(g) shall become effective immediately after the effective date of such repurchase.

(h) No Impairment. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 7 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series G Preferred against impairment.

(i) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Amount pursuant to this Section 7, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the holders of Series G Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of the holders of Series G Preferred, furnish or cause to be furnished to such holders a like certificate setting forth (1) such adjustments and readjustments and (2) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series G Preferred.

(j) Notices.

(i) In the event that the Company shall propose at any time to effect any transaction of the type described in Sections 7(a) through 7(g) hereof or to take any similar extraordinary corporate action affecting the Company's capital stock, then, in connection with each such event, the Company shall send to the holders of Series G Preferred at least 20 days prior to (x) in the case of a dividend or other distribution, the applicable record date, a notice specifying the record date for purposes of such dividend or other distribution and the date on which such dividend or other distribution is to be made, and (y) in any other case, the date on which such event is to become effective or the first date on which the Company intends to effect any such transaction, as the case may be, in each case specifying in reasonable detail what the transaction or event consists of and, if applicable, the aggregate amount or value of any cash or property proposed to be distributed, paid, purchased or received by the Company in connection therewith.

(ii) In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the holders of Series G Preferred at least 20 days' prior written notice thereof.

(iii) Unless notice is otherwise required pursuant to Section 7(j)(i) hereof, the Company shall send written notice to the holders of Series G Preferred immediately upon any public announcement with respect to an open market repurchase program, any self-tender offer for and any other repurchase of shares of Common Stock, other than repurchases in the ordinary course of business of Common Stock issued in connection with the exercise of options outstanding on the date hereof or issued in the ordinary course of business consistent with past practice pursuant to the terms of any employee stock incentive plan adopted by the Company (x) from employees of the Company upon their death, termination or retirement or (y) upon foreclosure pursuant to loans made in the ordinary course of business by the Company to employees of the Company secured by Common Stock.

SECTION 8. Redemption.

(a) Optional Redemption. The Company may, on any date on or after November 16, 1997 (the "Redemption Date"), redeem all of the shares of Series G Preferred then outstanding, out of funds legally available therefor. The redemption payment for each share of Series G Preferred shall be the Redemption Amount determined as of the Redemption Date.

(b) Mechanics of Redemption.

(i) At least 20 days, but not more than 60 days, prior to the Redemption Date, the Company shall send a written notice (the "Redemption Notice") to each holder of shares of Series G Preferred (the "Redemption Shares") stating: (A) the total number of Redemption Shares; (B) the number of Redemption Shares held by such holder; (C) the Redemption Date; (D) the Redemption Amount per share; and (E) the manner in which and the place at which such holder is to surrender to the Company the certificate or certificates representing its Redemption Shares.

(ii) Upon surrender to the Company, in the manner and at the place designated, of a certificate or certificates representing Redemption Shares, the Redemption Amount for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. All such surrendered certificates shall be cancelled.

(iii) On or prior to the Redemption Date, the Company shall have the option to deposit the aggregate of all Redemption Amounts for all Redemption Shares (other than Redemption Shares surrendered for conversion prior to such date) in a bank or trust company (designated in the Redemption Notice) doing business in the Borough of Manhattan, the City and State of New York, having aggregate capital and surplus in excess of \$300,000,000, as a trust fund for the benefit of the respective holders of Redemption Shares, with irrevocable instructions and authority to the bank or trust company to pay the appropriate Redemption Amount to the holders of Redemption Shares upon receipt of notification from the Company that such holder has surrendered the certificate representing such shares to the Company. Such instructions shall also provide that any such moneys remaining unclaimed at the expiration of one year following the Redemption Date shall thereafter be returned to the Company upon its request as expressed in a resolution of its Board of Directors. The holder of any Redemption Shares in respect of which such deposit has been returned to the Company pursuant to the preceding sentence shall have a claim as an unsecured creditor against the Company for the Redemption Amount in respect thereof, without interest.

(iv) Provided that the Company has given the Redemption Notice described in Section 8(b)(i) and has on or prior to the Redemption Date either paid or made available (as described in Section 8(b)(iii)) Redemption Amounts to the holders of Redemption Shares, all Redemption Shares shall be deemed to have been redeemed as of the close of business of the Company on the applicable Redemption Date. Thereafter, the holder of such shares shall no longer be treated for any purposes as the record holder of such shares of Series G Preferred, regardless of whether the certificates representing such shares are surrendered to the Company or its transfer agent, excepting only the right of the holder to receive the appropriate Redemption Amount, without interest, upon such surrender. Such shares so redeemed shall not be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

(v) The Company shall not be obligated to pay the Redemption Amount to any holder of Redemption Shares unless the certificates evidencing such shares are either delivered to the Company or its transfer agent, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates.

SECTION 9. Definitions. The following terms, as used herein, have the following meanings:

“Common Share Equivalent” , means, with respect to any security of the Company (other than the Series G Preferred, the Series C Preferred and the Series D Preferred) and as of a given date, a number which is, (i) in the case of a share of Common Stock, one, (ii) in the case of all or a portion of any right, warrant or other security which may be exercised for a share or shares of Common Stock, the number of shares of Common Stock receivable upon exercise of such security (or such portion of such security) and (iii) in the case of any security convertible or exchangeable into a share or shares of Common Stock, the number of shares of Common Stock that would be received if such security were converted or exchanged on such date.

“Fair Market Value” means, with respect to a share of common Stock or Preferred Stock or other securities of the Company (other than options, rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock) on any date, the average closing sales price per share (or other similar unit) of such security on the principal market on which such security is traded for the 20 trading days immediately preceding (but not including) such date, less four percent of the amount determined by such method or the alternative method set forth below, representing the estimated costs of the distribution of such security, or, if such security is not publicly traded, the Fair Market Value of such share (or other similar unit) shall be determined as of such date by the Board of Directors of the Company; provided that if the holders of a majority of the Series G Preferred in their discretion do not agree with such determination, the Fair Market Value of such share (or other similar unit) shall be determined by a nationally recognized firm of investment bankers reasonably acceptable to the Company and the holders of a majority of the Series G Preferred, whose fees shall be paid by the Company; provided, further, that if the Fair Market Value of such share (or other similar unit) as finally determined by such investment banking firm is less than or equal to 105%, in the case of an adjustment pursuant to Sections 7(d) and 7(e) hereof, or greater than or equal to 95%, in the case of an adjustment pursuant to Sections 7(f) and 7(g) hereof, of the Fair Market Value of such share (or other similar unit) as determined by the Board of Directors of the Company, the holders of the Series G Preferred shall pay such fees. Such investment bankers shall take into account any illiquidity of such shares (or other similar units) and shall assume that such shares (or other similar units) do not represent a controlling interest.

SECTION 10. Transfer and Legending of Shares. No transfer of shares of the Series G Preferred shall be effective until such transfer is registered on the books of the Company. Any shares so transferred must bear the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH.

The Company shall refuse to register any attempted transfer of shares of Series G Preferred not in compliance with this Section 10.

SECTION 11. Status of Converted Shares. If shares of the Series G Preferred are converted pursuant to Section 6 hereof or redeemed pursuant to Section 6 hereof, the shares so converted or redeemed shall assume the status of authorized but unissued shares of preferred stock of the Company.

SECTION 12. Reserved Shares. So long as any shares of Series G Preferred remain outstanding, the Company agrees to keep reserved for issuance in connection with the conversion of the Series G Preferred at all times a number of authorized but unissued shares of Common Stock at least equal to 100 percent of the number of shares of Common Stock issuable upon conversion of all of the Series G Preferred outstanding at such time. All such shares shall be

duly authorized and, when issued upon such exercise, shall be validly issued, fully paid and non-assessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights, except to the extent set forth in any agreement to which a holder of Series G Preferred may be a party.

SECTION 13. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telex or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of the Series G Preferred, to such holder's address of record, and (ii) in the case of the Company, to the Company's principal executive offices to the attention of the Company's president.

SECTION 14. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Series G Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Company and the affirmative vote or written consent of the holders of more than $66 \frac{2}{3}$ percent of the shares of Series G Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the Company and all holders of the Series G Preferred.

IN WITNESS WHEREOF, Barnes & Noble, Inc. has caused this Certificate of Designation to be duly executed by its duly authorized officer and attested by its secretary this 16th day of November, 1992.

BARNES & NOBLE, INC.

By: /s/ Irene R. Miller

Title: Executive Vice President

ATTEST:

/s/ Michael N. Rosen

Secretary

CERTIFICATE OF DESIGNATION OF

PREFERENCES AND RIGHTS OF

PREFERRED STOCK, SERIES H OF

BARNES & NOBLE, INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

Barnes & Noble, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of the Company, as amended, the Board of Directors as of July 10, 1998 adopted the following resolution, creating a series of Preferred Stock designated as Preferred Stock, Series H:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Company (the "Board of Directors") in accordance with the provisions of its Amended and Restated Certificate of Incorporation, as amended, a series of Preferred Stock of the Company be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof, are as follows:

Section 1. Designation, Par Value and Amount. The shares of such series shall be designated as "Series H Preferred" (hereinafter referred to as "Series H Preferred"), the shares of such series shall be with par value of \$.001 per share, and the number of shares constituting such series shall be 250,000; provided, however, that, if more than a total of 250,000 shares of Series H Preferred shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 10, 1998, between the Company and The Bank of New York, as Rights Agent (as amended from time to time) (the "Rights Agreement"), the Board of Directors, pursuant to the General Corporation Law of the State of Delaware, shall direct by resolution or resolutions that a certificate be properly executed, acknowledged and filed providing for the total number of shares of Series H Preferred authorized to be issued to be increased (to the extent that the Certificate of Incorporation then permits) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of the Rights.

Section 2. Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series H Preferred with respect to dividends, the holders of shares of Series H Preferred, in preference to the holders of shares of Common Stock, par value \$.001 per share, of the Corporation ("Common Stock") and any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 30th day of each of April, July, October and January in each year (or, in each case, if not a date on which the Corporation is open for business, the next succeeding business day) or such earlier date in any such month on which dividends on the Common Stock are payable (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series H Preferred, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$2.00 or (b) subject to the provision for adjustment hereinafter set forth, 400 times the aggregate per share amount of all cash dividends, and 400 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series H Preferred. In the event the Corporation shall at any time after July 10, 1998 (the "Rights Declaration Date") (1) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series H Preferred were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series H Preferred as provided in paragraph (a) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$2.00 per share on the Series H Preferred shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series H Preferred from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series H Preferred, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series H Preferred entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series H Preferred in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series H Preferred entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series H Preferred shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series H Preferred shall entitle the holder thereof to 400 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series H Preferred were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein or by law, the holders of shares of Series H Preferred and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) (i) if at any time dividends on any Series H Preferred shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a “default period”) which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series H Preferred then outstanding shall have been declared and paid or set apart for payment During each default period, all holders of Preferred Stock (including holders of the Series H Preferred) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series H Preferred may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(c) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the

continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series H Preferred.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board, any Vice Chairman, the Chief Executive Officer, the President, the Chief Operating Officer, any Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (c)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (c)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (c) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Certificate of Incorporation or By-laws irrespective of any increase made pursuant to the provisions of paragraph (iii) of this Section 3 (such number being subject, however to change thereafter in any manner provided by law or in the Certificate of Incorporation or By-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(d) Except as set forth herein, holders of Series H Preferred shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series H Preferred as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series H Preferred outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series H Preferred;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series H Preferred, except dividends paid ratably on the Series H Preferred and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series H Preferred, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series H Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series H Preferred, or any shares of stock ranking on a parity with the Series H Preferred, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series H Preferred purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. (a) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series H Preferred unless, prior thereto, the holders of shares of Series H Preferred shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series H Liquidation Preference"). Following the payment of the full amount of the Series H Liquidation Preference, no additional distributions shall be made to the holders of shares of Series H Preferred unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series H Liquidation Preference by (ii) 400 (as appropriately adjusted as set forth in subparagraph (c) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series H Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series H Preferred and Common Stock, respectively, holders of Series H Preferred and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(b) In the event there are not sufficient assets available to permit payment in full of the Series H Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series H Preferred, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(c) In the event the Corporation shall at any time alter the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series H Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 400 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence

with respect to the exchange or change of shares of Series H Preferred shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series H Preferred shall not be redeemable.

Section 9. Ranking. The Series H Preferred shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Amended and Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series H Preferred so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series H Preferred, voting separately as a class.

Section 11. Fractional Shares. Series H Preferred may be issued in fractions of a share which shall entitle the holder, in proportion to such holders fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series H Preferred.

IN WITNESS WHEREOF, Barnes & Noble, Inc. has caused this Certificate of Designation to be duly executed by its duly authorized officer and attested by its Secretary this 10th day of July, 1998.

BARNES & NOBLE, INC.

By: /s/ Marie J. Torlantis

Name: Marie J. Torlantis

Title: Executive Vice President, Finance

ATTEST:

/s/ Michael N. Rosen

Michael N. Rosen, Secretary

CERTIFICATE OF CHANGE OF REGISTERED AGENT AND
LOCATION OF REGISTERED OFFICE

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation") is BARNES & NOBLE, INC.
2. The registered office of the Corporation within the State of Delaware is hereby changed to 615 South Dupont Highway, Dover DE 19901, County of Kent.
3. The registered agent of the Corporation within the State of Delaware is hereby changed to Capitol Services, Inc., the business office of which is identical with the registered office of the corporation as hereby changed.
4. The Corporation has authorized the changes hereinbefore set forth by resolution of its Board of Directors.

Executed on 9/9/03.

BARNES & NOBLE, INC.

Name of Corporation

/s/ Jay M. Dorman

Signature

Jay M. Dorman, Asst. Sec.

Printed Name and Title

CERTIFICATE OF THE
DESIGNATIONS, PREFERENCES AND RELATIVE
PARTICIPATING, OPTIONAL AND OTHER SPECIAL
RIGHTS AND QUALIFICATIONS, LIMITATIONS
OR RESTRICTIONS OF SERIES I
PREFERRED STOCK OF
BARNES & NOBLE, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware, BARNES & NOBLE, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That, pursuant to the authority conferred upon the Board of Directors (the “Board”) of BARNES & NOBLE, INC. (the “Company”) by Article FOURTH, paragraph (b), of the Amended and Restated Certificate of Incorporation of the Company, the Board on November 17, 2009, adopted the following resolution designating a new series of preferred stock as Series I Preferred Stock:

RESOLVED, that, pursuant to the authority vested in the Board of Directors (the “Board”) of BARNES & NOBLE, INC. (the “Company”) in accordance with the provisions of the Amended and Restated Certificate of Incorporation of the Company (the “Certificate”) and the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, a series of preferred stock of the Company is hereby authorized, and the designation and number of shares thereof, and the preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, shall be as follows (in addition to any preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate which are applicable to shares of Preferred Stock, par value \$0.001 per share of the Company (the “Preferred Stock”)):

SECTION 1. Designation and Number of Shares. The shares of such series shall be designated as “Series I Preferred Stock” (the “Series I Preferred Stock”). The number of shares initially constituting the Series I Preferred Stock shall be 300,000; provided, however, that, if more than a total of 300,000 shares of Series I Preferred Stock shall be issuable upon the exercise of Rights (the “Rights”) issued pursuant to the Rights Agreement dated as of November 17, 2009, between the Company and Mellon Investor Services LLC, a New Jersey limited liability company, as Rights Agent (the “Rights Agreement”), the Board, pursuant to Section 151(g) of the General Corporation Law of the State of Delaware, shall direct by resolution or resolutions that a certificate be properly executed, acknowledged, filed and recorded, in accordance with the provisions of Section 103 thereof, providing for the total number of shares of Series I Preferred Stock authorized to be issued to be increased (to the extent that the Certificate then permits) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

SECTION 2. Dividends or Distributions. (a) Subject to the superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the Company ranking superior to the shares of Series I Preferred Stock with respect to dividends, the holders of shares of Series I Preferred Stock shall be entitled to receive, when, as and if declared by the Board, out of the assets of the Company legally available therefor, (1) quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the Board shall approve (each such date being referred to herein as a “Quarterly Dividend Payment Date”), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series I Preferred Stock, in the amount of \$0.25 per whole share (rounded to the nearest cent) less the amount of all cash dividends declared on the Series I Preferred Stock pursuant to the following clause (2) since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series I Preferred Stock (the total of which shall not, in any event, be less than zero) and (2) dividends payable in cash on the payment date for each cash dividend declared on the shares of Common Stock, par value \$0.001 per share, of the Company (the “Common Stock”) in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Company shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Company shall simultaneously pay or make on each outstanding whole share of Series I Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of Common Stock. As used herein, the “Formula Number” shall be 1,000; provided, however, that, if at any time after November 17, 2009, the Company shall (i) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (iii) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and provided further that, if at any time after November 17, 2009, the Company shall issue any shares of its capital stock in a merger, reclassification, or change of the outstanding shares of Common Stock, then in each such event the Formula Number shall be appropriately adjusted to reflect such merger, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, reclassification or change.

(b) The Company shall declare a cash dividend on the Series I Preferred Stock as provided in Section 2(a) immediately prior to or at the same time it declares a cash dividend on the Common Stock; provided, however, that, in the event no cash dividend shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, during the period between the first issuance of any share or fraction of a share of

Series I Preferred Stock, a dividend of \$0.25 per whole share on the Series I Preferred Stock shall nevertheless accrue on such subsequent Quarterly Dividend Payment Date or the first Quarterly Dividend Payment Date, as the case may be. The Board may fix a record date for the determination of holders of shares of Series I Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series I Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue and be cumulative from and after the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series I Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series I Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(d) So long as any shares of Series I Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock unless, in each case, the dividend required by this Section 2 to be declared on the Series I Preferred Stock shall have been declared and set aside.

(e) The holders of shares of Series I Preferred Stock shall not be entitled to receive any dividends or other distributions except as herein provided.

SECTION 3. Voting Rights. No voting rights shall attach to the Series I Preferred Stock.

SECTION 4. Certain Restrictions. (a) Whenever quarterly dividends or other dividends or distributions on the Series I Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series I Preferred Stock outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series I Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series I Preferred Stock, except dividends paid ratably on the Series I Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series I Preferred Stock; provided, however, that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series I Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series I Preferred Stock, or any shares of stock ranking on a parity with the Series I Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under Section 4(a), purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. Liquidation Rights. Upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, no distribution shall be made (1) to the holders of any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series I Preferred Stock unless, prior thereto, the holders of shares of Series I Preferred Stock shall have received an amount equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (x) \$1,000 per whole share or (y) an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (2) to the holders of any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series I Preferred Stock, except distributions made ratably on the Series I Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up; provided, that no holder of any Series I Preferred Stock shall be authorized or entitled to receive upon involuntary liquidation of the Company an amount in excess of \$100.00 per share of Series I Preferred Stock.

SECTION 6. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the then outstanding shares of Series I Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section 6 and Section 2 appear to apply to a transaction, this Section 6 will control.

SECTION 7. No Redemption; No Sinking Fund. (a) The shares of Series I Preferred Stock shall not be subject to redemption by the Company or at the option of any holder of Series I Preferred Stock; provided, however, that, subject to Section 4(a)(iv), the Company may purchase or otherwise acquire outstanding shares of Series I Preferred Stock in the open market or by offer to any holder or holders of shares of Series I Preferred Stock.

(b) The shares of Series I Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

SECTION 8. Ranking. The Series I Preferred Stock shall rank junior to all other series of Preferred Stock of the Company unless the Board shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof.

SECTION 9. Fractional Shares. The Series I Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one one-thousandth of a share (as such fraction may be adjusted as provided in the Rights Agreement) or any integral multiple of such fraction which shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series I Preferred Stock. In lieu of fractional shares, the Company, prior to the first issuance of a share or a fraction of a share of Series I Preferred Stock, may elect (a) to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-thousandths of a share (as such fraction may be adjusted as provided in the Rights Agreement) or any integral multiple thereof or (b) to issue depository receipts evidencing such authorized fraction of a share of Series I Preferred Stock pursuant to an appropriate agreement between the Company and a depository selected by the Company; provided, however, that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series I Preferred Stock.

SECTION 10. Reacquired Shares. Any shares of Series I Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board pursuant to the provisions of the Certificate.

SECTION 11 Amendment. So long as any shares of Series I Preferred Stock shall be outstanding, (i) none of the powers, preferences and relative, participating, optional and other special rights of the Series I Preferred Stock as herein provided shall be amended in any manner which would alter or change the powers, preferences, rights or privileges of the holders of Series I Preferred Stock so as to affect them adversely and (ii) no amendment, alteration or repeal of the Certificate or of the By-laws of the Company shall be effected so as to affect adversely any of such powers, preferences, rights or privileges.

IN WITNESS WHEREOF, the Company has caused this Certificate to be duly executed in its corporate name on this 17th day of November, 2009.

BARNES & NOBLE, INC.

By: /s/ Joseph Lombardi

Name: Joseph Lombardi

Title: CFO

CERTIFICATE OF THE DESIGNATIONS, PREFERENCES AND RELATIVE
PARTICIPATING, OPTIONAL AND OTHER SPECIAL RIGHTS AND QUALIFICATIONS,
LIMITATIONS OR RESTRICTIONS OF
SENIOR CONVERTIBLE REDEEMABLE SERIES J PREFERRED STOCK,
PAR VALUE \$.001, OF
BARNES & NOBLE, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware, BARNES & NOBLE, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That, pursuant to the authority conferred upon the Board of Directors (the "Board") of BARNES & NOBLE, INC. (the "Company") by Article FOURTH, paragraph (b), of the Amended and Restated Certificate of Incorporation of the Company, the Board, on August 18, 2011, adopted the following resolution designating a new series of preferred stock as Series J Preferred Stock:

RESOLVED, that, pursuant to the authority vested in the Board of Directors (the "Board") of BARNES & NOBLE, INC. (the "Company") in accordance with the provisions of Article FOURTH of the Amended and Restated Certificate of Incorporation of the Company (the "Certificate") and the provisions of Section 151(g) of the General Corporation Law of the State of Delaware (the "General Corporation Law"), a series of preferred stock of the Company is hereby authorized, and the designation and number of shares thereof, and the preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof (in addition to any preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate which are applicable to shares of Preferred Stock, par value \$.001 per share of the Company), shall be as follows:

SECTION 1. Designation and Number of Shares. The shares of such series shall be designated as "Senior Convertible Redeemable Series J Preferred Stock" (the "Series J Preferred Stock"). The number of authorized shares constituting the Series J Preferred Stock shall be 204,000. That number from time to time may be decreased (but not below the number of shares of Series J Preferred Stock then outstanding) by further resolution duly adopted by the Board, or any duly authorized committee thereof, and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized. The Company shall not have the authority to issue fractional shares of Series J Preferred Stock.

SECTION 2. Definitions. As used herein with respect to Series J Preferred Stock:

"2011 Annual Meeting Completion Date" has the meaning set forth in the Investment Agreement.

"Accumulated Dividend Record Date" has the meaning set forth in Section 3(a).

“Adjustment Event” has the meaning set forth in Section 23.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person; provided, that the Company and its Subsidiaries shall not be deemed to be Affiliates of the Liberty Parties or any of their respective Affiliates. For the purposes of this definition, “control”, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Base Amount” means \$1,000, subject to adjustment as provided in Section 10(c)(iii).

“Board” has the meaning set forth in the recitals above.

“Business Day” means any weekday that is not a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to be closed.

“Capital Stock” means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by the Company.

“Certificate” has the meaning set forth in the recitals above.

“Certificate of Designations” means this Certificate of the Designations, Preferences and Relative Participating, Optional and Other Special Rights and Qualifications, Limitations or Restrictions of Senior Convertible Redeemable Series J Preferred Stock, Par Value \$.001, of Barnes & Noble, Inc., as amended from time to time.

“Change of Control” means (i) a “Change of Control” as defined in the Credit Agreement, as in effect on the Issue Date, disregarding clause (b) thereof and (ii) any equivalent concept that results in an event of default or gives rise to a right of repayment or acceleration contained in the documents governing any replacement credit facility disregarding any portion thereof relating to “continuing directors”; provided that a transaction that would otherwise be a “Change of Control” shall not be a “Change of Control” for purposes of this Certificate of Designations if (x) it results from the acquisition of beneficial ownership of shares of Capital Stock by any beneficial owner of Series J Preferred Stock or (y) the transaction constituting a Change of Control is a merger, consolidation or similar transaction that results in the conversion of all of the outstanding shares of Series J Preferred Stock into the right to receive an aggregate amount in cash equal to the amount such Holders would receive if all Holders exercised the Change of Control Sale option in accordance with Section 7.

“Change of Control Effective Date” has the meaning set forth in Section 7(a).

“Change of Control Sale” has the meaning set forth in Section 7(a).

“Closing Price” of the Common Stock on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price, of the shares of the Common Stock on the New York Stock Exchange on such date. If the Common Stock is not traded on the New York Stock Exchange on any date of determination, the Closing Price of the Common Stock on such date of determination means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange on which the Common Stock is so listed or quoted, or if the Common Stock is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock in the over-the-counter market as reported by Pink Sheets LLC or similar organization, or, if that bid price is not available, the market price of the Common Stock on that date as determined by a nationally recognized investment banking firm (unaffiliated with the Company) retained by the Company for such purpose.

“Common Stock” means the common stock of the Company, par value \$.001 per share, which term shall include, where appropriate, in the case of any reclassification, recapitalization or other change in the Common Stock, or in the case of a consolidation or merger of the Company with or into another Person affecting the Common Stock, such capital stock or equity interests to which a holder of Common Stock shall be entitled upon the occurrence of such event.

“Company” has the meaning set forth in the recitals above.

“Constituent Person” has the meaning set forth in Section 11(a).

“Conversion Agent” means the Transfer Agent acting in its capacity as conversion agent for the Series J Preferred Stock, and its successors and assigns.

“Conversion Date” has the meaning set forth in Section 6(a).

“Conversion Price” means, for each share of Series J Preferred Stock, a dollar amount equal to \$1,000 divided by the Conversion Rate.

“Conversion Rate” means for each share of Series J Preferred Stock, 58.8235 shares of Common Stock, subject to adjustment as set forth herein.

“Credit Agreement” means that certain Amended and Restated Credit Agreement dated as of April 29, 2011, among the Company, the borrowers thereunder, the guarantors thereunder, Bank of America, N.A., as Administrative Agent, Collateral Agent and Swing Line Lender, JPMorgan Chase Bank, N.A and Wells Fargo Retail Finance, LLC, as Co-Syndication Agents and Suntrust Bank and Regions Bank, as Co-Documentation Agents, as amended from time to time in accordance with the terms thereof.

“Current Market Price” per share of Common Stock as of a Record Date for any issuance, distribution, dividend or other action means the arithmetic average of the VWAP per share of Common Stock, for each of the ten consecutive full Trading Days ending on the Trading Day before the Record Date with respect to such issuance, distribution, dividend or other action, appropriately adjusted to take into account the occurrence during such period of any event described in Section 10.

“Distributed Company VWAP” has the meaning set forth in Section 10(a)(iv).

“Distributed Entity” means any Subsidiary of the Company distributed in a Distribution Transaction.

“Distributed Property” has the meaning set forth in Section 10(a)(iv).

“Distributing Company VWAP” has the meaning set forth in Section 10(a)(iv).

“Distribution Ratio” means the number of shares (or fraction of a share) of the Distributed Entity received in respect of or in exchange for, as applicable, a share of Common Stock in the Distribution Transaction.

“Distribution Transaction” means any transaction by which a Subsidiary of the Company ceases to be a Subsidiary of the Company by reason of the distribution of such Subsidiary’s equity securities to holders of Common Stock, whether by means of a spin-off, split-off, redemption, reclassification, exchange, stock dividend, share distribution, rights offering or similar transaction.

“Dividend Payment Date” has the meaning set forth in Section 3(a).

“Dividend Period” has the meaning set forth in Section 3(a).

“Dividend Rate” means 7 ³/₄ % per annum, or, to the extent and during the period with respect to which such rate has been adjusted as provided herein, such adjusted rate.

“Dividend Record Date” has the meaning set forth in Section 3(a).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Preferred Stock” means a series of convertible preferred stock of the Company having terms, conditions, designations, dividend rights, voting powers, rights on liquidation and other preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof that are identical, or as nearly so as is practicable in the good faith judgment of the Board of Directors, to those of the Series J Preferred Stock, except that (i) the initial liquidation preference, the Base Amount, the Conversion Rate and the Conversion Price thereof will be determined as provided in Section 10(c)(iii), and (ii) the running of any time periods pursuant to the terms of the Series J Preferred Stock shall be tacked to the corresponding time periods in the Exchange Preferred Stock.

“Exchange Property” has the meaning set forth in Section 11(a).

“Exchange Ratio” has the meaning set forth in Section 10(c)(iii).

“Expiration Date” has the meaning set forth in Section 10(a)(iii).

“Expiration Time” has the meaning set forth in Section 10(a)(iii).

“Extraordinary Dividend” means any dividend payable in cash to the holders of Common Stock which, when taken together with any cash dividends paid to such holders during the prior three fiscal quarters of the Company, exceeds the net income of the Company for such three fiscal quarters taken together with the estimated net income for the quarter in which such dividend is proposed to be paid, with such estimate to be determined by the Board, or an authorized committee thereof, acting in good faith.

“Fair Market Value” means, with respect to any security or other property, the fair market value of such security or other property as determined by the Board, or an authorized committee thereof, acting in good faith.

“Forced Conversion” has the meaning set forth in Section 9(a).

“General Corporation Law” has the meaning set forth in the recitals above.

“Holder” means a Person in whose name the shares of the Series J Preferred Stock are registered, which Person may be treated by the Company, Transfer Agent, Registrar, paying agent and Conversion Agent as the absolute owner of the shares of Series J Preferred Stock for the purpose of making payment and settling conversions and for all other purposes; provided that, to the fullest extent permitted by law, no Person that has received shares of Series J Preferred Stock in violation of Section 4.02 of the Investment Agreement shall be a Holder, and the Transfer Agent, Registrar, paying agent and Conversion Agent, as applicable, shall not, at the direction of the Company, recognize any such Person as a Holder.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“HSR Clearance” has the meaning set forth in the Investment Agreement.

“Investment Agreement” means that certain agreement between the Company and Liberty GIC, Inc. (the “Investor”) dated as of August 18, 2011, with respect to the purchase and sale of the Series J Preferred Stock, as amended from time to time in accordance with the terms thereof.

“Issue Date” means, with respect to any share of Series J Preferred Stock, the date of initial issuance of such share of Series J Preferred Stock.

“Junior Stock” means the Common Stock, the Series I Preferred Stock, and any other class or series of Capital Stock now existing or hereafter authorized other than the Series J Preferred Stock, any class or series of Parity Stock, and any class or series of Senior Stock.

“Liberty Distribution Transaction” means any transaction by which any Liberty Party or any subsidiary of a Liberty Party that owns of record shares of Series J Preferred Stock, or the Common Stock received upon conversion thereof, ceases to be a subsidiary of any Liberty Party by reason of the distribution of such subsidiary’s or such subsidiary’s parent company’s equity securities to the holders of common stock of any Liberty Party, whether by means of a spin-off, split-off, redemption, reclassification, exchange, stock dividend, share distribution, rights offering or similar transaction.

“Liberty Party” or “Liberty Parties” means Liberty Media Corporation, Liberty CapStarz, Inc., Investor and any of their respective subsidiaries, together with (i) any Affiliate of any of the foregoing that owns of record shares of Series J Preferred Stock, or shares of Common Stock received upon conversion thereof, and is subject to a Liberty Distribution Transaction, and (ii) any Affiliate of any Person that becomes a Liberty Party by reason of any Liberty Distribution Transaction in compliance with the provisions of the Investment Agreement and owns of record shares of Series J Preferred Stock, or shares of Common Stock received upon conversion thereof.

“Liquidation Preference Amount” has the meaning set forth in Section 4(a).

“Market Disruption Event” means any of the following events:

(a) any suspension of, or limitation imposed on, trading of the Common Stock by any exchange or quotation system on which the Closing Price is determined pursuant to the definition of the term “Closing Price” (the “Relevant Exchange”) during the one-hour period prior to the close of trading for the regular trading session on the Relevant Exchange (or for purposes of determining the VWAP per share of Common Stock, any period or periods aggregating one half-hour or longer during the regular trading session on the relevant day) and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange as to securities generally, or otherwise relating to the Common Stock or options contracts relating to the Common Stock on the Relevant Exchange; or

(b) any event that disrupts or impairs (as determined by the Company in its reasonable discretion) the ability of market participants during the one-hour period prior to the close of trading for the regular trading session on the Relevant Exchange (or for purposes of determining the VWAP per share of Common Stock, any period or periods aggregating one half-hour or longer during the regular trading session on the relevant day) in general to effect transactions in, or obtain market values for, the Common Stock on the Relevant Exchange or to effect transactions in, or obtain market values for, options contracts relating to the Common Stock on the Relevant Exchange.

“Mirror Preferred Stock” means a series of convertible preferred stock issued by the Distributed Entity and having terms, conditions, designations, dividend rights, voting powers, rights on liquidation and other preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof that are identical, or as nearly so as is practicable in the good faith judgment of the Board of Directors, to those of the Series J Preferred Stock, except that (i) the initial liquidation preference, the Base Amount, the Conversion Rate and the Conversion Price thereof will be determined as provided in Section 10(c)(iii), (ii) the running of any time periods pursuant to the terms of the Series J Preferred Stock shall be tacked to the corresponding time periods in the Mirror Preferred Stock and (iii) the Mirror Preferred Stock shall be convertible into the kind of securities of the Distributed Entity that the holders of Common Stock received in the Distribution Transaction.

“Notice of Forced Conversion” has the meaning set forth in Section 9(b).

“Notice of Redemption” has the meaning set forth in Section 8(c).

“Officer ’ s Certificate” means a certificate signed by the Chief Executive Officer, any Executive Vice President, the Chief Financial Officer, the Controller or the Treasurer.

“Optional Redemption Date” has the meaning set forth in Section 8(c).

“Parity Stock” means any class or series of Capital Stock hereafter authorized that expressly ranks on a parity basis with the Series J Preferred Stock as to the dividend rights, rights of redemption and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

“Per Share Amount” has the meaning set forth in Section 5(a).

“Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company, trust or other entity.

“Preferred Directors” has the meaning set forth in Section 12(b)(i).

“Purchased Shares” has the meaning set forth in Section 10(a)(iii).

“Record Date” means, with respect to any dividend, distribution or other transaction or event in which the holders of the Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of the Common Stock entitled to receive such cash, securities or other property (whether such date is fixed by the Board or by statute, contract or otherwise).

“Registrar” means the Transfer Agent acting in its capacity as registrar for the Series J Preferred Stock, and its successors and assigns.

“Relevant Exchange” has the meaning set forth in the definition of the term “Market Disruption Event.”

“Reorganization Event” has the meaning set forth in Section 11(a).

“Restricted Securities” has the meaning set forth in Rule 144(a)(3) of the Securities Act of 1933, as amended.

“Rights Plan” means the Rights Agreement dated as of November 17, 2009, between the Company and Mellon Investor Services LLC, as amended by Amendment No. 1, dated as of February 17, 2010, Amendment No. 2, dated as of June 23, 2010, Amendment No. 3, dated as of October 29, 2010 and Amendment No. 4, dated as of the date hereof, and any other agreement or plan entered into by the Company in replacement or substitution therefor.

“Senior Stock” means any class or series of Capital Stock hereafter authorized that expressly ranks senior to the Series J Preferred Stock and has preference or priority over the Series J Preferred Stock as to dividend rights, rights of redemption or rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of Company.

“Series I Preferred Stock” means the preferred stock of the Company designated as “Series I Preferred Stock”.

“Series J Preferred Stock” shall have the meaning set forth in Section 1.

“Subsidiary” means any company or corporate entity for which the Company owns, directly or indirectly, an amount of the voting securities, other voting rights or voting partnership interests of which is sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, more than 50% of the equity interests of such company or corporate entity).

“Trading Day” means a Business Day on which the Relevant Exchange is scheduled to be open for business and on which there has not occurred a Market Disruption Event.

“Transfer Agent” means the Company acting as Transfer Agent, Registrar, paying agent and Conversion Agent for the Series J Preferred Stock, and its successors and assigns.

“Trigger Event” has the meaning set forth in Section 10(a)(v).

“VWAP” per share of Common Stock on any Trading Day means the per share volume-weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg (or, if Bloomberg ceases to publish such price, any successor service reasonably chosen by the Company) page “BKS UN Equity VAP” (or its equivalent successor if such page is not available) in respect of the period from the open of trading on the relevant Trading Day until the close of trading on such Trading Day (or if such volume-weighted average price is unavailable, the market price of one share of Common Stock on such Trading Day determined, using a volume-weighted average method, by a nationally recognized investment banking firm (unaffiliated with the Company) retained for such purpose by the Company).

SECTION 3. Dividends. (a) Holders shall be entitled to receive, if, as and when declared by the Board, or any duly authorized committee thereof, but only out of assets legally available therefor, cumulative cash dividends payable quarterly in arrears on the last day of each of the Company’s fiscal quarters in each year, commencing with the Company’s current fiscal quarter; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each such day on which dividends are payable, a “Dividend Payment Date”). The period from and including any Dividend Payment Date (or, prior to the first Dividend Payment Date, from and including the Issue Date) to, but excluding, the next Dividend Payment Date is a “Dividend Period.” Dividends on each share of Series J Preferred Stock shall accrue daily at a rate per annum equal to the Dividend Rate of the Liquidation Preference Amount per share of Series J Preferred Stock. The record date for payment of quarterly dividends on the Series J Preferred Stock will be the 15th day of the calendar month which contains the relevant Dividend Payment Date or the 15th day of the prior month if the Dividend Payment Date is on or before the 15th day of a calendar month (each, a “Dividend Record Date”), and the record date for payment of dividends on the Series J Preferred Stock that

were not declared and paid on the relevant Dividend Payment Date shall be a date that is established by the Board and which is not more than 45 days and not fewer than 10 days prior to the date on which such dividends are paid (each, an “Accumulated Dividend Record Date”), in each case whether or not such day is a Business Day. Notwithstanding anything to the contrary herein, (i) in the event that the Company does not redeem all outstanding shares of Series J Preferred Stock in accordance with Section 8(b) as a result of insufficient funds legally available therefor, then commencing on August 18, 2021, the Dividend Rate shall be increased to a rate equal to the Dividend Rate in effect as of the close of business on August 18, 2021 plus 2% per annum and an additional 2% per annum shall be added to such increased Dividend Rate on each anniversary thereafter on which any shares of Series J Preferred Stock remains outstanding, (ii) in the event that the right of the Holders to exercise the right to vote their shares of Series J Preferred Stock on an “as converted” basis or the shares of Common Stock issued upon conversion of the Series J Preferred Stock, the rights of any Liberty Party under the Investment Agreement to exercise its consent rights thereunder, or the right of the Holders to elect Preferred Directors pursuant to Section 12(b) are enjoined, restricted or limited in any manner (other than pursuant to Section 12(a) of this Certificate of Designations, the provisions of the Investment Agreement, or the Rights Plan and any successor stockholder rights plan adopted without violation of the Investment Agreement) at any time following the 2011 Annual Meeting Completion Date (other than by reason of the failure to obtain HSR Clearance by such date or other than as a result of actions by a Liberty Party unrelated to the transactions contemplated by the Investment Agreement and this Certificate of Designations), then commencing on the 2011 Annual Meeting Completion Date (unless HSR Clearance has not been obtained by such date, in which case, commencing on the date on which such rights are enjoined, restricted or limited following the first to occur of the receipt of HSR Clearance or the 90th day referred to in the immediately following clause (iii)) the Dividend Rate shall be increased to a rate equal to the Dividend Rate in effect immediately prior to such date plus 2% per annum, until such date as all of such voting and consent rights are no longer enjoined, restricted or limited in any manner, and (iii) in the event HSR Clearance is not obtained by the 90th day following the Issue Date, then commencing on such 90th day, the Dividend Rate shall be increased to a rate equal to the Dividend Rate in effect immediately prior to such 90th day plus 2% per annum, until such date as HSR Clearance is obtained; provided, however, that the increase in Dividend Rate prescribed by this clause (iii) shall not be in addition to the increase prescribed by the immediately preceding clause (ii). The amount of dividends payable will be computed on the basis of a 365-day year.

(b) Payment; Arrearages. Dividends shall be paid in cash when, as and if declared by the Board. If the Company fails to declare and pay a full dividend on the Series J Preferred Stock on a Dividend Payment Date, then dividends otherwise payable on such Dividend Payment Date on the Series J Preferred Stock shall continue to accrue and cumulate at a rate per annum of $9\frac{3}{4}\%$ (or, if greater, a rate equal to the Dividend Rate in effect immediately prior to such Dividend Payment Date plus 2% per annum) of the Liquidation Preference Amount per share, payable quarterly on each Dividend Payment Date, in arrears, for the period from and including the first Dividend Payment Date (or the Issue Date, as applicable) upon which the Company fails to pay a full dividend on the Series J Preferred Stock through but not including the day upon which the Company pays in accordance with Section 3(a) all dividends on the Series J Preferred Stock that are then in arrears, including any amounts of accrued and unpaid dividends that have been added to the Liquidation Preference Amount pursuant to clause (ii) of the definition thereof (for the avoidance of doubt, dividends following payment of such arrearages on the Series J Preferred

Stock will accrue at a rate per annum of 7 ³/₄ % (or, if greater, a rate equal to the then-current Dividend Rate less 2% per annum) of the Liquidation Preference Amount beginning on such day, subject to adjustment). Dividends shall accumulate from the most recent date through which dividends shall have been paid, or, if no dividends have been paid, from the Issue Date, whether or not in any Dividend Period there have been funds of the Company legally available for the payment of such dividends.

(c) Priority of Dividends. So long as any share of Series J Preferred Stock remains outstanding, unless full dividends on all outstanding shares of the Series J Preferred Stock have been declared and paid, including any accrued and unpaid dividends on Series J Preferred Stock that are then in arrears, or declared and a sum sufficient for the payment of those dividends has been set aside for the benefit of the Holders thereof on the applicable Dividend Record Date, the Company will not, and will cause its Subsidiaries not to, declare or pay any dividend on, or make any distributions relating to, Junior Stock or Parity Stock, or redeem, purchase, acquire (either directly or through any Subsidiary) or make a liquidation payment relating to, any Junior Stock or Parity Stock, or make any guarantee payment with respect thereto, other than:

(i) purchases, redemptions or other acquisitions of shares of Junior Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;

(ii) purchases of shares of Junior Stock pursuant to a contractually binding requirement to buy stock, including under a contractually binding stock repurchase plan, provided that such contract or plan was entered into prior to any default by the Company of its obligations to pay dividends on the Series J Preferred Stock;

(iii) as a result of an exchange or conversion of any class or series of Junior Stock, or the securities of another company, for any other class or series of Junior Stock;

(iv) the purchase of fractional interests in shares of Junior Stock pursuant to the conversion or exchange provisions of such Junior Stock or the security being converted or exchanged;

(v) the payment of any dividends in respect of Junior Stock where the dividend is in the form of the same stock as that on which the dividend is being paid;

(vi) distributions of Junior Stock or rights to purchase Junior Stock; or

(vii) any distribution pursuant to the Rights Plan.

Except as provided below, for so long as any share of Series J Preferred Stock remains outstanding, if dividends are not declared and paid in full upon the shares of Series J Preferred Stock and any Parity Stock with the same dividend payment date or with a dividend payment date during a Dividend Period, all dividends declared upon shares of Series J Preferred Stock and any such Parity Stock will be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that all accrued and unpaid dividends as of the end of the applicable Dividend Period per share of Series J Preferred Stock and any other Parity Stock (including, in the case of any such Parity Stock that bears cumulative dividends, all accrued and unpaid dividends) bear to each other.

Subject to the provisions of this Section 3, dividends may be declared and paid on any Junior Stock and Parity Stock from time to time out of any assets legally available for such payment, and holders of shares of Series J Preferred Stock (x) will not be entitled to participate in those dividends, other than, at the election of the Holder, through the receipt of Mirror Preferred Stock and Exchange Preferred Stock and (y) as and to the extent provided in Section 10, will be entitled to an adjustment to the Conversion Rate as a result of such dividends.

(d) Extraordinary Dividend. So long as any shares of Series J Preferred Stock are issued and outstanding, in the event that the Company declares and pays a dividend that is an Extraordinary Dividend, then each share of Series J Preferred Stock shall be entitled to participate in such dividend with the holders of Common Stock and receive an amount per share of Series J Preferred Stock equal to (A) the Per Share Amount on the Record Date for such dividend, multiplied by (B) the amount per share distributed or to be distributed in such Extraordinary Dividend in respect of a share of Common Stock. The Company shall not declare or pay any Extraordinary Dividend on or with respect to Junior Stock (other than the Common Stock). It shall be a condition to the declaration and payment of an Extraordinary Dividend on the Common Stock that the corresponding Extraordinary Dividend be declared and paid concurrently on the Series J Preferred Stock.

(e) Conversion Following a Record Date. If the Conversion Date for any shares of Series J Preferred Stock is prior to the close of business on a Dividend Record Date or an Accumulated Dividend Record Date, the Holder of such shares will not be entitled to any dividend in respect of such Dividend Record Date or Accumulated Dividend Record Date, as applicable, other than through the inclusion in the Liquidation Preference Amount of the accrued and unpaid dividends through the Conversion Date as contemplated by Section 4(a) below. If the Conversion Date for any shares of Series J Preferred Stock is after the close of business on a Dividend Record Date or an Accumulated Dividend Record Date but prior to the corresponding Dividend Payment Date, the Holder of such shares as of such Dividend Record Date or Accumulated Dividend Record Date, as applicable, shall be entitled to receive such dividend, notwithstanding the conversion of such shares prior to the Dividend Payment Date.

SECTION 4. Liquidation Rights. (a) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, Holders shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Company may be made to or set aside for the holders of any Junior Stock, and subject to the rights of the holders of any Senior Stock or Parity Stock upon liquidation and the rights of the Company's creditors, to receive in full a liquidating distribution in the amount per share of Series J Preferred Stock equal to the per share liquidation preference of (i) \$1,000, plus (ii) all accrued but unpaid dividends thereon that were not paid on the relevant Dividend Payment Date and remain unpaid, together with any Extraordinary Dividends to which a share of Series J Preferred Stock is entitled under Section 3(d) and for which payment has not been made, in each case, as of the date of the liquidation, conversion, exchange or redemption, as applicable, plus (iii) without duplication of any amount included in the foregoing clause (ii), all accrued but unpaid dividends thereon since the immediately preceding Dividend Payment Date (or with regard to the first Dividend Payment Date, the Issue Date) as of the date of liquidation, conversion, exchange or

redemption, as applicable, whether or not declared, out of assets of the Company legally available therefor (the sum of clauses (i), (ii) and (iii), the “Liquidation Preference Amount”); provided, however, that the calculation of Liquidation Preference Amount shall give effect to the adjustments, if any, required by Section 10(c)(iii). Holders shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company other than what is expressly provided for in this Section 4.

(b) Partial Payment. If the assets of the Company are not sufficient to pay in full the aggregate liquidating distributions required to be paid pursuant to Section 4(a) to all Holders and all holders of any Parity Stock having *pari passu* rights as to liquidation, the amounts distributed to the Holders and to the holders of all such Parity Stock shall be paid pro rata in accordance with the respective aggregate liquidating distributions to which they would otherwise be entitled.

(c) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Company shall not be deemed a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, nor shall the merger, consolidation, statutory exchange or any other business combination transaction of the Company into or with any other Person or the merger, consolidation, statutory exchange or any other business combination transaction of any other Person into or with the Company be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

SECTION 5. Right of the Holders to Convert. (a) From and after the later of (i) the 2011 Annual Meeting Completion Date, and (ii) the date of receipt of HSR Clearance, each Holder shall have the right, at such Holder’s option, to convert each share of such Holder’s Series J Preferred Stock at any time into the number of shares of Common Stock (the “Per Share Amount”) equal to the product of (x) a fraction, the numerator of which is the Liquidation Preference Amount and the denominator of which is the Base Amount, *multiplied* by (y) the Conversion Rate in effect at such time (subject to the conversion procedures, and with the effect, set forth in Section 6), plus cash in lieu of fractional shares as set out in Section 10(i). The right of conversion may be exercised as to all or any portion of such Holder’s Series J Preferred Stock from time to time.

(b) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of the Series J Preferred Stock, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series J Preferred Stock then outstanding. Any shares of Common Stock issued upon conversion of Series J Preferred Stock shall be (i) duly authorized, validly issued and fully paid and nonassessable, (ii) shall rank *pari passu* with the other shares of Common Stock outstanding from time to time and (iii) shall be approved for listing on the New York Stock Exchange if shares of Common Stock generally are so listed (or any other principal national securities exchange on which the Common Stock is listed or admitted to trading).

SECTION 6. Conversion Procedures and Effect of Conversion. (a) Conversion Procedure. A Holder must do each of the following in order to convert shares of Series J Preferred Stock pursuant to this Section 6(a):

- (i) complete and manually sign the conversion notice provided by the Conversion Agent, and deliver such notice to the Conversion Agent;
- (ii) deliver to the Conversion Agent the certificate or certificates representing the shares of Series J Preferred Stock to be converted;
- (iii) if required, furnish appropriate endorsements and transfer documents; and
- (iv) if required, pay any stock transfer, documentary, stamp or similar taxes not payable by the Company pursuant to Section 18.

Clauses (ii), (iii) and (iv) shall be conditions to the issuance of shares of Common Stock to the Holders in the event of a Forced Conversion at the option of the Company pursuant to Section 9.

The “Conversion Date” means (i) the date on which a Holder complies with the procedures in this Section 6(a) or (ii) the date or time specified by the Company for a Forced Conversion pursuant to Section 9, in each case, with regard to shares of Series J Preferred Stock subject to such conversion.

(b) Effect of Conversion. Effective immediately prior to the close of business on the Conversion Date applicable to any shares of Series J Preferred Stock, dividends shall no longer accrue or be declared on any such shares of Series J Preferred Stock and such shares of Series J Preferred Stock shall cease to be outstanding.

(c) Record Holder of Underlying Securities as of Conversion Date. The Person or Persons entitled to receive the Common Stock and, to the extent applicable, cash, securities or other property issuable upon conversion of Series J Preferred Stock on a Conversion Date shall be treated for all purposes as the record holder(s) of such shares of Common Stock and/or cash, securities or other property as of the close of business on such Conversion Date. As promptly as practicable on or after the Conversion Date and compliance by the applicable Holder with the relevant conversion procedures contained in Section 6(a) (and in any event no later than three Trading Days thereafter), the Company shall issue the number of whole shares of Common Stock issuable upon conversion (and deliver payment of cash in lieu of fractional shares, together with any securities or other property issuable thereon). Such delivery of shares of Common Stock, securities or other property shall be made, at the option of the applicable Holder, in certificated form or by book-entry. Any such certificate or certificates shall be delivered by the Company to the appropriate holder on a book-entry basis or by mailing certificates evidencing the shares to the holders at their respective addresses as set forth in the conversion notice. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock and, to the extent applicable, cash (including payments of cash in lieu of fractional shares), securities or other property to be delivered upon conversion of shares of Series J Preferred Stock should be registered or paid, or the manner in which such shares, cash, securities or other property should be delivered, the Company shall be entitled to register and deliver such shares, securities or other property, and make such payment, in the name of the Holder and in the manner shown on the records of the Company.

(d) No Adjustment. Except pursuant to Section 10, no adjustment to shares of Series J Preferred Stock being converted on a Conversion Date or to the shares of Common Stock deliverable to the Holders upon the conversion thereof shall be made in respect of dividends payable to holders of the Common Stock as of any date prior to the close of business on such Conversion Date.

(e) Status of Converted or Reacquired Shares. Shares of Series J Preferred Stock converted in accordance with this Certificate of Designations, or otherwise acquired by the Company in any manner whatsoever shall be retired promptly after the acquisition thereof. All such shares shall upon their retirement and any filing required by the General Corporation Law become authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board pursuant to the provisions of the Certificate.

SECTION 7. Change of Control Sale. (a) In the event of a Change of Control, each Holder of outstanding shares of Series J Preferred Stock shall have the option, during the period beginning on the effective date of the Change of Control (the "Change of Control Effective Date") and ending on the date that is 20 Business Days after the Change of Control Effective Date, to require the Company to purchase, out of funds legally available therefor, any or all of its shares of Series J Preferred Stock at a purchase price per share, payable in cash, equal to 101% of the Liquidation Preference Amount (a "Change of Control Sale").

(b) Initial Change of Control Notice. On or before the 20th Business Day prior to the date on which the Company anticipates consummating the Change of Control (or, if later, promptly after the Company discovers that the Change of Control will occur), a written notice shall be sent by or on behalf of the Company, by overnight courier to the Holders as they appear in the records of the Company. Such notice shall contain:

(i) the date on which the Change of Control is anticipated to be effected (or, if applicable, the date on which a Schedule TO or other schedule, form or report disclosing a Change of Control was filed); and

(ii) the date, which shall be 20 Business Days after the anticipated Change of Control Effective Date, by which the Change of Control Sale option must be exercised.

(c) Final Change of Control Notice. On the Change of Control Effective Date, a final written notice shall be sent by or on behalf of the Company, by overnight courier to the Holders as they appear in the records of the Company. Such notice shall contain:

(i) the date, which shall be no less than 20 Business Days after the Change of Control Effective Date, by which the Change of Control Sale option must be exercised;

(ii) the amount of cash payable per share of Series J Preferred Stock and the purchase date for such shares, which shall be no less than 10 and no greater than 20 Business Days from the date by which the Change of Control Sale option must be exercised; and

(iii) the instructions a Holder must follow to exercise its Change of Control Sale option in connection with such Change of Control.

(d) Change of Control Sale Procedure. To exercise a Change of Control Sale option, a Holder must, no later than 5:00 p.m., New York City time, on the date by which such option must be exercised, surrender to the Conversion Agent the certificates representing the shares of Series J Preferred Stock to be sold and indicate that it is exercising its Change of Control Sale option, as applicable.

(e) Delivery upon Change of Control Sale. Upon a Change of Control Sale, the Company shall deliver or cause to be delivered to the Holder by mail or wire transfer the purchase price payable upon the purchase by the Company of such Holder's shares of Series J Preferred Stock.

(f) Unsold Shares Remain Outstanding. If a Holder does not elect to exercise the Change of Control Sale option pursuant to this Section 7 with respect to all of its shares of Series J Preferred Stock, the shares of Series J Preferred Stock held by it and not surrendered for settlement will remain outstanding until otherwise subsequently converted, redeemed, reclassified or canceled.

(g) Partial Exercise of Change of Control Sale. In the event that a Change of Control Sale is effected with respect to shares of Series J Preferred Stock representing less than all the shares of Series J Preferred Stock held by a Holder, upon such Change of Control Sale the Company shall execute and the Conversion Agent shall, unless otherwise instructed in writing, countersign and deliver to such Holder, at the expense of the Company, a certificate evidencing the shares of Series J Preferred Stock held by the Holder as to which a Change of Control Sale was not effected.

SECTION 8. Redemption. (a) Optional Redemption. The Series J Preferred Stock may be redeemed, in whole, but not in part, at any time after August 17, 2016, at the option of the Company out of funds legally available therefor (but subject to the right of the Holders to convert the shares of Series J Preferred Stock into shares of Common Stock prior to the Optional Redemption Date set forth in the Notice of Redemption pursuant to Section 8(c)) at a redemption price per share, payable in cash, equal to the Liquidation Preference Amount.

(b) Mandatory Redemption. On August 18, 2021, the Company shall redeem all outstanding shares of Series J Preferred Stock out of funds legally available therefor at a redemption price per share, payable in cash, equal to the Liquidation Preference Amount. If there is not a sufficient amount of funds legally available to redeem all outstanding shares of Series J Preferred Stock, the Company shall, to the extent permitted by applicable law, take action to reduce its capital or otherwise increase its aggregate capital surplus in order to make funds legally available for such redemption. To the extent thereafter that the Company has insufficient funds legally available to redeem all outstanding shares of Series J Preferred Stock, the Company shall use any funds legally available therefor to redeem the Series J Preferred Stock on a pro rata basis with respect to each Holder and shall redeem the remaining portion of the Series J Preferred Stock as promptly as reasonably practicable after the Company has sufficient funds legally available to effect such redemption. For the avoidance of doubt, any shares of Series J Preferred Stock that remain outstanding after August 17, 2021 shall continue to accrue dividends in accordance with the provisions in Section 3 for so long as such shares remain outstanding, and the Holders shall retain the right to convert their shares of Series J Preferred Stock into Common Stock pursuant to the terms of this Certificate of Designations; provided, however, that the Company shall no longer have the right to force the conversion of the Series J Preferred Stock into shares of Common Stock pursuant to Section 9.

(c) Redemption Procedure. In order to exercise the redemption right described in this Section 8, the Company shall provide notice of such redemption to each Holder (such notice, a “Notice of Redemption”). In the case of a redemption pursuant to Section 8(a), the date and time of redemption selected by the Company (the “Optional Redemption Date”), shall be no less than 30 days and no greater than 60 days after the date on which the Company provides such Notice of Redemption. In addition to any information required by applicable law or regulation, the Notice of Redemption shall state, as appropriate:

(i) in the case of a redemption pursuant to Section 8(a), the Optional Redemption Date;

(ii) the redemption price; and

(iii) the instructions a Holder must follow with respect to the redemption, including the method for surrendering the certificates for the shares of Series J Preferred Stock to be redeemed for payment of the redemption price.

(d) Effectiveness of Redemption. If the Notice of Redemption has been duly given and if on or before the redemption date all funds necessary for the redemption have been deposited by the Company, in trust for the pro rata benefit of the Holders, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least \$500 million and selected by the Board, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share of Series J Preferred Stock so called for redemption has not been surrendered, on and after the redemption date dividends shall cease to accrue on all shares of Series J Preferred Stock so called for redemption, all shares of Series J Preferred Stock so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares of Series J Preferred Stock shall forthwith on such redemption date cease and terminate, except only the right of the Holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Company, after which time the Holders of the shares of Series J Preferred Stock so called for redemption shall look only to the Company for payment of the redemption price of such shares of Series J Preferred Stock.

SECTION 9. Forced Conversion at the Option of the Company. (a) From and after the later of (i) the date of receipt of HSR Clearance, and (ii) August 18, 2013, the Company shall have the right, at its option, to cause each outstanding share of the Series J Preferred Stock to be converted into the number of shares of Common Stock equal to the Per Share Amount (plus cash in lieu of fractional shares as set forth in Section 10(i)) if, for 20 consecutive Trading Days (including the last Trading Day of such period) ending on the Trading Day preceding the date the Company delivers a Notice of Forced Conversion, the VWAP of the Common Stock on each of such 20 consecutive Trading Days exceeds 150% of the Conversion Price of the Series J Preferred Stock (a “Forced Conversion”).

(b) Notice of Forced Conversion. In order to effect a Forced Conversion, the Company shall provide notice of such conversion to each Holder (such notice, a “Notice of Forced Conversion”). The Conversion Date for such Forced Conversion shall be a date selected by the Company and shall be no less than 10 Business Days and no greater than 20 Business Days after the date on which the Company provides such Notice of Forced Conversion. In addition to any information required by applicable law or regulation, the Notice of Forced Conversion shall state, as appropriate:

- (i) the Conversion Date for the Forced Conversion; and
- (ii) the Conversion Rate as in effect on the date of the Notice of Forced Conversion (subject to adjustment as set forth herein) and the number of shares of Common Stock to be issued to such Holder upon conversion of each share of Series J Preferred Stock held by such Holder.

SECTION 10. Anti-Dilution Adjustments. (a) Adjustments. The Conversion Rate will be subject to adjustment, without duplication, under the following circumstances:

- (i) the issuance of Common Stock as a dividend or distribution to all or substantially all holders of Common Stock, or a subdivision or combination of Common Stock or a reclassification of Common Stock into a greater or lesser number of shares of Common Stock, in which event the Conversion Rate will be adjusted based on the following formula:

$$CR1 = CR0 \times (OS1 / OS0)$$

- CR0 = the Conversion Rate in effect immediately prior to the close of business on (i) the Record Date for such dividend or distribution, or (ii) the effective date of such subdivision, combination or reclassification
- CR1 = the new Conversion Rate in effect immediately after the close of business on (i) the Record Date for such dividend or distribution, or (ii) the effective date of such subdivision, combination or reclassification
- OS0 = the number of shares of Common Stock outstanding immediately prior to the close of business on (i) the Record Date for such dividend or distribution or (ii) the effective date of such subdivision, combination or reclassification
- OS1 = the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, the completion of such event (including, for the avoidance of doubt, a number of shares of Common Stock equal to OS0 in the event of a dividend or distribution that does not involve the surrender or exchange of shares of Common Stock).

Any adjustment made pursuant to this clause (i) shall be effective immediately prior to the open of business on the Trading Day immediately following the Record Date, in the case of a dividend or distribution, or the effective date in the case of a subdivision, combination or reclassification. If any such event is declared but does not occur, the Conversion Rate shall be readjusted, effective as of the date the Board announces that such event shall not occur, to the Conversion Rate that would then be in effect if such event had not been declared.

(ii) the dividend, distribution or other issuance to all or substantially all holders of Common Stock of rights (other than a distribution of rights issued pursuant to a stockholders rights plan, to the extent such rights are attached to shares of Common Stock (in which event the provisions of Section 10(a)(v) shall apply)), options or warrants entitling them to subscribe for or purchase shares of Common Stock for a period expiring 60 days or less from the date of issuance thereof, at less than the Current Market Price as of the Record Date for such issuance, in which event the Conversion Rate will be increased based on the following formula:

$$CR1 = CR0 \times [(OS0 + X) / (OS0 + Y)]$$

CR0	=	the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend, distribution or issuance
CR1	=	the new Conversion Rate in effect immediately following the close of business on the Record Date for such dividend, distribution or issuance
OS0	=	the number of shares of Common Stock outstanding immediately prior to the close of business on the Record Date for such dividend, distribution or issuance
X	=	the total number of shares of Common Stock issuable pursuant to such rights, options or warrants
Y	=	the number of shares of Common Stock equal to the aggregate price payable to exercise such rights, options or warrants divided by the Current Market Price as of the Record Date for such dividend, distribution or issuance

For purposes of this clause (ii), in determining whether any rights, options or warrants entitle the holders to purchase the Common Stock at less than the Current Market Price as of the Record Date for such dividend, distribution or issuance, there shall be taken into account any consideration the Company receives for such rights, options or warrants, and any amount payable on exercise thereof, with the value of such consideration, if other than cash, to be the Fair Market Value thereof.

Any adjustment made pursuant to this clause (ii) shall become effective immediately prior to the open of business on the Trading Day immediately following the Record Date for such dividend, distribution or issuance. In the event that such rights, options or warrants are not so issued, the Conversion Rate shall be readjusted, effective as of the date the Board publicly announces its decision not to issue such rights, options or warrants, to the Conversion Rate that would then be in effect if such dividend, distribution

or issuance had not been declared. To the extent that such rights, options or warrants are not exercised prior to their expiration or shares of Common Stock are otherwise not delivered pursuant to such rights, options or warrants upon the exercise of such rights, options or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the adjustments made upon the dividend, distribution or issuance of such rights, options or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered.

(iii) the Company or one or more of its subsidiaries make purchases of Common Stock pursuant to a tender offer or exchange offer (other than an exchange offer that constitutes a Distribution Transaction subject to Section 10(a)(iv) or 10(c)(iii)) by the Company or a subsidiary of the Company for all or any portion of the Common Stock to the extent that the cash and value of any other consideration included in the payment per share of Common Stock validly tendered or exchanged exceeds the Closing Price of the Common Stock on the Trading Day prior to the last day (the “Expiration Date”) on which tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended), in which event the Conversion Rate will be increased based on the following formula:

$$CR1 = CR0 \times [(FMV + (SP1 \times OS1)) / (SP1 \times OS0)]$$

CR0	=	the Conversion Rate in effect immediately prior to the close of business on the Expiration Date
CR1	=	the new Conversion Rate in effect immediately after the close of business on the Expiration Date
FMV	=	the Fair Market Value, on the Expiration Date, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the “Purchased Shares”)
OS1	=	the number of shares of Common Stock outstanding as of the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the “ <u>Expiration Time</u> ”), excluding any Purchased Shares
OS0	=	the number of shares of Common Stock outstanding immediately before the Expiration Time, including any Purchased Shares
SP1	=	the arithmetic average of the VWAP for each of the 10 consecutive full Trading Days ending on the Trading Day immediately succeeding the Expiration Date

Any adjustment made pursuant to this clause (iii) shall become effective immediately prior to the open of business on the Trading Day immediately following the Expiration Date. In the event that the Company or any of its subsidiaries is obligated to purchase Common Stock pursuant to any such tender offer or exchange offer but is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made.

(iv) the Company shall, by dividend or otherwise, distribute to all or substantially all holders of its Common Stock (subject to an exception for cash in lieu of fractional shares) shares of any class of Capital Stock (other than Common Stock as covered by Section 10(a)(i)), evidences of its indebtedness, assets, other property or securities or rights, options or warrants to acquire Capital Stock or other securities, but excluding (A) dividends or distributions referred to in Section 10(a)(i) hereof, (B) rights, options or warrants referred to in Section 10(a)(ii) hereof or distributed in connection with a stockholder rights plan (in which event the provisions of Section 10(a)(v) to the extent applicable shall apply), (C) dividends or distributions paid exclusively in cash (which, to the extent applicable, are required to be paid to the Holders pursuant to Section 3), or (D) Distribution Transactions as to which the provision set forth below in this Section 10(a)(iv) shall apply or as to which the Holder makes an election pursuant to Section 10(c)(iii) to receive Mirror Preferred Stock and Exchange Preferred Stock (any of such shares of Capital Stock, indebtedness, assets, property or rights, options or warrants to acquire Common Stock or other securities, hereinafter in this Section 10(a)(iv) called the “Distributed Property”), then, in each such case the Conversion Rate shall be adjusted based on the following formula:

$$CR1 = CR0 \times [SP0 / (SP0 - FMV)]$$

- CR0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution
- CR1 = the new Conversion Rate in effect immediately after the close of business on the Record Date for such dividend or distribution
- SP0 = the Current Market Price as of the Record Date for such dividend or distribution
- FMV = the Fair Market Value of the portion of Distributed Property distributed with respect to each outstanding share of Common Stock on the Record Date for such dividend or distribution

With respect to an adjustment pursuant to this Section 10(a)(iv) in connection with a Distribution Transaction, the Conversion Rate in effect immediately prior to the effective date of the Distribution Transaction shall be adjusted based on the following formula:

$$CR1 = CR0 \times [(FMV + MP0) / MP0]$$

- CR0 = (x) the Exchange Ratio, multiplied by (y) the Conversion Rate in effect immediately prior to the close of business on the effective date of the Distribution Transaction
- CR1 = the new Conversion Rate in effect immediately after the close of business on the effective date of the Distribution Transaction

- FMV = (x) the Distribution Ratio, multiplied by (y) the arithmetic average of the volume-weighted average prices for a share of the capital stock or similar equity interest distributed to holders of Common Stock on the principal United States securities exchange on which such capital stock or equity interest trades, as reported by Bloomberg, L.P. (or, if Bloomberg ceases to publish such price, any successor service reasonably chosen by the Company) in respect of the period from the open of trading on the relevant Trading Day until the close of trading on such Trading Day (or if such volume-weighted average price is unavailable, the market price of one share of such capital stock or equity interest on such Trading Day determined, using a volume-weighted average method, by a nationally recognized investment banking firm (unaffiliated with the Company) retained for such purpose by the Company), for each of the five consecutive full Trading Days commencing with, and including, the effective date of the Distribution Transaction (such arithmetic average, the “Distributed Company VWAP”)
- MPO = (x) the Exchange Ratio, multiplied by (y) the arithmetic average of the VWAP for each of the five consecutive full Trading Days commencing with, and including, the effective date of the Distribution Transaction (such arithmetic average, the “Distributing Company VWAP”)

(v) If the Company has a stockholder rights plan in effect with respect to the Common Stock on the Conversion Date (including the Rights Plan), upon conversion of any shares of the Series J Preferred Stock, Holders of such shares will receive, in addition to the shares of Common Stock, the rights under such rights plan relating to such Common Stock, unless, prior to the Conversion Date, the rights have (i) become exercisable or (ii) separated from the shares of Common Stock (the first of such events to occur being the “Trigger Event”), in either of which cases the Conversion Rate will be adjusted, effective automatically at the time of such Trigger Event, as if the Company had made a distribution of such rights to all holders of the Common Stock as described in Section 10(a)(ii) (without giving effect to the 60-day limit on the exercisability of rights, options and warrants ordinarily subject to such Section 10(a)(ii)), subject to appropriate readjustment in the event of the expiration, termination or redemption of such rights prior to the exercise, deemed exercise or exchange thereof. Notwithstanding the foregoing, to the extent any such stockholder rights are exchanged by the Company for shares of Common Stock, the Conversion Rate shall be appropriately readjusted as if such stockholder rights had not been issued, but the Company had instead issued the shares of Common Stock issued upon such exchange as a dividend or distribution of shares of Common Stock subject to Section 10(a)(i). Notwithstanding the preceding provisions of this paragraph, no adjustment shall be required to be made to the Conversion Rate with respect to any Holder which is, or is an

“affiliate” or “associate” of, an “acquiring person” under such stockholder rights plan or with respect to any direct or indirect transferee of such Holder who receives Series J Preferred Stock in such transfer after the time such Holder becomes, or its affiliate or associate becomes, an “acquiring person.”

(b) Calculation of Adjustments. All adjustments to the Conversion Rate shall be calculated by the Company to the nearest 1/10,000th of one share of Common Stock (or if there is not a nearest 1/10,000th of a share, to the next lower 1/10,000th of a share). No adjustment to the Conversion Rate will be required unless such adjustment would require an increase or decrease of at least one percent; provided, however, that any such adjustment that is not required to be made will be carried forward and taken into account in any subsequent adjustment; provided, further that any such adjustment of less than one percent that has not been made will be made upon any Conversion Date.

(c) When No Adjustment Required. (i) Except as otherwise provided in Section 10, the Conversion Rate will not be adjusted for the issuance of Common Stock or any securities convertible into or exchangeable for Common Stock or carrying the right to purchase any of the foregoing, or for the repurchase of Common Stock.

(ii) Except as otherwise provided in Section 10, no adjustment of the Conversion Rate need be made as a result of the issuance of, the distribution of separate certificates representing, the exercise or redemption of, or the termination or invalidation of, rights pursuant to any stockholder rights plans.

(iii) In the event the Company proposes to effect a Distribution Transaction, the Company shall provide each Holder with written notice describing such Distribution Transaction not more than 60 Business Days and not less than 20 Business Days prior to the effective date of such Distribution Transaction. Each Holder that has elected, by giving notice to the Company pursuant to Section 19 of this Certificate of Designations, to receive Mirror Preferred Stock and Exchange Preferred Stock in lieu of the adjustment set forth in Section 10(a)(iv) of this Certificate of Designations will have the right to exchange such number of shares of Series J Preferred Stock as such Holder shall designate, effective as of the effective date of the Distribution Transaction, for an equivalent number of shares of Exchange Preferred Stock of the Company and an equivalent number of shares of Mirror Preferred Stock of the Distributed Entity. It shall be a condition to the right of the Company to complete a Distribution Transaction that the Company has provided the Holders with notice of the pending Distribution Transaction and the opportunity to elect between the adjustment described in Section 10(a)(iv) of this Certificate of Designations and the receipt of Mirror Preferred Stock and Exchange Preferred Stock described in this Section 10(c)(iii). The sum of the initial liquidation preference amounts of a share of Exchange Preferred Stock and a share of Mirror Preferred Stock delivered in exchange for a share of Series J Preferred Stock will equal the Liquidation Preference Amount of a share of Series J Preferred Stock on the effective date of the Distribution Transaction. A share of Mirror Preferred Stock received in respect of each share of Series J Preferred Stock will have an initial liquidation preference amount equal to the product of (i) the Liquidation Preference Amount of a share of Series J Preferred Stock exchanged therefor and (ii) the quotient of (x) the Distributed Company VWAP multiplied by the Distribution Ratio

applicable to such Distribution Transaction and (y) the sum of (1) the Distributed Company VWAP multiplied by the Distribution Ratio plus (2) the Distributing Company VWAP multiplied by the Exchange Ratio (as defined below). A share of Exchange Preferred Stock received in respect of each share of Series J Preferred Stock will have an initial liquidation preference amount equal to the difference between the Liquidation Preference Amount of a share of Series J Preferred Stock exchanged therefore and the initial liquidation preference amount of a share of Mirror Preferred Stock as determined by the immediately preceding sentence. The Base Amount for purposes of Section 5 shall be allocated between the Mirror Preferred Stock and the Exchange Preferred Stock in the same proportion as the Liquidation Preference Amount of a share of Series J Preferred Stock is allocated between the initial liquidation preference amount of a share of Mirror Preferred Stock and the initial liquidation preference amount of a share of Exchange Preferred Stock pursuant to this Section 10(c)(iii).

Each of the Mirror Preferred Stock and the Exchange Preferred Stock will have an initial conversion rate equal to the Conversion Rate applicable to the Series J Preferred Stock immediately following the Distribution Transaction (without giving effect to any adjustment under Section 10(a)(iv) with respect to such Distribution Transaction), except as described below:

(A) To the extent the Distribution Transaction results in a reduction of the number of outstanding shares of Common Stock, the initial conversion rate applicable to the Exchange Preferred Stock will instead equal the product of (x) the Conversion Rate on the effective date of the Distribution Transaction (without giving effect to any adjustment under Section 10(a)(iv) with respect to such Distribution Transaction) and (y) the quotient of (1) the number of outstanding shares of Common Stock immediately following the effective date of the Distribution Transaction and (2) the number of outstanding shares of Common Stock immediately prior to the effective date of the Distribution Transaction (clause (y), the “Exchange Ratio”); and

(B) To the extent the Distribution Ratio is greater or less than one, the initial conversion rate applicable to the Mirror Preferred Stock will instead equal the product of (x) the Conversion Rate on the effective date of the Distribution Transaction (without giving effect to any adjustment under Section 10(a)(iv) with respect to such Distribution Transaction) and (y) the Distribution Ratio.

The Mirror Preferred Stock will have a Conversion Price equal to the dollar amount obtained by dividing (I) the product of (x) \$1,000 multiplied by (y) the quotient of (1) the Distributed Company VWAP multiplied by the Distribution Ratio, divided by (2) the sum of (A) the Distributed Company VWAP multiplied by the Distribution Ratio and (B) the Distributing Company VWAP multiplied by the Exchange Ratio, by (II) the Conversion Rate applicable to the Mirror Preferred Stock.

The Exchange Preferred Stock will have a Conversion Price equal to the dollar amount obtained by dividing (I) the product of (x) \$1,000 multiplied by (y) the quotient of (1) the Distributing Company VWAP multiplied by Exchange Ratio, divided by (2) the sum of (A) the Distributed Company VWAP multiplied by the Distribution Ratio and (B) the Distributing Company VWAP multiplied by the Exchange Ratio, by (II) the Conversion Rate applicable to the Exchange Preferred Stock.

(iv) No adjustment to the Conversion Rate need be made:

(A) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in Common Stock under any plan in which purchases are made at market prices on the date or dates of purchase, without discount, and whether or not the Company bears the ordinary costs of administration and operation of the plan, including brokerage commissions;

(B) upon the issuance of any shares of Common Stock or options or rights to purchase such shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its subsidiaries or of any employee agreements or arrangements or programs;

(C) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of August 18, 2011; or

(D) for a change in the par value of the Common Stock.

(d) Successive Adjustments. After an adjustment to the Conversion Rate under this Section 10, any subsequent event requiring an adjustment under this Section 10 shall cause an adjustment to each such Conversion Rate as so adjusted.

(e) Multiple Adjustments. For the avoidance of doubt, if an event occurs that would trigger an adjustment to the Conversion Rate pursuant to this Section 10 under more than one subsection hereof (other than where Holders are entitled to elect the applicable adjustment, in which case such election shall control), such event, to the extent fully taken into account in a single adjustment, shall not result in multiple adjustments hereunder; provided, however, that if more than one subsection of this Section 10 is applicable to a single event, the subsection shall be applied that produces the largest adjustment.

(f) Other Adjustments. The Company may, but shall not be required to, make such increases in the Conversion Rate, in addition to those required by this Section 10, as the Board considers to be advisable in order to avoid or diminish any income tax to any holders of shares of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reason.

(g) Notice of Adjustments. Whenever the Conversion Rate is adjusted as provided under Section 10, the Company shall as soon as reasonably practicable following the occurrence of an event that requires such adjustment (or if the Company is not aware of such occurrence, as soon as reasonably practicable after becoming so aware) or the date the Company makes an adjustment pursuant to Section 10(f):

(i) compute the adjusted applicable Conversion Rate in accordance with this Section 10 and prepare and transmit to the Conversion Agent an Officer's Certificate setting forth the applicable Conversion Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and

(ii) provide a written notice to the Holders of the occurrence of such event and a statement in reasonable detail setting forth the method by which the adjustment to the applicable Conversion Rate was determined and setting forth the adjusted applicable Conversion Rate.

(h) Conversion Agent. The Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist that may require any adjustment of the applicable Conversion Rate or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed in making the same. The Conversion Agent shall be fully authorized and protected in relying on any Officer's Certificate delivered pursuant to Section 10(g) and any adjustment contained therein and the Conversion Agent shall not be deemed to have knowledge of any adjustment unless and until it has received such certificate. The Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, that may at the time be issued or delivered with respect to any Series J Preferred Stock; and the Conversion Agent makes no representation with respect thereto. The Conversion Agent shall not be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock pursuant to the conversion of Series J Preferred Stock or to comply with any of the duties, responsibilities or covenants of the Company contained in this Section 10.

(i) Fractional Shares. No fractional shares of Common Stock will be delivered to the Holders upon conversion. In lieu of fractional shares otherwise issuable, Holders will be entitled to receive an amount in cash equal to the fraction of a share of Common Stock, multiplied by the Closing Price of the Common Stock on the Trading Day immediately preceding the applicable Conversion Date. In order to determine whether the number of shares of Common Stock to be delivered to a Holder upon the conversion of such Holder's shares of Series J Preferred Stock will include a fractional share (in lieu of which cash would be paid hereunder), such determination shall be based on the aggregate number of shares of Series J Preferred Stock of such Holder that are being converted on any single Conversion Date.

SECTION 11. Adjustment for Reorganization Events.

(a) Reorganization Events. In the event of:

(i) any reclassification, statutory exchange, merger, consolidation or other similar business combination of the Company with or into another Person, in each case, pursuant to which the Common Stock (but not the Series J Preferred Stock) is changed or converted into, or exchanged for, cash, securities or other property of the Company or another person;

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all the property and assets of the Company, in each case pursuant to which the Common Stock (but not the Series J Preferred Stock) is converted into cash, securities or other property; or

(iii) any statutory exchange of securities of the Company with another Person (other than in connection with a merger or acquisition) or reclassification, recapitalization or reorganization of the Common Stock (but not the Series J Preferred Stock) into other securities;

(each of which is referred to as a “Reorganization Event”) each share of Series J Preferred Stock outstanding immediately prior to such Reorganization Event will, without the consent of the Holders (unless otherwise required by Section 4.01 of the Investment Agreement) and subject to Section 11(e), remain outstanding but shall become convertible into, out of funds legally available therefor, the number, kind and amount of securities, cash and other property (the “Exchange Property”) (without any interest on such Exchange Property and without any right to dividends or distribution on such Exchange Property which have a record date that is prior to the applicable Conversion Date, other than to the extent accrued and unpaid dividends have been added to the Liquidation Preference Amount (whether pursuant to clause (ii) or (iii) of the definition thereof)) that the Holder of such share of Series J Preferred Stock would have received in such Reorganization Event had such Holder converted its share of Series J Preferred Stock into the applicable number of shares of Common Stock immediately prior to the effective date of the Reorganization Event, assuming that such Holder is not a Person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be (any such Person, a “Constituent Person”), or an Affiliate of a Constituent Person to the extent such Reorganization Event provides for different treatment of Common Stock held by Affiliates of the Company and non-Affiliates; provided that if the kind or amount of securities, cash and other property receivable upon such Reorganization Event is not the same for each share of Common Stock held immediately prior to such Reorganization Event by a Person other than a Constituent Person or an Affiliate thereof, then for the purpose of this Section 11(a), the kind and amount of securities, cash and other property receivable upon such Reorganization Event will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Stock.

(b) Exchange Property Election. In the event that the holders of the shares of Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the Exchange Property that the Holders shall be entitled to receive shall be determined by the Holders of a majority of the outstanding shares of Series J Preferred Stock on or before the earlier of (i) the deadline for elections by holders of Common Stock and (ii) two Business Days before the anticipated effective date of such Reorganization Event. The number of units of Exchange Property for each share of Series J Preferred Stock converted following the effective date of such Reorganization Event shall be determined from among the choices made available to the holders of the Common Stock and based on the Per Share Amount as of the effective date of the Reorganization Event, determined as if the references to “share of Common Stock” in this Certificate of Designations were to “units of Exchange Property.”

(c) Successive Reorganization Events. The above provisions of this Section 11 shall similarly apply to successive Reorganization Events and the provisions of Section 10 shall apply to any shares of Capital Stock (or capital stock of any other issuer) received by the holders of the Common Stock in any such Reorganization Event.

(d) Reorganization Event Notice. The Company (or any successor) shall, no less than 20 Business Days prior to the occurrence of any Reorganization Event, provide written notice to the Holders of such occurrence of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 11.

(e) The Company shall not enter into any agreement for a transaction constituting a Reorganization Event unless (i) such agreement provides for or does not interfere with or prevent (as applicable) conversion of the Series J Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Section 11, and (ii) to the extent that the Company is not the surviving corporation in such Reorganization Event or will be dissolved in connection with such Reorganization Event, proper provision shall be made in the agreements governing such Reorganization Event for the conversion of the Series J Preferred Stock into stock of the Person surviving such Reorganization Event or such other continuing entity in such Reorganization Event, or in the case of a Reorganization Event described in Section 11(a)(ii), an exchange of Series J Preferred Stock for the stock of the Person to whom the Company's assets are conveyed or transferred, having voting powers, preferences, and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Designations.

SECTION 12. Voting Rights.

(a) From and after the later of (i) the 2011 Annual Meeting Completion Date, and (ii) the date of receipt of HSR Clearance, the Holders of shares of Series J Preferred Stock shall be entitled to vote with the holders of the Common Stock on all matters submitted to a vote of the holders of Common Stock (together with any other class or series of Capital Stock then entitled to vote with the Common Stock), except as required herein or by applicable law. Each Holder shall be entitled to the number of votes equal to the largest number of whole shares of Common Stock into which all shares of Series J Preferred Stock held of record by such Holder could then be converted pursuant to Section 5 at the record date for the determination of stockholders entitled to vote or consent on such matters or, if no such record date is established, at the date such vote or consent is taken or any written consent of stockholders is first executed; provided, however, that, subject to the first parenthetical of the next sentence, so long as the Rights Plan (or any successor stockholder rights plan entered into without violation of the Investment Agreement) is in full force and effect and the rights issued thereunder have not been redeemed, canceled or exchanged, the maximum number of votes such Holder will be entitled to cast (based on the number of shares of Common Stock issuable upon conversion of shares of Preferred Stock held by such Holder and any shares of Common Stock held by such Holder) will be limited to the maximum number of votes such Holder shall be permitted to cast under the Rights Plan without becoming an Acquiring Person (as defined in the Rights Plan). The number of votes entitled to be cast in respect of each share of Series J Preferred Stock (but not the votes per share of Common Stock) shall be adjusted by such number of votes (including, if necessary, fractional votes) as is necessary to give effect to the reduction in voting power provided for in the immediately preceding sentence. The Holders shall be entitled to notice of any meeting of holders of Common Stock in accordance with the Bylaws of the Company.

(b) Election. (i) Immediately following the receipt of HSR Clearance, and for so long as (1) at least 127,500 shares of Series J Preferred Stock are outstanding and held by the Liberty Parties, the registered holders of Series J Preferred Stock shall have the exclusive right to appoint and elect two directors, and (2) at least 76,500 but less than 127,500 shares of Series J Preferred Stock are outstanding and held by the Liberty Parties, the registered holders of Series J Preferred Stock shall have the exclusive right to appoint and elect one director (directors so appointed and elected, the “Preferred Directors”), in each case subject to and as provided in the Investment Agreement.

(ii) Term. Each Preferred Director shall serve until the next annual meeting of the stockholders of the Company and until his or her successor is elected and qualifies in accordance with this Section 12(b) and the Bylaws of the Company, unless such Preferred Director is earlier removed in accordance with the Bylaws of the Company, resigns or is otherwise unable to serve. In the event any Preferred Director is removed, resigns or is unable to serve as a member of the Board, the registered holders of Series J Preferred Stock shall have the right to fill such vacancy, subject to and as provided in the Investment Agreement. Each Preferred Director may only be elected to the Board by the registered holders of Series J Preferred Stock in accordance with this Section 12(b), and each such director’s seat shall otherwise remain vacant.

(iii) Reduction of Preferred Directorships. At such time as the Liberty Parties hold at least 76,500 but less than 127,500 shares of Series J Preferred Stock, the number of Preferred Directors shall automatically, immediately and permanently without any further action on the part of the stockholders or the Board, be decreased by one (and the number of directors constituting the Board shall correspondingly be decreased). At such time as the Liberty Parties hold less than 76,500 shares of Series J Preferred Stock, the number of Preferred Directors shall automatically, immediately and permanently without any further action on the part of the stockholders or the Board, be decreased to zero (and the number of directors constituting the Board shall correspondingly be decreased). In the event of a decrease in the number of Preferred Directors pursuant to the foregoing sentence, the term of office of one or both Preferred Directors, as the case may be in accordance with this Section 12(b)(iii), shall immediately terminate; provided that if the reduction is from two Preferred Directors to one Preferred Director and the Preferred Directors cannot agree on which Preferred Director will cease to be a Preferred Director, the term of the Preferred Director who is younger in age shall terminate.

(iv) Non-Limitation of Voting Rights. For the avoidance of doubt, the right of the Series J Preferred Stock to vote for the election of the Preferred Directors shall be in addition to the right of the Series J Preferred Stock to vote together with the holders of Common Stock (and any other class or series of Capital Stock entitled to vote thereon with the Common Stock) for the election of the other members of the Board of the Company.

(c) Each Holder of Series J Preferred Stock will have one vote per share on any matter on which Holders of Series J Preferred Stock are entitled to vote separately as a class, whether at a meeting or by written consent.

SECTION 13. Preemptive Rights. Except as provided in the Investment Agreement or any other agreement between the Company and one or more Holders, the Holders shall not have any preemptive rights.

SECTION 14. Creation of Capital Stock. Notwithstanding anything set forth in the Certificate or this Certificate of Designations to the contrary, but subject to the rights of the Holders pursuant to Section 4.01 of the Investment Agreement, the Board, or any duly authorized committee thereof, without the vote of the Holders, may authorize and issue additional shares of Capital Stock.

SECTION 15. No Sinking Fund. Shares of Series J Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

SECTION 16. Transfer Agent, Conversion Agent, Registrar and Paying Agent. The duly appointed Transfer Agent, Conversion Agent, Registrar and paying agent for the Series J Preferred Stock shall be the Company. The Company may, in its sole discretion, remove the Transfer Agent in accordance with the agreement between the Company and the Transfer Agent; provided that the Company shall appoint a successor transfer agent who shall accept such appointment prior to the effectiveness of such removal. Upon any such removal or appointment, the Company shall send notice thereof by first-class mail, postage prepaid, to the Holders.

SECTION 17. Replacement Certificates. (a) Mutilated, Destroyed, Stolen and Lost Certificates. If physical certificates are issued, the Company shall replace any mutilated certificate at the Holder's expense upon surrender of that certificate to the Transfer Agent. The Company shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Company and the Transfer Agent of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Transfer Agent and the Company.

(b) Certificates Following Conversion. If physical certificates are issued, the Company shall not be required to issue certificates representing shares of Series J Preferred Stock on or after the Conversion Date applicable to such shares. In place of the delivery of a replacement certificate following the applicable Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described in clause (a) above, shall deliver the shares of Common Stock pursuant to the terms of the Series J Preferred Stock formerly evidenced by the certificate.

SECTION 18. Taxes. (a) Transfer Taxes. The Company shall pay any and all stock transfer, documentary, stamp and similar taxes that may be payable in respect of any issuance or delivery of shares of Series J Preferred Stock or shares of Common Stock or other securities issued on account of Series J Preferred Stock pursuant hereto or certificates representing such shares or securities. The Company shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Series J Preferred Stock, shares of Common Stock or other securities in a name other than that in which the shares of Series J Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any Person other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the Person otherwise entitled to such issuance, delivery or payment has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

(b) Withholding. All payments and distributions (or deemed distributions) on the shares of Series J Preferred Stock (and on the shares of Common Stock received upon their conversion) shall be subject to withholding and backup withholding of tax to the extent required by law, subject to applicable exemptions, and amounts withheld, if any, shall be treated as received by Holders.

SECTION 19. Notices. All notices referred to herein shall be in writing and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail (unless first class mail shall be specifically permitted for such notice under the terms of this Certificate of Designations) with postage prepaid, addressed: (i) if to the Company, to its office at Barnes & Noble, Inc., 122 Fifth Avenue, New York, NY 10011 (Attention: General Counsel), (ii) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Company (which may include the records of the Transfer Agent) or (iii) to such other address as the Company or any such Holder, as the case may be, shall have designated by notice similarly given.

SECTION 20. Facts Ascertainable. (a) When the terms of this Certificate of Designations refer to a specific agreement or other document to determine the meaning or operation of a provision hereof, the secretary of the Company shall maintain a copy of such agreement or document at the principal executive offices of the Company and a copy thereof shall be provided free of charge to any stockholder who makes a request therefor. The secretary of the Company shall also maintain a written record of the Issue Date, the number of shares of Series J Preferred Stock issued to a Holder and the date of each such issuance, and shall furnish such written record free of charge to any stockholder who makes a request therefor.

(b) If any voting right identified in Section 3(a)(ii) hereof is enjoined, restrained or limited, the increase in the Dividend Rate provided for in Section 3(a)(ii) in lieu of such voting right or voting rights shall be the sole and exclusive remedy for such injunction, restriction or limitation, and no Holder shall have any other remedy in respect thereto.

SECTION 21. Waiver. Notwithstanding any provision in this Certificate of Designations to the contrary, any provision contained herein and any right of the Holders of Series J Preferred Stock granted hereunder may be waived as to all shares of Series J Preferred Stock (and the holders thereof) upon the written consent of the Board (or an authorized committee thereof) and the Holders of a majority of the shares of Series J Preferred Stock then outstanding.

SECTION 22. Severability. If any term of the Series J Preferred Stock set forth herein is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other terms set forth herein which can be given effect without the invalid, unlawful or unenforceable term will, nevertheless, remain in full force and effect, and no term herein set forth will be deemed dependent upon any other such term unless so expressed herein.

SECTION 23. Adjustment in Shares Numbers. If, after the Issue Date, there is a subdivision, split, stock dividend, combination, reclassification or similar event (“ Adjustment Event ”) with respect to the Series J Preferred Stock, then upon the effectiveness of such Adjustment Event all references in Section 12 to specific numbers of such shares shall automatically be adjusted proportionately, so that the Holders of such shares will retain the same rights under Section 12 immediately following the effectiveness of such Adjustment Event as they did immediately prior thereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Certificate of Designations to be duly executed in its corporate name on this 18th day of August, 2011.

BARNES & NOBLE, INC.

by: /s/ Eugene V. DeFelice

Name: Eugene V. DeFelice

Title: Vice President, General Counsel & Corporate Secretary

AMENDED AND RESTATED BY-LAWS

OF

BARNES & NOBLE, INC. *

ARTICLE I

OFFICES

SECTION 1. Delaware Office. The office of Barnes & Noble, Inc. (the “Corporation”) within the State of Delaware shall be in the City of Dover, County of Kent.

SECTION 2. Other Offices. The Corporation may also have an office or offices and keep the books and records of the Corporation, except as otherwise may be required by law, in such other place or places, either within or without the State of Delaware, as the Board of Directors of the Corporation (the “Board”) may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. Place of Meetings. All meetings of holders of shares of capital stock of the Corporation shall be held at the office of the Corporation in the State of Delaware or at such other place, within or without the State of Delaware, as may from time to time be fixed by the Board or specified or fixed in the respective notices or waivers of notice thereof.

SECTION 2. Annual Meetings. An annual meeting of stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting (an “Annual Meeting”) shall be held at such place, on such date, and at such time as the Board shall each year fix, which date shall be (except with respect to the Annual Meeting for 2010, which shall be held as soon as reasonably practicable after the end of the Corporation’s 2010 fiscal year on May 1, 2010) within thirteen (13) months of the last annual meeting of stockholders or, if no such meeting has been held, the date of incorporation.

SECTION 3. Special Meetings. Special meetings of stockholders, unless otherwise provided by law, may be called at any time by the Chairman of the Board or by the Board pursuant to a resolution adopted by a majority of the then authorized number of directors. Any such call must specify the matter or matters to be acted upon at such meeting and only such matter or matters shall be acted upon thereat.

* Includes all amendments through September ~~29, 2009~~ 19, 2017.

SECTION 4. Notice of Meetings. Except as otherwise may be required by law, notice of each meeting of stockholders, whether an Annual Meeting or a special meeting, shall be in writing, shall state the purpose or purposes of the meeting, the place, date and hour of the meeting and, unless it is an Annual Meeting, shall indicate that the notice is being issued by or at the direction of the person or persons calling the meeting, and a copy thereof shall be delivered or sent by mail, not less than 10 or more than 60 days before the date of said meeting, to each stockholder entitled to vote at such meeting. If mailed, such notice shall be directed to such stockholder at his address as it appears on the stock records of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address in which case it shall be directed to him at such other address. Notice of an adjourned meeting need not be given if the time and place to which the meeting is to be adjourned was announced at the meeting at which the adjournment was taken, unless (i) the adjournment is for more than 30 days, or (ii) the Board shall fix a new record date for such adjourned meeting after the adjournment.

SECTION 5. Quorum. At each meeting of stockholders of the Corporation, the holders of shares having a majority of the voting power of the capital stock of the Corporation issued and outstanding and entitled to vote thereat shall be present or represented by proxy to constitute a quorum for the transaction of business, except as otherwise provided by law. Where a separate vote by a class or classes is required, a majority of the shares of such class or classes in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

SECTION 6. Adjournments. In the absence of a quorum at any meeting of stockholders or any adjournment or adjournments thereof, the Chairman of the Board or holders of shares having a majority of the voting power of the capital stock present or represented by proxy at the meeting may adjourn the meeting from time to time until a quorum shall be present or represented by proxy. At any such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally called if a quorum had been present or represented by proxy thereat.

SECTION 7. Order of Business. (a) At any Annual Meeting, only such business shall be conducted as shall have been brought before the Annual Meeting (i) by or at the direction of the Board, or (ii) by any stockholder who complies with the procedures set forth in this Section 7.

(b) For business properly to be brought before an Annual Meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 30 days nor more than 60 days prior to the Annual Meeting; provided, however, that in the event that less than 40 days' notice or prior public disclosure of the date of the Annual Meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the tenth day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure was made. To be in proper written form, a stockholder's

notice to the Secretary shall set forth in writing as to each matter the stockholder proposes to bring before the Annual Meeting: (i) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business; (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder; and (iv) any material interest of the stockholder in such business. Notwithstanding anything in these By-laws to the contrary, no business shall be conducted at an Annual Meeting except in accordance with the procedures set forth in this Section 7. The chairman of an Annual Meeting shall, if the facts warrant, determine and declare to the Annual Meeting that business was not properly brought before the Annual Meeting in accordance with the provisions of this Section 7 and, if he should so determine, he shall so declare to the Annual Meeting and any such business not properly brought before the Annual Meeting shall not be transacted.

SECTION 8. Proxies and Voting. Except as otherwise provided in the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation") or in a resolution of the Board adopted pursuant to the Certificate of Incorporation establishing a series of Preferred Stock of the Corporation ("Preferred Stock"), at each meeting of stockholders, every stockholder of the Corporation shall be entitled to one vote for every share of capital stock standing in his name on the stock records of the Corporation (i) at the time fixed pursuant to Section 4 of Article VII of these By-laws as the record date for the determination of stockholders entitled to vote at such meeting, or (ii) if no such record date shall have been fixed, then at the close of business on the day next preceding the day on which notice thereof shall be given. At each meeting of stockholders, all matters (except as otherwise provided in Section 3 of Article III of these By-laws and except in cases where a larger vote is required by law or by the Certificate of Incorporation or these By-laws) shall be decided by a majority of the votes cast at such meeting by the holders of shares of capital stock present or represented by proxy and entitled to vote thereon, a quorum being present. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 8 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. All voting, including on the election of directors but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefore by a stockholder entitled to vote or by his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting.

SECTION 9. Inspectors. For each election of directors by the stockholders and in any other case in which it shall be advisable, in the opinion of the Board, that the voting upon any matter shall be conducted by inspectors of election, the Board shall appoint an inspector or

inspectors of election. If, for any such election of directors or the voting upon any such other matter, any inspector appointed by the Board shall be unwilling or unable to serve, or if the Board shall fail to appoint inspectors, the chairman of the meeting shall appoint the necessary inspector or inspectors. The inspector(s) so appointed, before entering upon the discharge of their duties, shall be sworn faithfully to execute the duties of inspectors with strict impartiality, and according to the best of their ability, and the oath so taken shall be subscribed by them. Such inspectors shall determine the number of shares of capital stock of the Corporation outstanding and the voting power of each of the shares represented at the meeting, the existence of a quorum, and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of election of directors. Inspectors need not be stockholders.

SECTION 10. Consent of Stockholders in Lieu of Meeting. Any action required to be taken at any Annual Meeting or special meeting of stockholders of the Corporation, or any action which may be taken at any Annual Meeting or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the date the earliest dated consent is delivered to the Corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the Corporation in the manner prescribed in the first paragraph of this Section.

ARTICLE III

DIRECTORS

SECTION 1. Powers. The business of the Corporation shall be managed under the direction of the Board. The Board may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (1) To declare dividends from time to time in accordance with law;

-
- (2) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;
 - (3) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;
 - (4) To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;
 - (5) To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;
 - (6) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine;
 - (7) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine; and
 - (8) To adopt from time to time regulations, not inconsistent with these By-laws, for the management of the Corporation's business and affairs.

SECTION 2. Terms and Vacancies. The directors, other than those who may be elected by the holders of any series of the Preferred Stock pursuant to a resolution of the Board adopted pursuant to the Certificate of Incorporation establishing such series, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board, ~~one class initially to be elected for a term expiring at the Annual Meeting to be held in 1993, another class initially to be elected for a term expiring at the Annual Meeting to be held in 1994, and another class initially to be elected~~ **and each such director shall hold office** for a term expiring at the ~~Annual Meeting to be held in 1995,~~ **annual meeting of stockholders held in the third year following the year of his or her election,** with the members of each class to hold office until their successors have been elected and qualified. ~~At each Annual Meeting, the successors of the class of directors whose term expires at the Annual Meeting shall be elected to hold office for a term expiring at the Annual Meeting held in the third year following the year of their election.~~ **Notwithstanding the foregoing, effective as of the Annual Meeting to be held in 2018 (the "2018 Annual Meeting"), and at each Annual Meeting thereafter, subject to any such rights granted to holders of such series of Preferred Stock to elect additional directors under specified circumstances, each director elected at and after the 2018 Annual Meeting shall be elected for a term expiring at the next succeeding Annual Meeting and until such director's successor shall have been elected and qualified; provided, however, that any director who prior to the 2018 Annual Meeting was elected to a term that continues beyond the date of the 2018 Annual Meeting (such term, a "Classified Term"),**

shall continue to serve as a director for the remainder of his or her elected Classified Term or until his or her death, resignation, disqualification or removal (each such director, including any director appointed to fill a vacancy caused by the death, resignation, disqualification, removal or other cause of such director, a “ Continuing Classified Director ” ; provided that any such director shall cease to be a Continuing Classified Director upon the expiration of the Classified Term to which he or she was most recently elected or appointed). As a result, effective as of the Annual Meeting in 2020, the Board will no longer be classified under Section 141(d) of the General Corporation Law of the State of Delaware and directors shall no longer be divided into classes. Each director elected or appointed to fill a vacancy shall hold office for the unexpired term in respect of which such vacancy occurred. Each director elected or appointed to fill any newly created directorship following the 2018 Annual Meeting shall hold office for a term expiring at the next Annual Meeting. Any director that is not a Continuing Classified Director may be removed with or without cause by the affirmative vote of the holders of a majority of the voting power of the Voting Stock, voting together as a single class. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

SECTION 3. Nominations of Directors; Election. The Board shall consist of not less than nine and not more than twelve members, as determined from time to time by resolution of the Board, except as may be provided pursuant to resolutions of the Board, adopted pursuant to the provisions of the Certificate of Incorporation, establishing any series of Preferred Stock and granting to holders of shares of such series of Preferred Stock rights to elect additional directors under specified circumstances. Nominations for the election of directors may be made by the Board or a committee appointed by the Board, or by any stockholder entitled to vote generally in the election of directors who complies with the procedures set forth in this Section 3. Directors shall be at least 21 years of age. Directors need not be stockholders. At each meeting of stockholders for the election of directors at which a quorum is present, the persons receiving a plurality of the votes cast shall be elected directors. All nominations by stockholders shall be made pursuant to timely notice in proper written form to the Secretary of the Corporation. To be timely, a stockholder’s notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 30 days nor more than 60 days prior to the meeting; provided, however, that in the event that less than 40 days’ notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. To be in proper written form, such stockholder’s notice shall set forth in writing (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including, without limitation, such person’s written consent to being a nominee and to serving as a director if elected; and (ii) as to the stockholder giving the notice, the (x) name and address, as they appear on the Corporation’s books, of such stockholder and (y) the class and number of shares of the corporation which are beneficially owned by such stockholder. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary of the Corporation the information required to be set forth in a stockholder’s notice of nomination which pertains to the nominee.

SECTION 4. Place of Meetings. Meetings of the Board shall be held at the Corporation's office in the State of Delaware or at such other places, within or without such State, as the Board may from time to time determine or as shall be specified or fixed in the notice or waiver of notice of any such meeting.

SECTION 5. Regular Meetings. Regular meetings of the Board shall be held in accordance with a yearly meeting schedule as determined by the Board; or such meetings may be held on such other days and at such other times as the Board may from time to time determine.

SECTION 6. Special Meetings. Special meetings of the Board may be called by a majority of the directors then in office (rounded up to the nearest whole number) or by the Chairman of the Board and shall be held at such place, on such date, and at such time as they or he shall fix.

SECTION 7. Notice of Meetings. Notice of each special meeting of the Board stating the time, place and purposes thereof, shall be (i) mailed to each director not less than five days prior to the meeting, addressed to him at his residence or usual place of business, or (ii) shall be sent to him by facsimile, telex, cable or telegram so addressed, or shall be given personally or by telephone, on 24 hours' notice.

SECTION 8. Quorum and Manner of Acting. The presence of at least a majority of the authorized number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board. If a quorum shall not be present at any meeting of the Board, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Except where a different vote is required or permitted by law or these By-laws or otherwise, the act of a majority of the directors present at any meeting at which a quorum shall be present shall be the act of the Board. Any action required or permitted to be taken by the Board may be taken without a meeting if all the directors consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the directors shall be filed with the minutes of the proceedings of the Board. Any one or more directors may participate in any meeting of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall be deemed to constitute presence in person at a meeting of the Board.

SECTION 9. Resignation. Any director may resign at any time by giving written notice to the Corporation; provided, however, that written notice to the Board, the Chairman of the Board, the President of the Corporation or the Secretary of the Corporation shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

SECTION 10. Compensation of Directors. The Board may provide for the payment to any of the directors, other than officers or employees of the Corporation, of a specified amount for services as director or member of a committee of the Board, or of a specified amount for attendance at each regular or special Board meeting or committee meeting, or of both, and all directors shall be reimbursed for expenses of attendance at any such meeting; provided, however, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

COMMITTEES OF THE BOARD

SECTION 1. Appointment and Powers of Executive Committee. The Board may, by resolution adopted by the affirmative vote of a majority of the authorized number of directors, designate an Executive Committee of the Board, which shall consist of such number of members as the Board shall determine. Any committee so designated may exercise the power and authority of the Board to declare dividends, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law if the resolution that designates the committee or a supplemental resolution of the Board shall-so provide. Except as provided by Delaware law, during the interval between the meetings of the Board, the Executive Committee shall possess and may exercise all the powers of the Board in the management and direction of all the business and affairs of the Corporation (except the matters hereinafter assigned to any other Committee of the Board), in such manner as the Executive Committee shall deem in the best interests of the Corporation in all cases in which specific directions shall not have been given by the Board. The Executive Committee may determine its manner of acting and fix the time and place of its meetings, unless the Board shall otherwise provide. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business by the committee and the act of a majority of the members of the committee present at a meeting at which a quorum shall be present shall be the act of the committee. Either the Chairman of the Board or the Chairman of the Executive Committee may call the meetings of the Executive Committee.

SECTION 2. Appointment and Powers of Audit Committee. The Board may, by resolution adopted by the affirmative vote of a majority of the authorized number of directors, designate an Audit Committee of the Board, which shall consist of such number of members as the Board shall determine. The Audit Committee shall (i) be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation, retention and oversight of the work of the independent auditor; (ii) review with the independent auditor the scope of its examinations; (iii) receive the reports of the independent auditor and meet with representatives of such auditor for the purpose of reviewing and considering questions relating to its examination and such reports; (iv) review, either directly or through the independent auditor, the internal accounting and auditing procedures of the Corporation; (v) review related party transactions and (vi) perform such other functions as may be assigned to it from time to time by the Board. The Audit Committee may determine its manner of acting and fix the time and place of its meetings, unless the Board shall

otherwise provide. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business by the committee and the act of a majority of the members of the committee present at a meeting at which a quorum shall be present shall be the act of the committee.

SECTION 3. Compensation Committee; Other Committees. The Board may, by resolution adopted by the affirmative vote of a majority of the authorized number of directors, designate members of the Board to constitute a Compensation Committee and such other committees of the Board as the Board may determine. Such committees shall in each case consist of such number of directors as the Board may determine, and shall have and may exercise, to the extent permitted by law, such powers as the Board may delegate to them in the respective resolutions appointing them. Each such committee may determine its manner of acting and fix the time and place of its meetings, unless the Board shall otherwise provide. A majority of the members of any such committee shall constitute a quorum for the transaction of business by the committee and the act of a majority of the members of such committee present at a meeting at which a quorum shall be present shall be the act of the committee.

SECTION 4. Action by Consent; Participation by Telephone or Similar Equipment. Unless the Board shall otherwise provide, any action required or permitted to be taken by any committee may be taken without a meeting if all members of the committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the committee shall be filed with the minutes of the proceedings of the committee. Unless the Board shall otherwise provide, any one or more members of any such committee may participate in any meeting of the committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at a meeting of the committee.

SECTION 5. Changes in Committees; Resignations; Removals. The Board shall have power, by the affirmative vote of a majority of the authorized number of directors, at anytime to change the members of, to fill vacancies in, and to discharge any committee of the Board. Any member of any such committee may resign at any time by giving notice to the Corporation; provided, however, that notice to the Board, the Chairman of the Board, the President of the Corporation, the chairman of such committee or the Secretary of the Corporation shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. Any member of any such committee may be removed at any time, either with or without cause, by the affirmative vote of a majority of the authorized number of directors at any meeting of the Board called for that purpose.

ARTICLE V

OFFICERS

SECTION 1. Number and Qualification. The corporation shall have such officers as may be necessary or desirable for the business of the Corporation. The officers of the Corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as may from time to time be appointed by the Board. Officers shall be elected by the Board, which shall consider that subject at its first meeting after every Annual Meeting of stockholders. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person. The failure to elect a Chairman of the Board, President, Vice President, Secretary or Treasurer shall not affect the existence of the Corporation.

SECTION 2. Chairman of the Board. The Chairman of the Board shall have general and active responsibility for the management of the business of the Corporation and shall be responsible for implementing all orders and resolutions of the Board. The Chairman of the Board shall also be a director and shall preside at all meetings of the stockholders and directors.

SECTION 3. President. The President shall be the chief operating officer of the Corporation and shall supervise the daily operations of the business of the Corporation. Subject to the provisions of these By-laws and to the direction of the Board, he or she shall perform all duties and have all powers which are commonly incident to the office of President or which are delegated to him or her by the Board. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

SECTION 4. Vice President. Each Vice President shall have such powers and duties as may be delegated to him or her by the Board. One Vice President shall be designated by the Board to perform the duties and exercise the powers of the President in the event of the President's absence or disability.

SECTION 5. Treasurer. The Treasurer shall have the responsibility for maintaining the financial records of the Corporation. He or she shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as the Board may from time to time prescribe.

SECTION 6. Secretary. The Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board. He or she shall have charge of the corporate books and shall perform such other duties as the Board may from time to time prescribe.

SECTION 7. Delegation of Authority. The Board may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

SECTION 8. Removal. Any officer of the Corporation may be removed at any time, with or without cause, by the Board.

SECTION 9. Resignations. Any officer may resign at any time by giving written notice to the Corporation; provided, however, that notice to the Board, Chairman of the Board, the President or the Secretary shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 10. Vacancies. Any vacancy among the officers, whether caused by death, resignation, removal or any other cause, shall be filled in the manner prescribed for election or appointment to such office.

SECTION 11. Action with Respect to Securities of Other Corporations. Unless otherwise directed by the Board, the Chairman of the Board or any officer of the Corporation authorized by the Chairman of the Board shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

SECTION 12. Bonds of Officers. If required by the Board, any officer of the Corporation shall give a bond for the faithful discharge of his duties in such amount and with such surety or sureties as the Board may require.

SECTION 13. Compensation. The salaries of the officers shall be fixed from time to time by the Board, unless and until the Board appoints a Compensation Committee.

SECTION 14. Officers of Operating Companies or Divisions. The Chairman of the Board shall have the power to appoint, remove and prescribe the terms of office, responsibilities, duties and salaries of, the officers of the operating companies or divisions, other than those who are officers of the Corporation.

ARTICLE VI

CONTRACTS, CHECKS, LOANS, DEPOSITS, ETC.

SECTION 1. Contracts. The Board may authorize any officer or officers, agent or agents, in the name and on behalf of the Corporation, to enter into any contract or to execute and deliver any instrument, which authorization may be general or confined to specific instances; and,

unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable peculiarly for any purpose or for any amount.

SECTION 2. Checks, etc. All checks, drafts, bills of exchange or other orders for the payment of money out of the funds of the Corporation, and all notes or other evidences of indebtedness of the Corporation, shall be signed in the name and on behalf of the Corporation in such manner as shall from time to time be authorized by the Board, which authorization may be general or confined to specific instances.

SECTION 3. Loans. No loan shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name, unless authorized by the Board, which authorization may be general or confined to specific instances. All bonds, debentures, notes and other obligations or evidences of indebtedness of the Corporation issued for such loans shall be made, executed and delivered as the Board shall authorize.

SECTION 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as may be selected by or in the manner designated by the Board. The Board or its designees may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of the Certificate of Incorporation or these By-laws, as they may deem advisable.

ARTICLE VII

CAPITAL STOCK

SECTION 1. Certificates of Stock. Each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the Chairman of the Board, President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile.

SECTION 2. Stock List. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

SECTION 3. Transfers of Stock. Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 5 of Article VII of these By-laws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

SECTION 4. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall be not more than ten (10) days after the date upon which the resolution fixing the record date is adopted. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board to fix a record date. The Board shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board and no prior action by the Board is required by the Delaware General Corporation Law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner prescribed by Article II, Section 10 hereof. If no record date has been fixed by the Board and prior action by the Board is required by the Delaware General Corporation Law with respect to the proposed action by written consent of the stockholders, the record date for determining stockholders entitled to consent to corporate action in writing shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

SECTION 5. Lost, Stolen or Destroyed Certificates. In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board may establish concerning proof of such loss, theft or destruction and concerning the giving of satisfactory bond or bonds of indemnity.

SECTION 6. Regulations. The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board may establish.

SECTION 7. Electronic Securities Recordation. Notwithstanding the foregoing provisions of this Article VII, the Corporation may adopt a system of issuance, recordation, conversion and transfer of its shares of capital stock by electronic or other means not involving any issuance of certificates, provided that the use of such system by the Corporation is permitted by applicable law.

ARTICLE VIII

NOTICES

SECTION 1. Notices. Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or with a recognized overnight delivery service or by sending such notice by prepaid telegram, mailgram or by facsimile transmission. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails or by overnight delivery service, or by telegram, mailgram or facsimile, shall be the time of the giving of the notice.

SECTION 2. Waivers. A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE IX

MISCELLANEOUS

SECTION 1. Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these By-laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board or a committee thereof.

SECTION 2. Corporate Seal. The Board may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

SECTION 3. Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

SECTION 4. Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board of Directors.

SECTION 5. Time Periods. In applying any provision of these By-laws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE X

INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter, an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this Article X with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of the Corporation.

SECTION 2. Right to Advancement of Expenses. The right to indemnification conferred in Section 1 of this Article X shall include the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter, an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter, an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter, a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections 1 and 2 of this Article X shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

SECTION 3. Right of Indemnitee to Bring Suit. If a claim under Section 1 or 2 of this Article X is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article X or otherwise shall be on the Corporation.

SECTION 4. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article X shall not be exclusive of any other right which any person may have or hereafter acquire by any statute, the Corporation's Certificate of Incorporation or By-laws, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 5. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

SECTION 6. Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article X with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

ARTICLE XI

AMENDMENTS

These By-laws or any of them may be amended or supplemented in any respect at any time, either (i) at any meeting of stockholders, provided that any amendment or supplement proposed to be acted upon at any such meeting shall have been described or referred to in the notice of such meeting; or (ii) at any meeting of the Board, provided that any amendment or supplement proposed to be acted upon at any such meeting shall have been described or referred to in the notice of such meeting or an announcement with respect thereto shall have been made at the last previous Board meeting, and provided further that no amendment or supplement adopted by the Board shall vary or conflict with any amendment or supplement adopted by the stockholders. Notwithstanding the preceding sentence, the affirmative vote of holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, Section 3 or Section 7 of Article II of these By-laws, Section 2, Section 3, Section 8 of Article III of these By-laws, Article X of these By-laws or this sentence.

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

I, Demos Parneros, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended October 28, 2017 of Barnes & Noble, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2017

By: /s/ Demos Parneros
Demos Parneros
Chief Executive Officer
Barnes & Noble, Inc.

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

I, Allen W. Lindstrom, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended October 28, 2017 of Barnes & Noble, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2017

By: /s/ Allen W. Lindstrom
Allen W. Lindstrom
Chief Financial Officer
Barnes & Noble, Inc.

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

In connection with the quarterly report of Barnes & Noble, Inc. (the "Company") on Form 10-Q for the period ended October 28, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Demos Parneros, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Demos Parneros

Demos Parneros

Chief Executive Officer

Barnes & Noble, Inc.

November 30, 2017

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

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

In connection with the quarterly report of Barnes & Noble, Inc. (the "Company") on Form 10-Q for the period ended October 28, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Allen W. Lindstrom, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Allen W. Lindstrom

Allen W. Lindstrom

Chief Financial Officer

Barnes & Noble, Inc.

November 30, 2017

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