
**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 27, 2018

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: 1-37499

BARNES & NOBLE EDUCATION, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

46-0599018

(I.R.S. Employer
Identification No.)

120 Mountain View Blvd., Basking Ridge, NJ

(Address of Principal Executive Offices)

07920

(Zip Code)

(Registrant's Telephone Number, Including Area Code): **(908) 991-2665**

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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, or a smaller reporting 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. (Check one):

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 November 16, 2018, 47,560,662 shares of Common Stock, par value \$0.01 per share, were outstanding.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Fiscal Quarter Ended October 27, 2018
Index to Form 10-Q

	<u>Page No.</u>
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Operations – For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets – As of October 27, 2018, October 28, 2017 and April 28, 2018</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows – For the 26 weeks ended October 27, 2018 and October 28, 2017</u>	<u>5</u>
<u>Condensed Consolidated Statements of Equity – As of October 27, 2018 and October 28, 2017</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Note 1. Organization</u>	<u>7</u>
<u>Note 2. Summary of Significant Accounting Policies</u>	<u>7</u>
<u>Note 3. Recent Accounting Pronouncements</u>	<u>10</u>
<u>Note 4. Acquisitions</u>	<u>11</u>
<u>Note 5. Revenue</u>	<u>11</u>
<u>Note 6. Segment Reporting</u>	<u>13</u>
<u>Note 7. Equity and Earnings Per Share</u>	<u>16</u>
<u>Note 8. Fair Values of Financial Instruments</u>	<u>17</u>
<u>Note 9. Credit Facility</u>	<u>18</u>
<u>Note 10. Supplementary Information</u>	<u>18</u>
<u>Note 11. Employee Benefit Plans</u>	<u>18</u>
<u>Note 12. Stock-Based Compensation</u>	<u>18</u>
<u>Note 13. Income Taxes</u>	<u>19</u>
<u>Note 14. Legal Proceedings</u>	<u>20</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>21</u>
<u>Results of Operations</u>	<u>23</u>
<u>Adjusted Earnings (Non-GAAP)</u>	<u>36</u>
<u>Adjusted EBITDA (Non-GAAP)</u>	<u>35</u>
<u>Liquidity and Capital Resources</u>	<u>37</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
<u>Item 4. Controls and Procedures</u>	<u>40</u>
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>41</u>
<u>Item 1A. Risk Factors</u>	<u>41</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
<u>Item 6. Exhibits</u>	<u>42</u>
<u>SIGNATURES</u>	<u>43</u>
<u>EXHIBIT INDEX</u>	<u>44</u>

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES **Condensed Consolidated Statements of Operations** (In thousands, except per share data) (unaudited)

	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Sales:				
Product sales and other	\$ 756,173	\$ 820,071	\$ 1,074,018	\$ 1,155,040
Rental income	58,593	66,790	78,232	87,532
Total sales	814,766	886,861	1,152,250	1,242,572
Cost of sales:				
Product and other cost of sales	568,971	630,176	827,723	907,854
Rental cost of sales	35,035	39,985	47,157	52,818
Total cost of sales	604,006	670,161	874,880	960,672
Gross profit	210,760	216,700	277,370	281,900
Selling and administrative expenses	115,323	115,290	214,467	215,187
Depreciation and amortization expense	16,421	16,704	32,959	31,721
Restructuring and other charges	—	193	—	5,429
Transaction costs	537	1,257	537	1,846
Operating income	78,479	83,256	29,407	27,717
Interest expense, net	1,836	1,836	5,358	4,874
Income before income taxes	76,643	81,420	24,049	22,843
Income tax expense	16,946	33,025	2,974	9,231
Net income	\$ 59,697	\$ 48,395	\$ 21,075	\$ 13,612
Earnings per share of common stock:				
Basic	\$ 1.26	\$ 1.04	\$ 0.45	\$ 0.29
Diluted	\$ 1.25	\$ 1.03	\$ 0.44	\$ 0.29
Weighted average shares of common stock outstanding:				
Basic	47,184	46,705	47,050	46,611
Diluted	47,824	47,006	47,689	47,144

See accompanying notes to condensed consolidated financial statements.

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

	October 27, 2018	October 28, 2017	April 28, 2018
	(unaudited)	(unaudited)	(audited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,048	\$ 17,494	\$ 16,126
Receivables, net	138,048	153,646	100,060
Merchandise inventories, net	505,943	506,728	443,559
Textbook rental inventories	70,599	78,062	47,779
Prepaid expenses and other current assets	16,554	22,198	11,847
Total current assets	751,192	778,128	619,371
Property and equipment, net	112,029	115,734	111,287
Intangible assets, net	213,886	229,498	219,129
Goodwill	53,982	362,412	49,282
Other noncurrent assets	41,632	41,469	40,142
Total assets	\$ 1,172,721	\$ 1,527,241	\$ 1,039,211
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 443,319	\$ 458,833	\$ 187,909
Accrued liabilities	170,037	184,283	125,556
Short-term borrowings	—	—	100,000
Total current liabilities	613,356	643,116	413,465
Long-term deferred taxes, net	7,906	16,187	2,106
Other long-term liabilities	59,419	96,294	59,277
Long-term borrowings	—	41,800	96,400
Total liabilities	680,681	797,397	571,248
Commitments and contingencies	—	—	—
Stockholders' equity:			
Preferred stock, \$0.01 par value; authorized, 5,000 shares; issued and outstanding, none	—	—	—
Common stock, \$0.01 par value; authorized, 200,000 shares; issued, 51,026, 50,028 and 50,032 shares, respectively; outstanding, 47,561, 46,914 and 49,372 shares, respectively	511	500	501
Additional paid-in capital	722,286	713,018	717,323
(Accumulated deficit) Retained earnings	(199,128)	45,975	(220,203)
Treasury stock, at cost	(31,629)	(29,649)	(29,658)
Total stockholders' equity	492,040	729,844	467,963
Total liabilities and stockholders' equity	\$ 1,172,721	\$ 1,527,241	\$ 1,039,211

See accompanying notes to condensed consolidated financial statements.

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

	26 weeks ended	
	October 27, 2018	October 28, 2017
Cash flows from operating activities:		
Net income	\$ 21,075	\$ 13,612
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization expense	32,959	31,721
Amortization of deferred financing costs	751	751
Deferred taxes	5,800	(684)
Stock-based compensation expense	4,973	4,153
Changes in other long-term liabilities	(414)	(426)
Changes in other operating assets and liabilities, net	171,427	150,076
Net cash flows provided by operating activities	236,571	199,203
Cash flows from investing activities:		
Purchases of property and equipment	(23,152)	(22,422)
Acquisition of business, net of cash acquired	(10,000)	(58,259)
Net increase in other noncurrent assets	(1,127)	(601)
Net cash flows used in investing activities	(34,279)	(81,282)
Cash flows from financing activities:		
Proceeds from borrowings under Credit Agreement	119,900	225,400
Repayments of borrowings under Credit Agreement	(316,300)	(343,200)
Purchase of treasury shares	(1,971)	(1,629)
Net cash flows used in financing activities	(198,371)	(119,429)
Net increase (decrease) in cash, cash equivalents and restricted cash	3,921	(1,508)
Cash, cash equivalents and restricted cash at beginning of period	16,869	21,697
Cash, cash equivalents and restricted cash at end of period	\$ 20,790	\$ 20,189
Changes in other operating assets and liabilities, net:		
Receivables, net	\$ (37,988)	\$ (67,256)
Merchandise inventories	(62,384)	(72,664)
Textbook rental inventories	(22,820)	(25,236)
Prepaid expenses and other current assets	(4,708)	(11,002)
Accounts payable and accrued liabilities	299,327	326,234
Changes in other operating assets and liabilities, net	\$ 171,427	\$ 150,076

See accompanying notes to condensed consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Equity
(In thousands)
(unaudited)

	Common Stock		Additional	Retained	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Earnings	Shares	Amount	Equity
Balance at April 29, 2017	49,372	\$ 494	\$ 708,871	\$ 32,363	2,855	\$ (28,020)	\$ 713,708
Stock-based compensation expense			4,153				4,153
Vested equity awards	656	6	(6)				—
Shares repurchased for tax withholdings for vested stock awards					259	(1,629)	(1,629)
Net income				13,612			13,612
Balance at October 28, 2017	50,028	\$ 500	\$ 713,018	\$ 45,975	3,114	\$ (29,649)	\$ 729,844

	Common Stock		Additional	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Equity
Balance at April 28, 2018	50,032	\$ 501	\$ 717,323	\$ (220,203)	3,115	\$ (29,658)	\$ 467,963
Stock-based compensation expense			4,973				4,973
Vested equity awards	994	10	(10)				—
Shares repurchased for tax withholdings for vested stock awards					350	(1,971)	(1,971)
Net income				21,075			21,075
Balance at October 27, 2018	51,026	\$ 511	\$ 722,286	\$ (199,128)	3,465	\$ (31,629)	\$ 492,040

See accompanying notes to condensed consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

Unless the context otherwise indicates, references in these Notes to the accompanying condensed consolidated financial statements to “we,” “us,” “our” and “the Company” refer to Barnes & Noble Education, Inc., a Delaware corporation. References to “Barnes & Noble College” refer to our college bookstore business operated through our subsidiary Barnes & Noble College Booksellers, LLC. References to “MBS” refer to our virtual bookstore and wholesale textbook distribution business operated through our subsidiary MBS Textbook Exchange, LLC, a Delaware corporation. References to “Student Brands” refer to our direct-to-student subscription-based writing services business operated through our subsidiary Student Brands, LLC.

This Form 10-Q should be read in conjunction with our Audited Consolidated Financial Statements and accompanying Notes to consolidated financial statements in our Annual Report on Form 10-K for the year ended April 28, 2018, which includes consolidated financial statements for the Company for each of the three fiscal years ended April 28, 2018, April 29, 2017 and April 30, 2016 (Fiscal 2018, Fiscal 2017 and Fiscal 2016, respectively) and the unaudited condensed consolidated financial statements in our Quarterly Report on Form 10-Q for the 13 weeks ended July 28, 2018.

Note 1. Organization

Description of Business

Barnes & Noble Education, Inc. (“BNED”) is one of the largest contract operators of physical and virtual bookstores for higher education and K-12 institutions across the United States, one of the largest textbook wholesalers, and a leading provider of digital education services. Through its Barnes & Noble College (“BNC”) and MBS Textbook Exchange (“MBS”) subsidiaries, Barnes & Noble Education operates 1,450 physical and virtual bookstores and serves more than 6 million students, delivering essential educational content and tools within a dynamic retail environment. Additionally, through our Digital Student Solutions businesses, we offer direct-to-student products and services to help students study more effectively and improve academic performance.

The strengths of our business includes our ability to compete by developing new products and solutions to meet market needs, our large footprint with direct access to students and faculty, our well-established, deep relationships with partners and stable, long-term contracts, and our well-recognized brands. We expect to continue to grow our business by introducing scalable and advanced digital solutions focused largely on the student, increasing market share with new accounts, and expanding our strategic opportunities through acquisitions and partnerships.

Effective in the fourth quarter of Fiscal 2018, we have three reportable segments: BNC, MBS, and Digital Student Solutions (“DSS”), as described in *Note 6. Segment Reporting*. Prior to the fourth quarter of Fiscal 2018, BNC and MBS were our only reportable segments.

For additional information related to the strategy and growth drivers for our business, see *Part I - Item 1. Business - Overview* in our Annual Report on Form 10-K for the year ended April 28, 2018.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

Our condensed consolidated financial statements reflect our condensed consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States (“GAAP”). In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements of the Company contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its consolidated financial position and the results of its operations and cash flows for the periods reported. These condensed consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by GAAP. All material intercompany accounts and transactions have been eliminated in consolidation.

On August 3, 2017, we acquired Student Brands, LLC (“Student Brands”). The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of Student Brands in the DSS segment and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 include the financial results of Student Brands in the DSS segment from the acquisition date on August 3, 2017.

On August 21, 2018, we acquired the assets of PaperRater.com (“PaperRater”). The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of PaperRater in the DSS segment from the date of acquisition on August 21, 2018 and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 exclude the financial results of PaperRater. See *Note 4. Acquisitions* for additional information.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
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Our business is highly seasonal. Our quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods. Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. Due to the seasonal nature of the business, the results of operations for the 13 and 26 weeks ended October 27, 2018 are not indicative of the results expected for the 52 weeks ending April 27, 2019 (Fiscal 2019).

For certain of our retail operations (BNC and MBS Direct), sales are generally highest in the second and third fiscal quarters, when students purchase and rent textbooks and other course materials, and lowest in the first and fourth fiscal quarters. Sales attributable to our MBS Wholesale business are generally highest in our first and third quarter, as it sells textbooks and other course materials for retail distribution. Our Digital Student Solutions' sales and operating profit are realized relatively consistently throughout the year.

Use of Estimates

In preparing financial statements in conformity with GAAP, we are required to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Merchandise Inventories

Merchandise inventories, which consist of finished goods, are stated at the lower of cost or market. Market value of our inventory, which is all purchased finished goods, is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. Reserves for non-returnable inventory are based on our history of liquidating non-returnable inventory.

Cost is determined primarily by the retail inventory method for our BNC segment and last-in first out, or "LIFO", method for our MBS segment. Our textbook inventories, for BNC and MBS, and trade book inventories are valued using the LIFO method and the related reserve was not material to the recorded amount of our inventories.

For the BNC segment, we also estimate and accrue 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.

Textbook Rental Inventories

Physical textbooks out on rent are categorized as textbook rental inventories. At the time a rental transaction is consummated, the book is removed from merchandise inventories and moved to textbook rental inventories at cost. The cost of the book is amortized down to its estimated residual value over the rental period. The related amortization expense is included in cost of goods sold. At the end of the rental period, upon return, the book is removed from textbook rental inventories and recorded in merchandise inventories at its amortized cost.

Revenue Recognition and Deferred Revenue

Product sales and rentals

The majority of our revenue relates to the sales of products through our bookstore locations, including virtual bookstores, and our bookstore affiliated ecommerce websites, and contains a single performance obligation. Revenue from sales of our products is recognized at the point in time when control of the products is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for the products. For additional information, see *Note 5. Revenue*.

Retail product revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by our customers for products ordered through our websites and virtual bookstores. Wholesale product revenue is recognized upon shipment of physical textbooks at which point title passes and risk of loss is transferred to the customer. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of goods sold.

Revenue from the rental of physical textbooks, which contains a single performance obligation, is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer. Rental periods are typically for a single semester and are always less than one year in duration. We offer a buyout option

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
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to allow the purchase of a rented physical textbook at the end of the rental period if the customer desires to do so. We record the buyout purchase when the customer exercises and pays the buyout option price which is determined at the time of the buyout. In these instances, we accelerate any remaining deferred rental revenue at the point of sale.

Revenue from the rental of digital textbooks, which contains a single performance obligation, is recognized at the point of sale. A software feature is embedded within the content of our digital textbooks, such that upon expiration of the rental term the customer is no longer able to access the content. While the digital rental allows the customer to access digital content for a fixed period of time, once the digital content is delivered to the customer, our performance obligation is complete.

We estimate returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the related sales are recorded.

For sales and rentals involving third-party products, we evaluate whether we are acting as a principal or an agent. Our determination is based on our evaluation of whether we control the specified goods or services prior to transferring them to the customer. There are significant judgments involved in determining whether we control the specified goods or services prior to transferring them to the customer including whether we have the ability to direct the use of the good or service and obtain substantially all of the remaining benefits from the good or service. For those transactions where we are the principal, we record revenue on a gross basis, and for those transactions where we are an agent to a third-party, we record revenue on a net basis.

We do not have gift card or customer loyalty programs. We do not treat any promotional offers as expenses. Sales tax collected from our customers is included from reported revenues. Our payment terms are generally 30 days and do not extend beyond one year.

Service and other revenue

Service and other revenue primarily relates to direct-to-student subscription-based writing service revenues and partnership marketing services which includes promotional activities and advertisements within our physical bookstores and web properties performed on behalf of third-party customers.

Subscription-based revenue, which contains a single performance obligation, is deferred and recognized based on the passage of time over the subscription period commencing at the point of sale, when control of the service transfers to the customer. The majority of subscriptions sold are one month in duration.

Partnership marketing agreements often include multiple performance obligations which are individually negotiated with our customers. For these arrangements that contain distinct performance obligations, we allocate the transaction price based on the relative standalone selling price method by comparing the standalone selling price ("SSP") of each distinct performance obligation to the total value of the contract. The revenue is recognized as each performance obligation is satisfied, typically at a point in time for partnership marketing service and overtime for advertising efforts as measured based upon the passage of time for contracts that are based on a stated period of time or the number of impressions delivered for contracts with a fixed number of impressions.

Cost of Sales

Our cost of sales primarily include costs such as merchandise costs, textbook rental amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

Selling and Administrative Expenses

Our selling and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include stock-based compensation and general office expenses, such as merchandising, field support, finance, employee relations, benefits, training, and information technology for store operations, as well as operating costs related to our subscription-based services.

Evaluation of Goodwill and Other Long-Lived Assets

As of October 27, 2018, we had \$0, \$49,282 and \$4,700 of goodwill on our condensed consolidated balance sheet related to our BNC, MBS and DSS reporting units, respectively. In accordance with *ASC 350-10, Intangibles - Goodwill and Other*, we complete our annual goodwill impairment test as of the first day of the third quarter of each fiscal year, or whenever events or changes in circumstances indicate that the carrying amount of the reporting unit exceeds its fair value.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
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Our other long-lived assets include property and equipment and amortizable intangibles. As of October 27, 2018, we had \$112,029 and \$213,886 of property and equipment and amortizable intangible assets, net of depreciation and amortization, respectively, on our condensed consolidated balance sheet. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with *ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets*.

Income Taxes

As of October 27, 2018, other long-term liabilities includes \$40,425 related to the long-term tax payable associated with the LIFO reserve. The LIFO reserve is impacted by changes in the consumer price index ("CPI") and is dependent on the inventory levels at the end of our tax year (on or about January 31st) which is in the middle of our second largest selling cycle. At the end of the most recent tax year, inventory levels within our BNC segment declined as compared to the prior year resulting in approximately \$13,369 of the income taxes associated with the LIFO reserve becoming currently payable. Given recent trends relating to the pricing and rental of textbooks, management believes that an additional portion of the remaining long-term tax payable associated with the LIFO reserve could be payable within the next twelve months. We are unable to predict future trends for CPI and inventory levels, therefore it is difficult to project with reasonable certainty how much of this liability will become payable within the next twelve months.

Reclassifications

Our condensed consolidated financial statements reflect the following reclassifications for consistency with the current year presentation: 1) Cost of Sales expenses primarily related to facility costs and insurance related to corporate services have been reclassified to Selling and Administrative Expenses; and 2) For our digital rental products, we have reclassified Rental Income to Product Sales and Other, and have reclassified Rental Cost of Sales to Product and Other Cost of Sales, with no impact to Gross Margin. Digital rental revenue and digital rental cost of sales are recognized at the time of delivery and are not deferred over the rental period.

Note 3. Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued *ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract ("ASU 2018-15")*, which requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The ASU requires upfront implementation costs incurred in a cloud computing arrangement (or hosting arrangement) that is a service contract to be amortized to hosting expense over the term of the arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. We are required to adopt this standard in the first quarter of Fiscal 2021 and early adoption is permitted. The guidance may be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently evaluating this standard to determine the impact of adoption on our condensed consolidated financial statements.

In February 2016, the FASB issued *ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02")*, which requires reporting entities to recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements. We are required to adopt this standard in the first quarter of Fiscal 2020 and early adoption is permitted. The guidance will be applied on a modified retrospective basis beginning with the earliest period presented. Although we have not yet completed our evaluation of the guidance, or quantified its impact, we believe the most significant impact will be the recognition of right of use assets and liabilities on our condensed consolidated balance sheet. We expect our lease obligations designated as operating leases will be reported on the consolidated balance sheets upon adoption. We are currently in the process of collecting and validating lease data. In addition, we are assessing practical expedients and policy elections offered by the standard, and are evaluating processes and internal controls to meet the accounting, reporting and disclosure requirements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

Note 4. Acquisitions

On August 21, 2018, we acquired the assets of PaperRater.com ("PaperRater"), a leading website that offers students a suite of writing services aimed at improving multiple facets of writing. PaperRater's services include plagiarism detection, grammar feedback, and an AI-based writing score predictor, and are highly complementary to Student Brands' existing writing service offerings. PaperRater adds millions of pieces of content, from essays and dissertations to personal narratives and speeches, to our growing digital content library.

We completed the purchase for cash consideration of \$10,000, and the transaction was funded from cash on-hand and availability under our existing Credit Agreement. The preliminary purchase price was allocated primarily as follows: \$5,300 intangible assets (primarily content with an estimated useful life of 5 years) and \$4,700 goodwill. This acquisition is not material to our condensed consolidated financial statements and therefore, disclosure of pro forma financial information has not been presented. The results of operations reflect the period of ownership of the acquired business.

Note 5. Revenue

In May 2014, the FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)* ("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 guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required.

We have analyzed the impacts of the guidance across all of our revenue streams and have adopted the standard using the modified retrospective method effective with the first quarter of Fiscal 2019. Financial results for reporting periods beginning after April 28, 2018 are presented in accordance with *Topic 606*, while comparative period information continues to reflect our historic accounting under the accounting standards in effect for those periods. There was no cumulative change to retained earnings as a result of adopting the guidance. Along with the additional disclosure requirements required by the new standard, we reclassified the product return asset of \$8,846, and \$2,610 from Merchandise Inventories, Net to Prepaid Expenses and Other Current Assets on the condensed consolidated balance sheets for the periods ended October 28, 2017 and April 28, 2018, respectively.

See *Note 2. Summary of Significant Accounting Pronouncements* for additional information related to our revenue recognition policies and *Note 6. Segment Reporting* for a description of each segment's product and service offerings.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

Disaggregation of Revenue

The following table disaggregates the revenue associated with our major product and service offerings.

	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
BNC				
Retail Product Sales	\$ 634,587	\$ 681,461	\$ 851,733	\$ 902,525
Rental Income	57,331	64,956	76,164	84,923
Service and Other Revenue ^(a)	10,952	10,884	20,148	19,830
BNC Total Sales	\$ 702,870	\$ 757,301	\$ 948,045	\$ 1,007,278
MBS				
Retail Product Sales	\$ 79,785	\$ 85,491	\$ 120,894	\$ 131,998
Wholesale Product Sales	37,907	47,526	126,316	140,045
Rental Income	1,262	1,834	2,068	2,609
MBS Total Sales	\$ 118,954	\$ 134,851	\$ 249,278	\$ 274,652
DSS Sales ^(b)	\$ 4,934	\$ 4,486	\$ 10,611	\$ 4,486
Eliminations ^(c)	\$ (11,992)	\$ (9,777)	\$ (55,684)	\$ (43,844)
Total Sales	\$ 814,766	\$ 886,861	\$ 1,152,250	\$ 1,242,572

(a) Service and other revenue primarily relates to brand partnerships and other service revenues.

(b) DSS sales primarily relate to direct-to-student subscription-based revenue.

(c) The sales eliminations represent the elimination of MBS sales to BNC and the elimination of BNC commissions earned from MBS.

Contract Assets and Contract Liabilities

Contract assets represent the sale of goods or services to a customer before we have the right to obtain consideration from the customer. Contract assets consist of unbilled amounts at the reporting date and are transferred to accounts receivable when the rights become unconditional. Contract assets (Unbilled Receivables) were \$0 as of both October 27, 2018 and April 28, 2018 on our condensed consolidated balance sheets.

Contract liabilities represent an obligation to transfer goods or services to a customer for which we have received consideration and consists of our deferred revenue liability (Deferred Revenue). Deferred revenue primarily consists of advanced payments from customers related to textbook rental and subscription-based performance obligations that have not yet been satisfied, as well as unsatisfied performance obligations associated with partnership marketing services. Deferred revenue is recognized ratably over the terms of the related rental or subscription periods, or when the contracted services are provided to our partnership marketing customers. Deferred revenue of \$51,126, \$56,269, and \$20,144 is recorded within Accrued Liabilities on our condensed consolidated balance sheets for the periods ended October 27, 2018, October 28, 2017 and April 28, 2018, respectively.

The following table presents changes in contract liabilities during the six months ended October 27, 2018:

	26 weeks ended October 27, 2018
Deferred revenue at the beginning of period	\$ 20,144
Additions to deferred revenue during the period	116,649
Reductions to deferred revenue for revenue recognized during the period	(85,667)
Deferred revenue balance at the end of period	<u>\$ 51,126</u>

As of October 27, 2018, we expect to recognize \$50,894 of the deferred revenue balance within in the next 12 months.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

Note 6. Segment Reporting

Prior to the fourth quarter of Fiscal 2018, we had two reportable segments: BNC and MBS. In connection with our focus on developing digital solutions, during the fourth quarter of Fiscal 2018, the Company realigned its business into the following three reportable segments: BNC, MBS and DSS. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, are presented as “Corporate Services”.

We identified our segments in accordance with the way our business is managed (focusing on the financial information distributed) and the manner in which our chief operating decision maker allocates resources and assesses financial performance. The following summarizes the three segments, with additional information in each respective subsequent segment discussion.

BNC

The *BNC Segment* is comprised of the operations of BNC which operates 773 physical campus bookstores, the majority of which also have school-branded e-commerce sites operated by BNC and which offers students access to affordable course materials and affinity products, including emblematic apparel and gifts. BNC also offers its First Day™ inclusive access program, in which course materials, including e-content, are offered at a reduced price through a course materials fee, and delivered to students digitally on or before the first day of class. Additionally, the BNC segment offers a suite of digital content, software, and services to colleges and universities, through our LoudCloud platform, such as predictive analytics, a variety of open educational resources courseware, and a competency-based learning platform.

MBS

The *MBS Segment* is comprised of MBS's two highly integrated businesses: MBS Direct which operates 677 virtual bookstores for college and university campuses, and K-12 schools, and MBS Wholesale which is one of the largest textbook wholesalers in the country. MBS Wholesale's business centrally sources and sells new and used textbooks to more than 3,500 physical college bookstores, including BNC's 773 campus bookstores. MBS Wholesale sells hardware and a software suite of applications that provides inventory management and point-of-sale solutions to over 400 college bookstores.

DSS

The *Digital Student Solutions (“DSS”) Segment* includes direct-to-student products and services to help students study more effectively and improve academic performance. The DSS segment is comprised of the operations of Student Brands, a leading direct-to-student subscription-based writing services business, and Bartleby Textbook Solutions. The DSS segment also includes tutoring and test prep services offered through our partnership with *The Princeton Review*.

In August 2018, we launched Bartleby Textbook Solutions, our first internally developed product within DSS, on *bartleby.com*. We expect Bartleby Textbook Solutions to become a central offering in our developing ecosystem of direct-to-student digital products and services, accessible anytime and anywhere, both within our managed bookstore footprint and nationally to students.

Also in August 2018, we further expanded Student Brands' writing services via an acquisition of PaperRater, a leading website that offers students a suite of writing services aimed at improving multiple facets of writing. PaperRater's services include plagiarism detection, grammar feedback, and an AI-based writing score predictor, and are highly complementary to Student Brands' existing writing service offerings.

We currently offer these digital products and services directly to students, increasingly leveraging our BNC and MBS bookstore footprint.

For additional information about the BNC, MBS and DSS segment operations, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the year ended April 28, 2018.

Corporate Services

Corporate Services represent unallocated shared-service costs which include corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

Intercompany Eliminations

All material intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. The eliminations are primarily related to the following intercompany activities:

- The sales eliminations represent the elimination of MBS sales to BNC and the elimination of BNC commissions earned from MBS.
- The cost of sales eliminations represent (i) the recognition of intercompany profit for BNC inventory that was purchased from MBS in a prior period that was subsequently sold to external customers during the current period, net of (ii) the elimination of intercompany profit for MBS inventory purchases by BNC that remain in ending inventory at the end of the current period.
- The gross margin elimination reflects the net impact of the sales eliminations and cost of sales eliminations. The gross margin elimination impact of \$12,995 and \$11,658 during the 13 weeks ended October 27, 2018 and October 28, 2017, respectively, primarily relates to (i) the recognition of intercompany profit for BNC inventory that was purchased from MBS in a prior period that was subsequently sold to external customers during the current period, net of (ii) the elimination of intercompany profit for MBS inventory purchases by BNC that remain in ending inventory at the end of the current period.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

Summarized financial information for our reportable segments is reported below:

	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Sales:				
BNC	\$ 702,870	\$ 757,301	\$ 948,045	\$ 1,007,278
MBS	118,954	134,851	249,278	274,652
DSS ^(a)	4,934	4,486	10,611	4,486
Elimination	(11,992)	(9,777)	(55,684)	(43,844)
Total Sales	<u>\$ 814,766</u>	<u>\$ 886,861</u>	<u>\$ 1,152,250</u>	<u>\$ 1,242,572</u>
Gross Profit				
BNC	\$ 162,083	\$ 167,523	\$ 211,398	\$ 216,747
MBS	30,893	33,175	57,644	60,764
DSS ^(a)	4,789	4,344	10,343	4,344
Elimination	12,995	11,658	(2,015)	45
Total Gross Profit	<u>\$ 210,760</u>	<u>\$ 216,700</u>	<u>\$ 277,370</u>	<u>\$ 281,900</u>
Depreciation and Amortization				
BNC	\$ 12,897	\$ 13,331	\$ 26,152	\$ 26,664
MBS	1,569	1,618	3,099	3,253
DSS ^(a)	1,917	1,709	3,626	1,709
Corporate Services	38	46	82	95
Total Depreciation and Amortization	<u>\$ 16,421</u>	<u>\$ 16,704</u>	<u>\$ 32,959</u>	<u>\$ 31,721</u>
Operating Income (Loss)				
BNC	\$ 55,561	\$ 59,151	\$ 12,606	\$ 13,861
MBS	16,990	18,228	30,352	32,106
DSS ^(a)	(1,015)	(1,404)	51	(1,627)
Corporate Services ^(b)	(6,091)	(4,377)	(11,628)	(16,668)
Elimination	13,034	11,658	(1,974)	45
Total Operating Income	<u>\$ 78,479</u>	<u>\$ 83,256</u>	<u>\$ 29,407</u>	<u>\$ 27,717</u>
The following is a reconciliation of segment Operating Income to consolidated Income Before Income Taxes:				
Total Operating Income	\$ 78,479	\$ 83,256	\$ 29,407	\$ 27,717
Interest Expense, net	(1,836)	(1,836)	(5,358)	(4,874)
Income Before Income Taxes	<u>\$ 76,643</u>	<u>\$ 81,420</u>	<u>\$ 24,049</u>	<u>\$ 22,843</u>

(a) On August 3, 2017, we acquired Student Brands, LLC, a leading direct-to-student subscription-based writing services business. The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of Student Brands in the DSS segment, and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 include the financial results of Student Brands from the date of acquisition on August 3, 2017.

On August 21, 2018, we acquired the assets of PaperRater.com, a leading website that offers students a suite of writing services aimed at improving multiple facets of writing. PaperRater's services include plagiarism detection, grammar feedback, and an AI-based writing score predictor, and are highly complementary to Student Brands' existing writing service offerings. The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of PaperRater in the

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

DSS segment from the date of acquisition and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 exclude the financial results of PaperRater.

(b) During the 26 weeks ended October 28, 2017, we recognized restructuring and other charges totaling approximately \$5,361 related to the CEO transition. For additional information, refer to *Note 10. Supplementary Information - Restructuring and Other Charges*.

Note 7. Equity and Earnings Per Share

Equity

Share Repurchases

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to \$50,000, in the aggregate, of our outstanding Common Stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During the 26 weeks ended October 27, 2018, we did not repurchase shares of our Common Stock under the program and as of October 27, 2018, approximately \$26,669 remains available under the stock repurchase program.

During the 26 weeks ended October 27, 2018, we repurchased 349,660 shares of our Common Stock in connection with employee tax withholding obligations for vested stock awards.

Earnings Per Share

Basic EPS is computed based upon the weighted average number of common shares outstanding for the year. Diluted EPS is computed based upon the weighted average number of common shares outstanding for the year plus the dilutive effect of common stock equivalents using the treasury stock method and the average market price of our common stock for the year. We include participating securities (unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of EPS pursuant to the two-class method. Our participating securities consist solely of unvested restricted stock awards, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. During the 13 and 26 weeks ended October 27, 2018 average shares of 472,748 and 422,776 were excluded from the diluted earnings per share calculation as their inclusion would have been antidilutive, respectively. During the 13 and 26 weeks ended October 28, 2017 average shares of 918,177 and 505,496 were excluded from the diluted earnings per share calculation as their inclusion would have been antidilutive, respectively.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

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

(shares in thousands)	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Numerator for basic earnings per share:				
Net income	\$ 59,697	\$ 48,395	\$ 21,075	\$ 13,612
Less allocation of earnings to participating securities	(24)	(16)	(9)	(4)
Net income available to common shareholders	<u>\$ 59,673</u>	<u>\$ 48,379</u>	<u>\$ 21,066</u>	<u>\$ 13,608</u>
Numerator for diluted earnings per share:				
Net income available to common shareholders	\$ 59,673	\$ 48,379	\$ 21,066	\$ 13,608
Allocation of earnings to participating securities	24	16	9	4
Less diluted allocation of earnings to participating securities	(24)	(16)	(9)	(4)
Net income available to common shareholders	<u>\$ 59,673</u>	<u>\$ 48,379</u>	<u>\$ 21,066</u>	<u>\$ 13,608</u>
Denominator for basic earnings per share:				
Basic weighted average shares of Common Stock	<u>47,184</u>	<u>46,705</u>	<u>47,050</u>	<u>46,611</u>
Denominator for diluted earnings per share:				
Basic weighted average shares of Common Stock	47,184	46,705	47,050	46,611
Average dilutive restricted stock units	463	162	516	389
Average dilutive performance shares	42	113	38	127
Average dilutive restricted shares	11	7	13	8
Average dilutive performance share units	124	19	72	9
Diluted weighted average shares of Common Stock	<u>47,824</u>	<u>47,006</u>	<u>47,689</u>	<u>47,144</u>
Earnings per share of Common Stock:				
Basic	\$ 1.26	\$ 1.04	\$ 0.45	\$ 0.29
Diluted	\$ 1.25	\$ 1.03	\$ 0.44	\$ 0.29

Note 8. Fair Values of Financial Instruments

In accordance with *ASC No. 820, Fair Value Measurements and Disclosures*, the fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include:

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

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

Level 3—Unobservable inputs in which little or no market data exists, therefore requiring us to develop our own assumptions

Our financial instruments include cash and cash equivalents, receivables, accrued liabilities and accounts payable. The fair values of cash and cash equivalents, receivables, accrued liabilities and accounts payable approximates their carrying values

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

because of the short-term nature of these instruments, which are all considered Level 1. The fair value of short-term and long-term debt approximates its carrying value.

Note 9. Credit Facility

On August 3, 2015, we and certain of our subsidiaries, entered into a credit agreement (the "Credit Agreement") under which the lenders committed to provide a five-year asset-backed revolving credit facility in an aggregate committed principal amount of \$400,000 (the "Credit Facility"). The Company has the option to request an increase in commitments under the Credit Facility of up to \$100,000 subject to certain restrictions.

On February 27, 2017, in connection with the acquisition of MBS, we amended the Credit Agreement with our current lenders to add a new \$100,000 incremental first in, last out seasonal loan facility (the "FILO Facility") increasing the maximum availability under the Credit Agreement to \$500,000.

For additional information including interest terms and covenant requirements related to the Credit Facility, refer to *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity* in our Annual Report on Form 10-K for the year ended April 28, 2018.

During the 26 weeks ended October 27, 2018, we borrowed \$119,900 and repaid \$316,300 under the Credit Agreement. There were no outstanding borrowings under the Credit Facility or FILO Facility as of October 27, 2018. As of October 27, 2018, we have issued \$4,759 in letters of credit under the Credit Facility. During the 26 weeks ended October 28, 2017, we borrowed \$225,400 and repaid \$343,200 under the Credit Agreement. The net total outstanding borrowings of \$41,800 as of October 28, 2017 is comprised of outstanding borrowings of \$41,800 and \$0 under the Credit Facility and FILO Facility, respectively.

Note 10. Supplementary Information

Restructuring and other charges

On July 19, 2017, Mr. Max J. Roberts resigned as Chief Executive Officer of the Company and Mr. Michael P. Huseby was appointed to the position of Chief Executive Officer and Chairman of the Board, both effective as of September 19, 2017. Pursuant to the terms of the Retirement Letter Agreement, Mr. Roberts received an aggregate payment of approximately \$4,424, comprised of salary, bonus and benefits. In addition, the Company paid Mr. Roberts and Mr. Huseby a one-time cash transition payment of approximately \$562 and \$250, respectively, at the time of the transition. During the 26 weeks ended October 28, 2017, we recognized expenses totaling approximately \$5,361, which is comprised of the severance and transition payments. For additional information, see the Form 8-K dated July 19, 2017, filed with the SEC on July 20, 2017.

Note 11. Employee Benefit Plans

We sponsor defined contribution plans for the benefit of substantially all of the employees of BNC and DSS. MBS maintains a profit sharing plan covering substantially all full-time employees of MBS. For all plans, we are responsible to fund the employer contributions directly. Total employee benefit expense for these plans was \$1,384 and \$1,766 during the 13 weeks ended October 27, 2018 and October 28, 2017, respectively and \$3,469 and \$3,765 during the 26 weeks ended October 27, 2018 and October 28, 2017, respectively.

Note 12. Stock-Based Compensation

We recognize compensation expense for awards ratably over the requisite service period of the award, which is generally three years. We recognize compensation expense based on the number of awards expected to vest using an estimated average forfeiture rate. We calculate the fair value of stock-based awards based on the closing price on the date the award was granted.

During the 26 weeks ended October 27, 2018, we granted the following awards:

- 385,171 performance share unit ("PSU") awards to employees that will vest based upon the achievement of pre-established performance goals related to absolute total shareholder returns ("TSR") determined by the Company's common stock price, DSS segment revenue and Company Adjusted EBITDA measured over a two year performance period (Fiscal 2019 - Fiscal 2020) with one additional year of time-based vesting. The number of PSU awards that will vest range from 0%-150% of the target award based on actual performance.
- 1,336,216 restricted stock units ("RSU") awards were granted to employees with a three year vesting period in accordance

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

with the Equity Incentive Plan.

- 107,530 RSU awards and 21,506 restricted stock ("RS") awards were granted to the current Board of Directors ("BOD") members for annual compensation with a one year vesting period in accordance with the Equity Incentive Plan.

We recognized stock-based compensation expense for equity-based awards in selling and administrative expenses as follows:

	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Restricted stock expense	\$ 20	\$ 30	\$ 50	\$ 60
Restricted stock units expense ^(a)	1,952	2,140	4,150	4,040
Performance shares expense ^(a)	57	(265)	114	(333)
Performance share units expense ^(b)	603	268	659	386
Stock-based compensation expense	<u>\$ 2,632</u>	<u>\$ 2,173</u>	<u>\$ 4,973</u>	<u>\$ 4,153</u>

(a) The stock-based compensation expense for the 13 and 26 weeks ended October 28, 2017 for the restricted stock units reflect a forfeiture adjustment for unvested shares related to the CEO transition. See *Note 10. Supplementary Information - Restructuring and Other Charges* for additional information.

(b) The stock-based compensation expense for performance shares and performance share units reflect a catch-up adjustment for a change in expected level of achievement of the respective grants.

Total unrecognized compensation cost related to unvested awards as of October 27, 2018 was \$17,942 and is expected to be recognized over a weighted-average period of 2.2 years. Approximately \$2,498 of the unrecognized compensation cost is related to performance shares and performance share units, which is subject to attaining the stated performance metrics.

Note 13. Income Taxes

We recorded an income tax expense of \$16,946 on a pre-tax income of \$76,643 during the 13 weeks ended October 27, 2018, which represented an effective income tax rate of 22.1% and an income tax expense of \$33,025 on pre-tax income of \$81,420 during the 13 weeks ended October 28, 2017, which represented an effective income tax rate of 40.6%.

We recorded an income tax expense of \$2,974 on pre-tax income of \$24,049 during the 26 weeks ended October 27, 2018, which represented an effective income tax rate of 12.4% and an income tax expense of \$9,231 on pre-tax income of \$22,843 during the 26 weeks ended October 28, 2017, which represented an effective income tax rate of 40.4%.

The effective tax rate for the 13 and 26 weeks ended October 27, 2018 is significantly lower as compared to the comparable prior year period due to the tax benefit of U.S. Tax Reform, partially offset by permanent differences.

Impact of U.S. Tax Reform

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21% and requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, among other provisions. As of October 27, 2018, we had not completed the accounting for the tax effects of enactment of the Act; however, as described below, we have made a reasonable estimate of the effects on existing deferred tax balances and the one-time transition tax in accordance with SAB 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118). These amounts are provisional and subject to change within the measurement period proscribed by SAB 118 which is not to extend beyond one year from the enactment date. The most significant impact of the legislation for the Company was a \$20,425 reduction of the value of our net deferred (which represents future tax liabilities) and long-term tax liabilities as a result of lowering the U.S. corporate income tax rate from 35% to 21%, which was recorded in Fiscal 2018. During the second quarter of Fiscal 2019, we recorded an additional measurement period adjustment to further reduce our net deferred tax liability by \$3,815 as a result of accelerating certain deductions as permitted by the U.S. tax code. This measurement period adjustment reduced the Company's effective tax rate by 5.0% and 16.0% during the 13 and 26 weeks ended October 27, 2018, respectively. We have provisionally recorded a liability associated with the one-time transition tax. This amount is not material.

All amounts associated with the Act recognized as of October 27, 2018 are provisional. We expect to complete the accounting for the impacts of the Act in the third quarter of Fiscal 2019.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended October 27, 2018 and October 28, 2017
(Thousands of dollars, except share and per share data)
(unaudited)

Note 14. Legal Proceedings

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, 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 our condensed consolidated financial position, results of operations, or cash flows.

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

Unless the context otherwise indicates, references to “we,” “us,” “our” and “the Company” refer to Barnes & Noble Education, Inc., a Delaware corporation. References to “Barnes & Noble College” refer to our college bookstore business operated through our subsidiary Barnes & Noble College Booksellers, LLC. References to “MBS” refer to our virtual bookstore and wholesale textbook distribution business operated through our subsidiary MBS Textbook Exchange, LLC, a Delaware corporation. References to “Student Brands” refer to our direct-to-student subscription-based writing services business operated through our subsidiary Student Brands, LLC.

Overview

Description of business

Barnes & Noble Education, Inc. (“BNED”) is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States, one of the largest textbook wholesalers and inventory management hardware and software providers, and a leading provider of digital education solutions. Through our Barnes & Noble College (“BNC”) and MBS Textbook Exchange (“MBS”) subsidiaries, we operate 1,450 physical and virtual bookstores and serve more than 6 million students, delivering essential educational content and tools within a dynamic retail environment. Additionally, through our Digital Student Solutions businesses, we offer direct-to-student products and services to help students study more effectively and improve academic performance.

The strengths of our business includes our ability to compete by developing new products and solutions to meet market needs, our large footprint with direct access to students and faculty, our well-established, deep relationships with partners and stable, long-term contracts, and our well-recognized brands. We expect to continue to grow our business by introducing scalable and advanced digital solutions focused largely on the student, increasing market share with new accounts, and expanding our strategic opportunities through acquisitions and partnerships.

For additional information related to our business, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the year ended April 28, 2018.

Segments

We have three reportable segments: BNC, MBS and DSS. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, are presented as “Corporate Services”.

BNC Segment

The BNC Segment is comprised of the operations of BNC which operates 773 physical campus bookstores, the majority of which also have school-branded e-commerce sites operated by BNC and which offers students access to affordable course materials and affinity products, including emblematic apparel and gifts. BNC also offers its First Day™ inclusive access program, in which course materials, including e-content, are offered at a reduced price through a course materials fee, and delivered to students digitally on or before the first day of class. Additionally, the BNC segment offers a suite of digital content, software, and services to colleges and universities through our LoudCloud platform, such as predictive analytics, a variety of open educational resources courseware, and a competency-based learning platform.

MBS Segment

The MBS Segment is comprised of MBS's two highly integrated businesses: MBS Direct which operates 677 virtual bookstores for college and university campuses, and K-12 schools, and MBS Wholesale which is one of the largest textbook wholesalers in the country. MBS Wholesale's business centrally sources and sells new and used textbooks to more than 3,500 physical college bookstores, including BNC's 773 campus bookstores. MBS Wholesale sells hardware and a software suite of applications that provides inventory management and point-of-sale solutions to over 400 college bookstores.

DSS Segment

The *Digital Student Solutions (“DSS”) Segment* includes direct-to-student products and services to help students study more effectively and improve academic performance. The DSS segment is comprised of the operations of Student Brands, a leading direct-to-student subscription-based writing services business, and Bartleby Textbook Solutions. The DSS segment also includes tutoring and test prep services offered through our partnership with *The Princeton Review*.

In August 2018, we launched Bartleby Textbook Solutions, our first internally developed product within DSS, on *bartleby.com*. We expect Bartleby Textbook Solutions to become a central offering in our developing ecosystem of direct-to-student digital products and services, accessible anytime and anywhere, both within our managed bookstore footprint and nationally to students.

Also in August 2018, we further expanded Student Brands' writing services via an acquisition of PaperRater, a leading website that offers students a suite of writing services aimed at improving multiple facets of writing. PaperRater's services include plagiarism

detection, grammar feedback, and an AI-based writing score predictor, and are highly complementary to Student Brands' existing writing service offerings.

We currently offer these digital products and services directly to students, increasingly leveraging our BNC and MBS bookstore footprint. We continue to aggressively expand our ecosystem of products and services through our own continued internal development, as well as by partnering with other companies, to provide a wide range of offerings designed to improve student success and outcomes.

Corporate Services represent unallocated shared-service costs which include corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources.

For additional information about the BNC, MBS and DSS segment operations, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the year ended April 28, 2018.

Seasonality

Our business is highly seasonal. Our quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods. Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April.

For certain of our retail operations (BNC and MBS Direct), sales are generally highest in the second and third fiscal quarters, when students purchase and rent textbooks and other course materials, and lowest in the first and fourth fiscal quarters. Sales attributable to our MBS Wholesale business are generally highest in our first and third quarter, as it sells textbooks and other course materials for retail distribution. Our Digital Student Solutions' sales and operating profit are realized relatively consistently throughout the year.

Trends, Competition and Other Business Conditions Affecting Our Business

The market for educational materials is undergoing unprecedented change. As tuition and other costs rise, colleges and universities face increasing pressure to attract and retain students and provide them with innovative, affordable educational content and tools that support their educational development. Current trends, competition and other factors affecting our business include:

- *Increased Use of Online and Digital Platforms as Companions or Alternatives to Printed Course Materials* . Students and faculty can now choose from a wider variety of educational content and tools than ever before, delivered across both print and digital platforms.
- *Distribution Network Evolving* . The way course materials are distributed and consumed is changing significantly, a trend that is expected to continue. The market for course materials, including textbooks and supplemental materials, is intensely competitive and subject to rapid change.
 - *Disintermediation*. We are experiencing growing competition from alternative media and alternative sources of textbooks and other course materials. In addition to the official physical or virtual campus bookstore, course materials are also sold through off-campus bookstores, e-commerce outlets, digital platform companies, publishers, including Cengage, Pearson and McGraw Hill, bypassing the bookstore distribution channel by selling or renting directly to students and educational institutions, and student-to-student transactions over the Internet.
 - *Supply Chain and Inventory*. Since the demand for used textbooks has historically been greater than the available supply, our financial results are highly dependent upon MBS Wholesale's ability to build its textbook inventory from suppliers in advance of the selling season. Some textbook publishers have begun to supply textbooks pursuant to consignment or rental programs which could impact used textbook supplies in the future. MBS was selected as a national distributor for rental textbooks offered through McGraw-Hill Education's and Pearson Education's consignment rental program.
 - *Price Competition*. In addition to the competition in the services we provide to our customers, our textbook and other course materials business faces significant price competition. Students purchase textbooks and other course materials from multiple providers, are highly price sensitive, and can easily shift spending from one provider or format to another.
- *Competition*. In addition to the competition we face from alternative distribution sources, we also have competition from other college bookstore operators, textbook wholesalers and educational content providers. Competitors that provide online bookstore solutions to colleges and universities not only compete with our physical bookstore operations, but also compete with MBS Direct's virtual stores. We also compete with other companies that offer college themed and other general merchandise. Our DSS segment faces competition from other digital student solutions providers.

- *A Large Number of Traditional Campus Bookstores Have Yet to be Outsourced.*
 - *Outsourcing Trends.* We continue to see the trend towards outsourcing in the campus bookstore market, including virtual bookstores and online marketplace websites, and we also continue to see a variety of business models being pursued for the provision of textbooks and other course materials, such as inclusive access and publisher subscription models, and general merchandise.
 - *New and Existing Bookstore Contracts.* We expect awards of new accounts resulting in new physical and virtual store openings will continue to be an important driver of future growth in our business.
- *Overall Economic Environment, College Enrollment and Consumer Spending Patterns.* Our business is affected by the overall economic environment, funding levels at colleges and universities, by changes in enrollments at colleges and universities, and spending on course materials and general merchandise.
 - *Economic Environment :* BNC general merchandise sales are subject to short-term fluctuations driven by the broader retail environment. We expect general merchandise sales to continue to increase over the long term, as our product assortments continue to emphasize and reflect the changing consumer trends, and we evolve our presentation concepts and merchandising of products in stores and online.
 - *Enrollment Trends.* The growth of our business depends on our ability to attract new students and to increase the level of engagement by our current student customers. We continue to see downward enrollment trends and shrinking resources from state and federal government for colleges and universities. Enrollment trends, specifically at community colleges, continue to decline, led primarily by an improved economy and a dip in the United States birth rate resulting in fewer students at the traditional 18-24 year old college age. However, online degree program enrollments continue to grow, even in the face of declining overall higher education enrollment, and consistent with projections from the National Center for Education Statistics, we expect undergraduate enrollment to increase in the long-term.

For additional information related to factors affecting our business and our strategies and product offerings to address these trends, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the year ended April 28, 2018.

Elements of Results of Operations

Our condensed consolidated financial statements reflect our consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States (“GAAP”).

Our sales are primarily derived from the sale of course materials, which include new, used and digital textbooks, and at college and university bookstores which we operate, we sell emblematic apparel and gifts, trade books, computer products, school and dorm supplies, convenience and café items and graduation products. Our rental income is primarily derived from the rental of physical textbooks. We also derive revenue from other sources, such as sales of inventory management, hardware and point-of-sale software, direct-to-student subscription-based writing services, and other services.

Our cost of sales primarily include costs such as merchandise costs, textbook rental amortization, payroll costs, as well as warehouse costs related to inventory management and order fulfillment, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

Our selling and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include stock-based compensation and general office expenses, such as merchandising, procurement, field support, finance and accounting, and costs related to our direct-to-student subscription-based writing services business. Shared-service costs such as human resources, legal, treasury, information technology, and various other corporate level expenses and other governance functions, are not allocated to any specific reporting segment and are recorded in Corporate Services.

Reclassifications

Our condensed consolidated financial statements reflect the following reclassifications for consistency with the current year presentation: 1) Cost of Sales expenses primarily related to facility costs and insurance related to corporate services have been reclassified to Selling and Administrative Expenses; and 2) For our digital rental products, we have reclassified Rental Income to Product Sales and Other, and have reclassified Rental Cost of Sales to Product and Other Cost of Sales, with no impact to Gross Margin. Digital rental revenue and digital rental cost of sales are recognized at the time of delivery and are not deferred over the rental period.

Prior periods presented reflect the reclassifications. For additional information, see *Item 1. Financial Information - Part 1. Financial Statements - Note 2. Summary of Significant Accounting Policies*.

Results of Operations - Summary

	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
<i>Dollars in thousands</i>				
Sales:				
Product sales and other	\$ 756,173	\$ 820,071	\$ 1,074,018	\$ 1,155,040
Rental income	58,593	66,790	78,232	87,532
Total sales	\$ 814,766	\$ 886,861	\$ 1,152,250	\$ 1,242,572
Net income	\$ 59,697	\$ 48,395	\$ 21,075	\$ 13,612
Adjusted Earnings (non-GAAP) ^(a)	\$ 60,095	\$ 49,914	\$ 21,473	\$ 20,137
Adjusted EBITDA (non-GAAP) ^(a)				
BNC	\$ 68,458	\$ 72,482	\$ 38,758	\$ 40,525
MBS	18,559	20,871	33,451	38,632
DSS ^(b)	1,402	2,168	4,177	1,945
Corporate Services	(6,016)	(4,744)	(11,509)	(11,161)
Elimination	13,034	11,658	(1,974)	45
Total Adjusted EBITDA (non-GAAP)	\$ 95,437	\$ 102,435	\$ 62,903	\$ 69,986

(a) Adjusted Earnings and Adjusted EBITDA are a non-GAAP financial measures. See *Adjusted Earnings (non-GAAP)* and *Adjusted EBITDA (non-GAAP)* discussion below.

(b) On August 3, 2017, we acquired Student Brands, LLC. The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of Student Brands in the DSS segment and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 include the financial results of Student Brands from the date of acquisition on August 3, 2017.

On August 21, 2018, we acquired the assets of PaperRater.com ("PaperRater"). The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of PaperRater in the DSS segment from the date of acquisition and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 exclude the financial results of PaperRater.

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

	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Sales:				
Product sales and other	92.8%	92.5%	93.2%	93.0%
Rental income	7.2	7.5	6.8	7.0
Total sales	100.0	100.0	100.0	100.0
Cost of sales:				
Product and other cost of sales ^(a)	75.2	76.8	77.1	78.6
Rental cost of sales ^(a)	59.8	59.9	60.3	60.3
Total cost of sales	74.1	75.6	75.9	77.3
Gross margin	25.9	24.4	24.1	22.7
Selling and administrative expenses	14.2	13.0	18.6	17.3
Depreciation and amortization expense	2.0	1.9	2.9	2.6
Restructuring and other charges	—	—	—	0.4
Transaction costs	0.1	0.1	—	0.1
Operating income	9.6%	9.4%	2.6%	2.3%

(a) Represents the percentage these costs bear to the related sales, instead of total sales.

Store Count

The following is a store count summary for BNC physical stores and MBS virtual stores:

Number of Stores:	13 weeks ended				26 weeks ended			
	October 27, 2018		October 28, 2017		October 27, 2018		October 28, 2017	
	BNC	MBS Direct	BNC	MBS Direct	BNC	MBS Direct	BNC	MBS Direct
Number of stores at beginning of period	753	684	781	709	768	676	769	712
Opened	21	9	—	8	34	26	24	13
Closed	1	16	4	12	29	25	16	20
Number of stores at end of period	773	677	777	705	773	677	777	705

Results of Operations - 13 and 26 weeks ended October 27, 2018 compared with the 13 and 26 weeks ended October 28, 2017

	13 weeks ended, October 27, 2018 ^(a)					
<i>Dollars in thousands</i>	BNC	MBS	DSS ^(a)	Corporate Services	Eliminations	Total
Sales:						
Product sales and other	\$ 645,539	\$ 117,692	\$ 4,934	\$ —	\$ (11,992)	\$ 756,173
Rental income	57,331	1,262	—	—	—	58,593
Total sales	702,870	118,954	4,934	—	(11,992)	814,766
Cost of sales:						
Product and other cost of sales	506,437	87,376	145	—	(24,987)	568,971
Rental cost of sales	34,350	685	—	—	—	35,035
Total cost of sales	540,787	88,061	145	—	(24,987)	604,006
Gross profit	162,083	30,893	4,789	—	12,995	210,760
Selling and administrative expenses	93,625	12,334	3,387	6,016	(39)	115,323
Depreciation and amortization expense	12,897	1,569	1,917	38	—	16,421
Sub-Total:	\$ 55,561	\$ 16,990	\$ (515)	\$ (6,054)	\$ 13,034	79,016
Restructuring and other charges						—
Transaction costs						537
Operating income						\$ 78,479

	13 weeks ended, October 28, 2017 ^(a)					
<i>Dollars in thousands</i>	BNC	MBS	DSS ^(a)	Corporate Services	Eliminations	Total
Sales:						
Product sales and other	\$ 692,345	\$ 133,017	\$ 4,486	\$ —	\$ (9,777)	\$ 820,071
Rental income	64,956	1,834	—	—	—	66,790
Total sales	757,301	134,851	4,486	—	(9,777)	886,861
Cost of sales:						
Product and other cost of sales	550,813	100,656	142	—	(21,435)	630,176
Rental cost of sales	38,965	1,020	—	—	—	39,985
Total cost of sales	589,778	101,676	142	—	(21,435)	670,161
Gross profit	167,523	33,175	4,344	—	11,658	216,700
Selling and administrative expenses	95,041	13,329	2,176	4,744	—	115,290
Depreciation and amortization expense	13,331	1,618	1,709	46	—	16,704
Sub-Total:	\$ 59,151	\$ 18,228	\$ 459	\$ (4,790)	\$ 11,658	84,706
Restructuring and other charges						193
Transaction costs						1,257
Operating income						\$ 83,256

	26 weeks ended, October 27, 2018 ^(a)					
<i>Dollars in thousands</i>	BNC	MBS	DSS ^(a)	Corporate Services	Eliminations	Total
Sales:						
Product sales and other	\$ 871,881	\$ 247,210	\$ 10,611	\$ —	\$ (55,684)	\$ 1,074,018
Rental income	76,164	2,068	—	—	—	78,232
Total sales	948,045	249,278	10,611	—	(55,684)	1,152,250
Cost of sales:						
Product and other cost of sales	690,605	190,519	268	—	(53,669)	827,723
Rental cost of sales	46,042	1,115	—	—	—	47,157
Total cost of sales	736,647	191,634	268	—	(53,669)	874,880
Gross profit	211,398	57,644	10,343	—	(2,015)	277,370
Selling and administrative expenses	172,640	24,193	6,166	11,509	(41)	214,467
Depreciation and amortization expense	26,152	3,099	3,626	82	—	32,959
Sub-Total:	\$ 12,606	\$ 30,352	\$ 551	\$ (11,591)	\$ (1,974)	29,944
Restructuring and other charges						—
Transaction costs						537
Operating income						\$ 29,407

	26 weeks ended, October 28, 2017 ^(a)					
<i>Dollars in thousands</i>	BNC	MBS	DSS ^(a)	Corporate Services	Eliminations	Total
Sales:						
Product sales and other	\$ 922,355	\$ 272,043	\$ 4,486	\$ —	\$ (43,844)	\$ 1,155,040
Rental income	84,923	2,609	—	—	—	87,532
Total sales	1,007,278	274,652	4,486	—	(43,844)	1,242,572
Cost of sales:						
Product and other cost of sales	739,146	212,455	142	—	(43,889)	907,854
Rental cost of sales	51,385	1,433	—	—	—	52,818
Total cost of sales	790,531	213,888	142	—	(43,889)	960,672
Gross profit	216,747	60,764	4,344	—	45	281,900
Selling and administrative expenses	176,222	25,405	2,399	11,161	—	215,187
Depreciation and amortization expense	26,664	3,253	1,709	95	—	31,721
Sub-Total:	\$ 13,861	\$ 32,106	\$ 236	\$ (11,256)	\$ 45	34,992
Restructuring and other charges						5,429
Transaction costs						1,846
Operating income						\$ 27,717

(a) On August 3, 2017, we acquired Student Brands, LLC. The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of Student Brands in the DSS segment and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 include the financial results of Student Brands from the date of acquisition on August 3, 2017.

On August 21, 2018, we acquired the assets of PaperRater.com. The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of PaperRater in the DSS segment from the date of acquisition and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 exclude the financial results of PaperRater.

Sales

The following table summarizes our sales for the 13 and 26 weeks ended October 27, 2018 and October 28, 2017 :

<i>Dollars in thousands</i>	13 weeks ended			26 weeks ended		
	October 27, 2018	October 28, 2017	%	October 27, 2018	October 28, 2017	%
Product sales and other	\$ 756,173	\$ 820,071	(7.8)%	\$ 1,074,018	\$ 1,155,040	(7.0)%
Rental income	58,593	66,790	(12.3)%	78,232	87,532	(10.6)%
Total Sales	\$ 814,766	\$ 886,861	(8.1)%	\$ 1,152,250	\$ 1,242,572	(7.3)%

Our sales decreased by \$72.1 million, or 8.1%, to \$814.8 million during the 13 weeks ended October 27, 2018 from \$886.9 million during the 13 weeks ended October 28, 2017 .

Our sales decreased by \$90.3 million, or 7.3%, to \$1,152.3 million during the 26 weeks ended October 27, 2018 from \$1,242.6 million during the 26 weeks ended October 28, 2017 .

The components of the variances for the 13 and 26 week periods are reflected in the table below.

Sales variances	13 weeks ended		26 weeks ended	
<i>Dollars in millions</i>	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
BNC Sales				
New stores	\$ 18.4	\$ 26.3	\$ 25.1	\$ 41.7
Closed stores	(33.6)	(5.2)	(40.4)	(7.5)
Comparable stores	(41.6)	(33.8)	(46.5)	(38.6)
Textbook rental deferral	3.8	2.3	3.6	3.6
Service revenue ^(a)	(0.1)	—	0.3	1.9
Other ^(b)	(1.3)	(2.9)	(1.3)	(3.7)
BNC sales subtotal:	\$ (54.4)	\$ (13.3)	\$ (59.2)	\$ (2.6)
MBS Sales ^(c)				
Wholesale	\$ (9.6)	\$ 47.5	\$ (13.7)	\$ 140.0
Direct	(6.3)	87.4	(11.7)	134.7
MBS sales subtotal:	\$ (15.9)	\$ 134.9	\$ (25.4)	\$ 274.7
DSS Sales ^(d)	\$ 0.4	\$ 4.5	\$ 6.1	\$ 4.5
Eliminations ^(e)	\$ (2.2)	\$ (9.9)	\$ (11.8)	\$ (43.9)
Total sales variance:	\$ (72.1)	\$ 116.2	\$ (90.3)	\$ 232.7

(a) Service revenue includes Promoversity, brand partnerships, shipping and handling, LoudCloud digital content, software, and services, and revenue from other programs.

(b) Other includes inventory liquidation sales to third parties, and certain accounting adjusting items related to return reserves, agency sales and other deferred items.

(c) The variance for the MBS segment for the 13 and 26 weeks ended October 28, 2017 represents the sales activity for MBS Textbook Exchange, LLC ("MBS") which we acquired on February 27, 2017 (the fourth quarter of Fiscal 2017).

(d) DSS revenue includes Student Brands, LLC subscription-based writing services business, which we acquired on August 3, 2017. The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of Student Brands in the DSS segment and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 include the financial results of Student Brands from the date of acquisition on August 3, 2017 .

DSS revenue includes PaperRater which we acquired on August 21, 2018. The condensed consolidated financial statements for the 13 and 26 weeks ended October 27, 2018 include the financial results of PaperRater in the DSS segment from the date of acquisition and the condensed consolidated financial statements for the 13 and 26 weeks ended October 28, 2017 exclude the financial results of PaperRater.

(e) Eliminates MBS sales to BNC and BNC commissions earned from MBS. See discussion of intercompany activities and eliminations below.

BNC

BNC sales decreased \$54.4 million, or 7.2%, to \$702.9 million during the 13 weeks ended October 27, 2018 from \$757.3 million during the 13 weeks ended October 28, 2017. BNC sales decreased \$59.2 million, or 5.9%, to \$948.0 million during the 26 weeks ended October 27, 2018 from \$1,007.3 million during the 26 weeks ended October 28, 2017. BNC added 34 new stores and closed 29 stores during the 26 weeks ended October 27, 2018, ending the period with a total of 773 stores.

Product and other sales for BNC for the 13 and 26 weeks ended October 27, 2018 decreased by \$46.8 million, or 6.8% and \$50.5 million or 5.5%, respectively. Product and other sales are impacted by comparable store sales (as noted in the chart below), new store openings and store closings. Textbook (Course Materials) revenue for BNC for the 13 and 26 weeks ended October 27, 2018 decreased primarily due to lower new and used textbook and other course materials sales, while digital and eTextbook revenue increased. General merchandise sales for BNC increased for the 13 and 26 weeks ended October 27, 2018 primarily due to higher emblematic apparel, graduation, and computer products sales.

Rental income for BNC for the 13 weeks ended October 27, 2018 decreased by \$7.6 million, or 11.7% to \$57.3 million from \$64.9 million. Rental income is impacted by comparable store sales, new store openings and store closings. Rental income for BNC for the 26 weeks ended October 27, 2018 decreased by \$8.8 million, or 10.3% to \$76.2 million from \$84.9 million. The decrease in rental income for the 13 and 26 weeks ended October 28, 2017 is due to decreased rental activity impacted by increased digital offerings.

Comparable store sales for BNC decreased for the 13 and 26 week sales periods. Comparable store sales were impacted primarily by a shift to lower cost options and more affordable solutions, including digital offerings, increased consumer purchases directly from publishers and other online providers, and lower student enrollment, specifically in two-year community colleges. These decreases were partially offset by improved general merchandise sales. Comparable store sales variances for BNC by category for the 13 and 26 week periods are as follows:

Comparable Store Sales variances - BNC

<i>Dollars in millions</i>	13 weeks ended				26 weeks ended			
	October 27, 2018		October 28, 2017		October 27, 2018		October 28, 2017	
Textbooks (Course Materials)	\$ (44.2)	(8.1)%	\$ (28.8)	(5.0)%	\$ (48.7)	(7.6)%	\$ (36.5)	(5.5)%
General Merchandise	3.2	1.8 %	(3.4)	(1.9)%	4.4	1.5%	0.2	0.1%
Trade Books	(0.6)	(4.7)%	(1.6)	(11.2)%	(2.2)	(8.8)%	(2.3)	(8.5)%
Total Comparable Store Sales	<u>\$ (41.6)</u>	<u>(5.6)%</u>	<u>\$ (33.8)</u>	<u>(4.4)%</u>	<u>\$ (46.5)</u>	<u>(4.8)%</u>	<u>\$ (38.6)</u>	<u>(3.9)%</u>

MBS

MBS total sales decreased by \$15.9 million, or 11.8%, to \$119.0 million during the 13 weeks ended October 27, 2018 from \$134.9 million during the 13 weeks ended October 28, 2017. MBS total sales decreased by \$25.4 million, or 9.2%, to \$249.3 million during the 26 weeks ended October 27, 2018 from \$274.7 million during the 26 weeks ended October 28, 2017.

MBS Wholesale net sales decreased by \$9.6 million, or 20.2%, to \$37.9 million during the 13 weeks ended October 27, 2018 from \$47.5 million during the 13 weeks ended October 28, 2017. MBS Wholesale net sales decreased by \$13.7 million, or 9.8%, to \$126.3 million during the 26 weeks ended October 27, 2018 from \$140.0 million during the 26 weeks ended October 28, 2017. MBS Wholesale gross sales decreased along with increased return reserves.

MBS Direct sales decreased by \$6.3 million, or 7.2%, to \$81.1 million during the 13 weeks ended October 27, 2018 from \$87.4 million during the 13 weeks ended October 28, 2017. MBS Direct sales decreased by \$11.7 million, or 8.7%, to \$123.0 million during the 26 weeks ended October 27, 2018 from \$134.7 million during the 26 weeks ended October 28, 2017. The decreases were primarily due to lower comparable store sales and decreases related to closed stores, partially offset by increases in new stores sales.

DSS

DSS revenue includes Student Brands, LLC subscription-based writing services business, which we acquired on August 3, 2017 and PaperRater.com which we acquired on August 21, 2018. The results of operations for the 13 and 26 weeks ended October 27, 2018 include the financial results of Student Brands and the results of operations for the 13 and 26 weeks ended October 28, 2017 include the financial results of Student Brands from the date of acquisition on August 3, 2017. The results of operations for the 13 and 26 weeks ended October 27, 2018 include the financial results of PaperRater from the date of acquisition on August 21, 2018 and the results of operations for the 13 and 26 weeks ended October 28, 2017 exclude the financial results of PaperRater.

DSS total sales increased by \$0.4 million or 10% to \$4.9 million during the 13 weeks ended October 27, 2018 from \$4.5 million during the 13 weeks ended October 28, 2017. DSS total sales increased by \$6.1 million to \$10.6 million during the 26 weeks ended October 27, 2018 from \$4.5 million during the 26 weeks ended October 28, 2017, primarily due to the acquisition of Student Brands on August 3, 2017 and PaperRater on August 21, 2018.

Cost of Sales and Gross Margin

Our cost of sales decreased as a percentage of sales to 74.1% during the 13 weeks ended October 27, 2018 compared to 75.6% (or 75.4% excluding inventory valuation adjustment discussed below) during the 13 weeks ended October 28, 2017. Our gross margin decreased by \$5.9 million, or 2.7%, to \$210.8 million, or 25.9% of sales, during the 13 weeks ended October 27, 2018 from \$216.7 million, or 24.4% of sales (or 24.6% excluding inventory valuation adjustment discussed below), during the 13 weeks ended October 28, 2017. During the 13 weeks ended October 27, 2018, gross margin as a percentage of sales increased to 25.9% from 24.6% (excluding inventory valuation adjustment discussed below) or 130 basis points primarily due to the benefits realized from transferring underutilized inventory to MBS and due to high margin subscription service revenue earned.

Our cost of sales decreased as a percentage of sales to 75.9% during the 26 weeks ended October 27, 2018 compared to 77.3% (or 77.0% excluding inventory valuation adjustment discussed below) during the 26 weeks ended October 28, 2017. Our gross margin decreased by \$4.5 million, or 1.6%, to \$277.4 million, or 24.1% of sales, during the 26 weeks ended October 27, 2018 from \$281.9 million, or 22.7% of sales (or 23.0% excluding inventory valuation adjustment discussed below), during the 26 weeks ended October 28, 2017. During the 26 weeks ended October 27, 2018, gross margin as a percentage of sales increased to 24.1% from 23.0% (excluding inventory valuation adjustment discussed below) or 110 basis points primarily due to the benefits realized from transferring underutilized inventory to MBS and due to high margin subscription service revenue earned.

BNC

The following table summarizes the BNC cost of sales for the 13 and 26 weeks ended October 27, 2018 and October 28, 2017 :

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 27, 2018	% of Related Sales	October 28, 2017	% of Related Sales	October 27, 2018	% of Related Sales	October 28, 2017	% of Related Sales
Product and other cost of sales	\$ 506,437	78.5%	\$ 550,813	79.6%	\$ 690,605	79.2%	\$ 739,146	80.1%
Rental cost of sales	34,350	59.9%	38,965	60.0%	46,042	60.5%	51,385	60.5%
Total Cost of Sales	<u>\$ 540,787</u>	<u>76.9%</u>	<u>\$ 589,778</u>	<u>77.9%</u>	<u>\$ 736,647</u>	<u>77.7%</u>	<u>\$ 790,531</u>	<u>78.5%</u>

The following table summarizes the BNC gross margin for the 13 and 26 weeks ended October 27, 2018 and October 28, 2017 :

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 27, 2018	% of Related Sales	October 28, 2017	% of Related Sales	October 27, 2018	% of Related Sales	October 28, 2017	% of Related Sales
Product and other gross margin	\$ 139,102	21.5%	\$ 141,532	20.4%	\$ 181,276	20.8%	\$ 183,209	19.9%
Rental gross margin	22,981	40.1%	25,991	40.0%	30,122	39.5%	33,538	39.5%
Gross Margin	<u>\$ 162,083</u>	<u>23.1%</u>	<u>\$ 167,523</u>	<u>22.1%</u>	<u>\$ 211,398</u>	<u>22.3%</u>	<u>\$ 216,747</u>	<u>21.5%</u>

For the 13 weeks ended October 27, 2018, the BNC gross margin as a percentage of sales increased as discussed below:

- Product and other gross margin increased (110 basis points), driven primarily by higher margin rates (90 basis points) due to lower markdowns compared to the prior year, including the benefits realized from transferring underutilized inventory to MBS, and a favorable sales mix (75 basis points), partially offset by higher costs related to our college and university contracts (55 basis points) resulting from contract renewals and new store contracts.
- Rental gross margin increased (10 basis points), driven primarily by favorable rental mix (65 basis points), partially offset by lower rental margin rates (30 basis points) and higher costs related to our college and university contracts (25 basis points) resulting from contract renewals and new store contracts.

For the 26 weeks ended October 27, 2018, the BNC gross margin as a percentage of sales increased as discussed below:

- Product and other gross margin increased (90 basis points), driven primarily by higher margin rates (90 basis points) due to lower markdowns compared to the prior year, including the benefits realized from transferring underutilized inventory

to MBS, and a favorable sales mix (60 basis points), partially offset by higher costs related to our college and university contracts (60 basis points) resulting from contract renewals and new store contracts.

- Rental gross margin remained unchanged at 39.5%, driven primarily by favorable rental mix (30 basis points) and higher rental margin rates (10 basis points), offset by higher costs related to our college and university contracts (40 basis points) resulting from contract renewals and new store contracts.

MBS

The following table summarizes the MBS cost of sales for the 13 and 26 weeks ended October 27, 2018 and October 28, 2017:

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 27, 2018	% of Related Sales	October 28, 2017	% of Related Sales	October 27, 2018	% of Related Sales	October 28, 2017	% of Related Sales
Product and other cost of sales	\$ 87,376	74.2%	\$ 100,656	75.7%	\$ 190,519	77.1%	\$ 212,455	78.1%
Rental cost of sales	685	54.2%	1,020	55.7%	1,115	53.9%	1,433	54.9%
Total Cost of Sales	\$ 88,061	74.0%	\$ 101,676	75.4%	\$ 191,634	76.9%	\$ 213,888	77.9%

The following table summarizes the MBS gross margin for the 13 and 26 weeks ended October 27, 2018 and October 28, 2017:

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 27, 2018	% of Related Sales	October 28, 2017	% of Related Sales	October 27, 2018	% of Related Sales	October 28, 2017	% of Related Sales
Product and other gross margin	\$ 30,316	25.8%	\$ 32,361	24.3%	\$ 56,691	22.9%	\$ 59,588	21.9%
Rental gross margin	577	45.8%	814	44.3%	953	46.1%	1,176	45.0%
Gross Margin	\$ 30,893	26.0%	\$ 33,175	24.6%	\$ 57,644	23.1%	\$ 60,764	22.1%

The cost of sales and gross margin for MBS were \$88.1 million, or 74.0% of sales, and \$30.9 million, or 26.0% of sales, respectively, during the 13 weeks ended October 27, 2018. The cost of sales and gross margin for MBS was \$101.7 million or 75.4% of sales and \$33.2 million or 24.6% of sales, respectively, during the 13 weeks ended October 28, 2017. The cost of sales and gross margin for MBS were \$191.6 million, or 76.9% of sales, and \$57.6 million, or 23.1% of sales, respectively, during the 26 weeks ended October 27, 2018. The cost of sales and gross margin for MBS were \$213.9 million, or 77.9% of sales, and \$60.8 million or 22.1% of sales, respectively, during the 26 weeks ended October 28, 2017.

For the 13 and 26 weeks ended October 28, 2017, the margin was impacted by incremental cost of sales of \$1.0 million and \$3.3 million, respectively, related to recording MBS inventory at fair value as of the acquisition date. Excluding the \$1.0 million inventory fair value amortization, cost of sales and gross margin for MBS was \$100.7 million or 74.6% of sales and \$34.2 million or 25.4% of sales, respectively, during the 13 weeks ended October 28, 2017. Excluding the \$3.3 million inventory fair value amortization, cost of sales and gross margin for MBS was \$210.6 million or 76.7% of sales and \$64.1 million or 23.3% of sales, respectively, during the 26 weeks ended October 28, 2017.

The gross margin increased to 26.0% during the 13 weeks ended October 27, 2018 from 25.4% (excluding the \$1.0 million inventory fair value amortization) during the 13 weeks ended October 28, 2017. The increase was primarily due to higher MBS Wholesale margins, partially offset by an unfavorable sales mix for MBS Direct due to the shift from physical textbooks to digital products which have lower margins.

The gross margin decreased to 23.1% during the 26 weeks ended October 27, 2018 from 23.3% (excluding the \$3.3 million inventory fair value amortization) during the 26 weeks ended October 28, 2017. The decrease was primarily due to an unfavorable sales mix for MBS Direct due to the shift from physical textbooks to digital products which have lower margins, partially offset by higher MBS Wholesale margins.

DSS

The gross margin for the DSS segment was \$4.8 million, or 97.1% of sales, during the 13 weeks ended October 27, 2018 and \$4.3 million, or 96.8% of sales, during the 13 weeks ended October 28, 2017. The gross margin for the DSS segment was \$10.3 million, or 97.5% of sales, during the 26 weeks ended October 27, 2018 and \$4.3 million, or 96.8% of sales, during the 26 weeks ended October 28, 2017. The increase was driven primarily by high margin Student Brands and PaperRater subscription service revenue earned. Operating costs for the DSS segment are recorded as selling and administrative expenses.

See discussion above under *Sales - DSS* for a discussion of acquisitions.

Intercompany Eliminations

During the 13 weeks ended October 27, 2018 and October 28, 2017, our sales eliminations were \$(12.0) million and \$(9.8) million, respectively. During the 26 weeks ended October 27, 2018 and October 28, 2017, sales eliminations were \$(55.7) million and \$(43.9) million, respectively. These sales eliminations represent the elimination of MBS sales to BNC and the elimination of BNC commissions earned from MBS.

During the 13 weeks ended October 27, 2018 and October 28, 2017, the cost of sales eliminations were \$(25.0) million and \$(21.4) million, respectively. During the 26 weeks ended October 27, 2018 and October 28, 2017, the cost of sales eliminations were \$(53.7) million and \$(43.9) million, respectively. These cost of sales eliminations represent (i) the recognition of intercompany profit for BNC inventory that was purchased from MBS in a prior period that was subsequently sold to external customers during the current period, net of (ii) the elimination of intercompany profit for MBS inventory purchases by BNC that remain in ending inventory at the end of the current period.

During the 13 weeks ended October 27, 2018 and October 28, 2017, the gross margin eliminations were \$13.0 million and \$11.6 million, respectively. During the 26 weeks ended October 27, 2018 and October 28, 2017, the gross margin eliminations were \$2.0 million and \$0, respectively. The gross margin eliminations reflect the net impact of the sales eliminations and cost of sales eliminations during the above mentioned reporting periods.

Selling and Administrative Expenses

<i>Dollars in thousands</i>	13 weeks ended				26 weeks ended			
	October 27, 2018	% of Sales	October 28, 2017	% of Sales	October 27, 2018	% of Sales	October 28, 2017	% of Sales
Total Selling and Administrative Expenses	\$ 115,323	14.2%	\$ 115,290	13.0%	\$ 214,467	18.6%	\$ 215,187	17.3%

Selling and administrative expenses remained flat at \$115.3 million during both the 13 weeks ended October 27, 2018 and October 28, 2017. During the 26 weeks ended October 27, 2018, selling and administrative expenses decreased by \$0.7 million, or 0.3%, to \$214.5 million from \$215.2 million during the 26 weeks ended October 28, 2017. The variances by segment are as follows:

BNC

During the 13 weeks ended October 27, 2018, selling and administrative expenses decreased by \$1.4 million, or 1.5%, to \$93.6 million from \$95.0 million during the 13 weeks ended October 28, 2017. This decrease was primarily due to a \$1.5 million decrease in stores payroll and operating expenses including comparable stores and new/closed stores payroll and operating expenses, and a decrease of \$1.2 million in LoudCloud digital operations, partially offset by an increase of \$1.3 million in corporate payroll and infrastructure costs.

During the 26 weeks ended October 27, 2018, selling and administrative expenses decreased by \$3.6 million, or 2.0% to \$172.6 million from \$176.2 million during the 26 weeks ended October 28, 2017. The decrease was primarily due to a decrease of \$3.4 million in stores payroll and operating expenses including comparable stores and new/closed stores payroll and operating expenses, and a decrease of \$2.4 million in LoudCloud digital operations, partially offset by an increase of \$2.2 million in corporate payroll and infrastructure costs.

MBS

During the 13 weeks ended October 27, 2018, MBS selling and administrative expenses decreased by \$1.0 million or 7.5% to \$12.3 million from \$13.3 million during the 13 weeks ended October 28, 2017. During the 26 weeks ended October 27, 2018, selling and administrative expenses decreased by \$1.2 million or 4.8% to \$24.2 million from \$25.4 million during the 26 weeks ended October 28, 2017. The decrease in selling and administrative expenses was primarily driven by lower expenses related to payroll, professional fees, and click and affiliate marketing fees, partially offset by higher medical benefit expenses.

DSS

During the 13 weeks ended October 27, 2018, DSS selling and administrative expenses increased by \$1.2 million to \$3.4 million from \$2.2 million during the 13 weeks ended October 28, 2017. The increase in costs was primarily driven by increased payroll, advertising and professional fees related to developing our student success hub on *bartleby.com*.

During the 26 weeks ended October 27, 2018, selling and administrative expenses increased by \$3.8 million to \$6.2 million from \$2.4 million during the 26 weeks ended October 28, 2017. For both periods, the increase in costs was primarily due to the acquisition of Student Brands on August 3, 2017 and increased payroll, advertising and professional fees related to developing our student success hub on *bartleby.com*.

Corporate Services

During the 13 weeks ended October 27, 2018, Corporate Services' selling and administrative expenses increased by \$1.3 million or 26.8% to \$6.0 million from \$4.7 million during the 13 weeks ended October 28, 2017. The increase was primarily due to higher payroll and stock-based compensation expenses compared to prior year which included lower bonus expense and forfeitures of stock-based compensation resulting from the CEO resignation in the prior year, and higher professional fees. See *Restructuring and Other Charges* discussion below.

During the 26 weeks ended October 27, 2018, Corporate Services' selling and administrative expenses increased by \$0.3 million, or 3.1%, to \$11.5 million during the 26 weeks ended October 27, 2018 from \$11.2 million during the 26 weeks ended October 28, 2017. The increase was primarily due to higher payroll and stock-based compensation expenses compared to prior year which included lower bonus expense and forfeitures of stock-based compensation resulting from the CEO resignation in the prior year, and higher professional fees, partially offset by lower expenses related to legal and insurance. See *Restructuring and Other Charges* discussion below.

Depreciation and Amortization Expense

Dollars in thousands	13 weeks ended				26 weeks ended			
	October 27, 2018	% of Sales	October 28, 2017	% of Sales	October 27, 2018	% of Sales	October 28, 2017	% of Sales
Total Depreciation and Amortization Expense	\$ 16,421	2.0%	\$ 16,704	1.9%	\$ 32,959	2.9%	\$ 31,721	2.6%

Depreciation and amortization expense decreased by \$0.3 million, or 1.7%, to \$16.4 million during the 13 weeks ended October 27, 2018 from \$16.7 million during the 13 weeks ended October 28, 2017. This decrease was primarily attributable to lower depreciation related to closed stores, offset by incremental depreciation and amortization expense resulting from the acquisition of PaperRater on August 21, 2018 associated with the identified intangibles recorded at fair value as of the acquisition date and additional capital expenditures.

Depreciation and amortization expense increased by \$1.2 million, or 3.9%, to \$32.9 million during the 26 weeks ended October 27, 2018 from \$31.7 million during the 26 weeks ended October 28, 2017. This increase was primarily attributable to incremental depreciation and amortization expense associated with the property and equipment and identified intangibles recorded at fair value as of the acquisition date for Student Brands (August 3, 2017), incremental amortization expense resulting from the acquisition of identified intangibles recorded at fair value as of the acquisition date for PaperRater (August 21, 2018), and additional capital expenditures, offset by lower depreciation related to closed stores.

Restructuring and other charges

On July 19, 2017, Mr. Max J. Roberts resigned as Chief Executive Officer of the Company and Mr. Michael P. Huseby was appointed to the position of Chief Executive Officer and Chairman of the Board, both effective as of September 19, 2017. During the 26 weeks ended July 29, 2017, we recognized expenses totaling approximately \$5.4 million, which is comprised of the severance and transition payments, as well as related expenses. For additional information, see *Part I - Item 1. Financial Statements - Note 10. Supplementary Information* in this Form 10-Q or the Form 8-K dated July 19, 2017, filed with the SEC on July 20, 2017.

Transaction Costs

Transaction costs were \$0.5 million and \$1.3 million during the 13 weeks ended October 27, 2018 and October 28, 2017, respectively, and \$0.5 million and \$1.8 million during the 26 weeks ended October 27, 2018 and October 28, 2017, respectively. We incur transaction costs for business development and acquisitions.

Operating Income

Dollars in thousands	13 weeks ended				26 weeks ended			
	October 27, 2018	% of Sales	October 28, 2017	% of Sales	October 27, 2018	% of Sales	October 28, 2017	% of Sales
Total Operating Income	\$ 78,479	9.6%	\$ 83,256	9.4%	\$ 29,407	2.6%	\$ 27,717	2.3%

Our operating income was \$78.5 million during the 13 weeks ended October 27, 2018, compared to operating income of \$83.3 million during the 13 weeks ended October 28, 2017. The decrease is due to the matters discussed above.

For the 13 weeks ended October 27, 2018, excluding the transaction costs of \$0.5 million, discussed above, operating income was \$79.0 million (or 9.7% of sales). For the 13 weeks ended October 28, 2017, excluding the \$1.0 million of incremental cost of sales related to amortization of the MBS inventory fair value adjustment, the restructuring and other charges of \$0.2 million (recorded in restructuring and other charges) and transaction costs of \$1.3 million, all discussed above, operating income was \$85.7 million (or 9.7% of sales).

Our operating income was \$29.4 million during the 26 weeks ended October 28, 2018, compared to operating income of \$27.7 million during the 26 weeks ended October 28, 2017. The increase is due to the matters discussed above. For the 26 weeks ended October 27, 2018, excluding the transaction costs of \$0.5 million, discussed above, operating income was 29.9 million (or 2.6% of sales). For the 26 weeks ended October 28, 2017, excluding the \$3.3 million of incremental cost of sales related to amortization of the MBS inventory fair value adjustment, the CEO separation costs of \$5.4 million (recorded in restructuring and other charges) and transaction costs of \$1.8 million, all discussed above, operating income was \$38.3 million (or 3.1% of sales).

Interest Expense, Net

Dollars in thousands	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Interest Expense, Net	\$ 1,836	\$ 1,836	\$ 5,358	\$ 4,874

Net interest expense was flat at \$1.8 million for both 13 week periods ended October 27, 2018 and October 28, 2017. Net interest expense increased \$0.5 million to \$5.4 million during the 26 weeks ended October 27, 2018 from \$4.9 million during the 26 weeks ended October 28, 2017. The increase was primarily due to increased borrowings as a result of acquisitions.

Income Tax Expense

Dollars in thousands	13 weeks ended				26 weeks ended			
	October 27, 2018	Effective Rate	October 28, 2017	Effective Rate	October 27, 2018	Effective Rate	October 28, 2017	Effective Rate
Income Tax Expense	\$ 16,946	22.1%	\$ 33,025	40.6%	\$ 2,974	12.4%	\$ 9,231	40.4%

We recorded an income tax expense of \$16.9 million on a pre-tax income of \$76.6 million of during the 13 weeks ended October 27, 2018, which represented an effective income tax rate of 22.1% and an income tax expense of \$33.0 million on pre-tax income of \$81.4 million during the 13 weeks ended October 28, 2017, which represented an effective income tax rate of 40.6%.

We recorded an income tax expense of \$3.0 million on a pre-tax income of \$24.0 million during the 26 weeks ended October 27, 2018, which represented an effective income tax rate of 12.4% and an income tax expense of \$9.2 million on pre-tax income of \$22.8 million during the 26 weeks ended October 28, 2017, which represented an effective income tax rate of 40.4%.

The effective tax rate for the 13 weeks ended July 28, 2018 is significantly lower as compared to the comparable prior year period due to the tax benefit of U.S. Tax Reform, partially offset by permanent differences.

Impact of U.S. Tax Reform

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21% and requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, among other provisions. As of October 27, 2018, we had not completed the accounting for the tax effects of enactment of the Act; however, as described below, we have made a reasonable estimate of the effects on existing deferred tax balances and the one-time transition tax in accordance with SAB 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118). These amounts are provisional and subject to change within the measurement period proscribed by SAB 118 which is not to extend beyond one year from the enactment date. The most significant impact of the legislation for the Company was a \$20.4 million reduction of the value of our net deferred (which represents future tax liabilities) and long-term tax liabilities as a result of lowering the U.S. corporate income tax rate from 35% to 21%, which was recorded in Fiscal 2018. During the second quarter of Fiscal 2019, we recorded an additional measurement period adjustment to further reduce our net deferred tax liability by \$3.8 million as a result of accelerating certain deductions as permitted by the U.S. tax code. This measurement period adjustment reduced the Company's effective tax rate by 5.0% and 16.0% during the 13 and 26 weeks ended October 27, 2018, respectively. We have provisionally recorded a liability associated with the one-time transition tax. This amount is not material.

All amounts associated with the Act recognized as of October 27, 2018 are provisional. We expect to complete the accounting for the impacts of the Act in the third quarter of Fiscal 2019.

Net Income

Dollars in thousands	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Net income	\$ 59,697	\$ 48,395	\$ 21,075	\$ 13,612

As a result of the factors discussed above, net income was \$59.7 million during the 13 weeks ended October 27, 2018, compared with \$48.4 million during the 13 weeks ended October 28, 2017 and net income of \$21.1 million during the 26 weeks ended October 27, 2018, compared with net income of \$13.6 million during the 26 weeks ended October 28, 2017.

Adjusted Earnings (non-GAAP) is \$60.1 million during the 13 weeks ended October 27, 2018, compared with \$49.9 million during the 13 weeks ended October 28, 2017 and Adjusted Earnings (non-GAAP) is \$21.5 million during the 26 weeks ended October 27, 2018, compared with \$20.1 million during the 26 weeks ended October 28, 2017. See *Adjusted Earnings (non-GAAP)* discussion below.

Use of Non-GAAP Measures - Adjusted Earnings and Adjusted EBITDA

To supplement our results prepared in accordance with GAAP, we use the measure of Adjusted Earnings and Adjusted EBITDA, which are non-GAAP financial measures under Securities and Exchange Commission (the “SEC”) regulations. We define Adjusted Earnings as net income as adjusted for items that are subtracted from or added to net income. We define Adjusted EBITDA as net income plus (1) depreciation and amortization; (2) interest expense and (3) income taxes, (4) as adjusted for items that are subtracted from or added to net income.

To properly and prudently evaluate our business, we encourage you to review our consolidated financial statements included elsewhere in this Form 10-K, the reconciliation of Adjusted Earnings to net income and the reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure presented in accordance with GAAP, set forth in the tables below. All of the items included in the reconciliations below are either (i) non-cash items or (ii) items that management does not consider in assessing our on-going operating performance.

These non-GAAP financial measures are not intended as substitutes for and should not be considered superior to measures of financial performance prepared in accordance with GAAP. In addition, our use of these non-GAAP financial measures may be different from similarly named measures used by other companies, limiting their usefulness for comparison purposes.

We review these non-GAAP financial measures as internal measures to evaluate our performance and manage our operations. We believe that these measures are useful performance measures which are used by us to facilitate a comparison of our on-going operating performance on a consistent basis from period-to-period. We believe that these non-GAAP financial measures provide for a more complete understanding of factors and trends affecting our business than measures under GAAP can provide alone, as they exclude certain items that do not reflect the ordinary earnings of our operations. Our Board of Directors and management also use Adjusted EBITDA as one of the primary methods for planning and forecasting overall expected performance, for evaluating on a quarterly and annual basis actual results against such expectations, and as a measure for performance incentive plans. We believe that the inclusion of Adjusted Earnings and Adjusted EBITDA results provides investors useful and important information regarding our operating results.

Adjusted Earnings (non-GAAP)

Dollars in thousands	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Net income	\$ 59,697	\$ 48,395	\$ 21,075	\$ 13,612
Reconciling items, after-tax (below)	398	1,519	398	6,525
Adjusted Earnings (non-GAAP)	\$ 60,095	\$ 49,914	\$ 21,473	\$ 20,137
Reconciling items, pre-tax				
Inventory valuation amortization (MBS) (non-cash) ^(a)	\$ —	\$ 1,025	\$ —	\$ 3,273
Restructuring and other charges ^(a)	—	193	—	5,429
Transaction costs ^(a)	537	1,257	537	1,846
Reconciling items, pre-tax	537	2,475	537	10,548
Less: Pro forma income tax impact ^(b)	139	956	139	4,023
Reconciling items, after-tax	\$ 398	\$ 1,519	\$ 398	\$ 6,525

(a) See *Management Discussion and Analysis - Results of Operations* discussion above.

(b) Represents the income tax effects of the non-GAAP items.

Adjusted EBITDA (non-GAAP)

<i>Dollars in thousands</i>	13 weeks ended		26 weeks ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Net income	\$ 59,697	\$ 48,395	\$ 21,075	\$ 13,612
Add:				
Depreciation and amortization expense	16,421	16,704	32,959	31,721
Interest expense, net	1,836	1,836	5,358	4,874
Income tax expense	16,946	33,025	2,974	9,231
Inventory valuation amortization (MBS) (non-cash) ^(a)	—	1,025	—	3,273
Restructuring and other charges ^(a)	—	193	—	5,429
Transaction costs ^(a)	537	1,257	537	1,846
Adjusted EBITDA (non-GAAP) ^(a)	<u>\$ 95,437</u>	<u>\$ 102,435</u>	<u>\$ 62,903</u>	<u>\$ 69,986</u>

(a) See *Management Discussion and Analysis - Results of Operations* discussion above.

The following is Adjusted EBITDA by segment for the 13 and 26 weeks ended October 27, 2018 and October 28, 2017.

Adjusted EBITDA - by Segment
13 weeks ended, October 27, 2018

<i>Dollars in thousands</i>	BNC	MBS	DSS	Corporate Services	Elimination ^(a)	Total
Sales	\$ 702,870	\$ 118,954	\$ 4,934	\$ —	\$ (11,992)	\$ 814,766
Cost of sales	540,787	88,061	145	—	(24,987)	604,006
Gross profit	162,083	30,893	4,789	—	12,995	210,760
Selling and administrative expenses	93,625	12,334	3,387	6,016	(39)	115,323
Adjusted EBITDA (non-GAAP)	<u>\$ 68,458</u>	<u>\$ 18,559</u>	<u>\$ 1,402</u>	<u>\$ (6,016)</u>	<u>\$ 13,034</u>	<u>\$ 95,437</u>

Adjusted EBITDA - by Segment
13 weeks ended, October 28, 2017

<i>Dollars in thousands</i>	BNC	MBS	DSS	Corporate Services	Elimination ^(a)	Total
Sales	\$ 757,301	\$ 134,851	\$ 4,486	\$ —	\$ (9,777)	\$ 886,861
Cost of sales (MBS excludes \$1,025 related to inventory fair value amortization) ^(a)	589,778	100,651	142	—	(21,435)	669,136
Gross profit	167,523	34,200	4,344	—	11,658	217,725
Selling and administrative expenses	95,041	13,329	2,176	4,744	—	115,290
Adjusted EBITDA (non-GAAP)	<u>\$ 72,482</u>	<u>\$ 20,871</u>	<u>\$ 2,168</u>	<u>\$ (4,744)</u>	<u>\$ 11,658</u>	<u>\$ 102,435</u>

Adjusted EBITDA - by Segment
26 weeks ended, October 27, 2018

<i>Dollars in thousands</i>	BNC	MBS	DSS	Corporate Services	Elimination (a)	Total
Sales	\$ 948,045	\$ 249,278	\$ 10,611	\$ —	\$ (55,684)	\$ 1,152,250
Cost of sales	736,647	191,634	268	—	(53,669)	874,880
Gross profit	211,398	57,644	10,343	—	(2,015)	277,370
Selling and administrative expenses	172,640	24,193	6,166	11,509	(41)	214,467
Adjusted EBITDA (non-GAAP)	<u>\$ 38,758</u>	<u>\$ 33,451</u>	<u>\$ 4,177</u>	<u>\$ (11,509)</u>	<u>\$ (1,974)</u>	<u>\$ 62,903</u>

Adjusted EBITDA - by Segment
26 weeks ended, October 28, 2017

<i>Dollars in thousands</i>	BNC	MBS	DSS	Corporate Services	Elimination (a)	Total
Sales	\$ 1,007,278	\$ 274,652	\$ 4,486	\$ —	\$ (43,844)	\$ 1,242,572
Cost of sales (MBS excludes \$3,273 related to inventory fair value amortization) ^(a)	790,531	210,615	142	—	(43,889)	957,399
Gross profit	216,747	64,037	4,344	—	45	285,173
Selling and administrative expenses	176,222	25,405	2,399	11,161	—	215,187
Adjusted EBITDA (non-GAAP)	\$ 40,525	\$ 38,632	\$ 1,945	\$ (11,161)	\$ 45	\$ 69,986

(a) See *Management Discussion and Analysis - Results of Operations* discussion above.

Liquidity and Capital Resources

Our primary sources of cash are net cash flows from operating activities, funds available under our credit agreement and short-term vendor financing. As of October 27, 2018, we had no outstanding borrowings under the Credit Agreement. See *Financing Arrangements* discussion below.

Sources and Uses of Cash Flow

<i>Dollars in thousands</i>	26 weeks ended	
	October 27, 2018	October 28, 2017
Cash, cash equivalents, and restricted cash at beginning of period	\$ 16,869	\$ 21,697
Net cash flows provided by operating activities	236,571	199,203
Net cash flows used in investing activities	(34,279)	(81,282)
Net cash flows used in financing activities	(198,371)	(119,429)
Cash, cash equivalents, and restricted cash at end of period	\$ 20,790	\$ 20,189

Cash Flow from Operating Activities

Our business is highly seasonal. For our retail operations (BNC and MBS Direct), cash flows from operating activities are typically a source of cash in the second and third fiscal quarters, when students generally purchase and rent textbooks and other course materials for the upcoming semesters. For MBS Wholesale, cash flows from operating activities are typically a source of cash in the second and fourth fiscal quarters, as payments are received from the summer and winter selling season when they sell textbooks and other course materials for retail distribution. For both BNC and MBS, cash flows from operating activities are typically a use of cash in the fourth fiscal quarter, when sales volumes are materially lower than the other quarters. For our DSS segment, cash flows are not seasonal as cash flows from operating activities are typically consistent throughout the year. Our quarterly cash flows also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in our fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods.

Cash flows provided by operating activities during the 26 weeks ended October 27, 2018 were \$236.6 million compared to \$199.2 million during the 26 weeks ended October 28, 2017. This increase of \$37.4 million was primarily due to higher net income and changes in deferred taxes and working capital.

Cash Flow from Investing Activities

Cash flows used in investing activities during the 26 weeks ended October 27, 2018 were \$34.3 million compared to \$81.3 million during the 26 weeks ended October 28, 2017. The decrease is primarily due to lower payments to acquire businesses, offset by higher capital expenditures and contractual capital investments associated with DSS content, renewing existing contracts and new store construction for BNC.

Our investing activities consist principally of capital expenditures for contractual capital investments associated with renewing existing contracts, new store construction, digital initiatives and enhancements to internal systems and our website. Capital expenditures totaled \$23.2 million and \$22.4 million during the 26 weeks ended October 27, 2018 and October 28, 2017, respectively.

Cash Flow from Financing Activities

Cash flows used in financing activities during the 26 weeks ended October 27, 2018 were \$198.4 million compared \$119.4 million during the 26 weeks ended October 28, 2017. This net change of \$79.0 million is primarily due to decreased net borrowings under the credit agreement.

Financing Arrangements

On August 3, 2015, we and certain of our subsidiaries, entered into a credit agreement (the "Credit Agreement") under which the lenders committed to provide a five-year asset-backed revolving credit facility in an aggregate committed principal amount of \$400.0 million (the "Credit Facility"). The Company has the option to request an increase in commitments under the Credit Facility of up to \$100.0 million, subject to certain restrictions. On February 27, 2017, in connection with the acquisition of MBS, we amended our existing Credit Agreement to add a new \$100.0 million incremental first in, last out seasonal loan facility (the "FILO Facility").

During the 26 weeks ended October 27, 2018, we borrowed \$119.9 million and repaid \$316.3 million under the Credit Agreement, with no outstanding borrowings as of October 27, 2018. As of October 27, 2018, we have issued \$4.8 million in letters of credit under the facility. During the 26 weeks ended October 28, 2017, we borrowed \$225.4 million and repaid \$343.2 million under the Credit Agreement, for a net total of \$41.8 million of outstanding borrowings as of October 28, 2017, comprised entirely of outstanding borrowings under the Credit Facility.

For additional information including interest terms and covenant requirements related to the Credit Facility and FILO Facility, refer to *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources* in our Annual Report on Form 10-K for the year ended April 28, 2018.

We believe that our future cash from operations, access to borrowings under the Credit Facility, FILO Facility and short-term vendor financing will provide adequate resources to fund our operating and financing needs for the foreseeable future. Our future capital requirements will depend on many factors, including, but not limited to, the economy and the outlook for and pace of sustainable growth in our markets, the levels at which we maintain inventory, the number and timing of new store openings, and any potential acquisitions of other brands or companies including digital properties. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional funds through public or private financing of debt or equity. Our access to, and the availability of, financing in the future will be impacted by many factors, including the liquidity of the overall capital markets and the current state of the economy. There can be no assurances that we will have access to capital markets on acceptable terms.

Income Tax Implications on Liquidity

As of October 27, 2018, other long-term liabilities includes \$40.4 million related to the long-term tax payable associated with the LIFO reserve. The LIFO reserve is impacted by changes in the consumer price index ("CPI") and is dependent on the inventory levels at the end of our tax year (on or about January 31st) which is in the middle of our second largest selling cycle. At the end of the most recent tax year, inventory levels within our BNC segment declined as compared to the prior year resulting in approximately \$13.4 million of the income taxes associated with the LIFO reserve becoming currently payable. Given recent trends relating to the pricing and rental of textbooks, management believes that an additional portion of the remaining long-term tax payable associated with the LIFO reserve could be payable within the next twelve months. We are unable to predict future trends for CPI and inventory levels, therefore it is difficult to project with reasonable certainty how much of this liability will become payable within the next twelve months.

Share Repurchases

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to \$50 million, in the aggregate, of our outstanding Common Stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During the 26 weeks ended October 27, 2018, we did not repurchase any of our Common Stock under the stock repurchase program. As of October 27, 2018, approximately \$26.7 million remains available under the stock repurchase program.

During the 26 weeks ended October 27, 2018, we repurchased 349,660 shares of our Common Stock in connection with employee tax withholding obligations for vested stock awards.

Contractual Obligations

Our projected contractual obligations are consistent with amounts disclosed in *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources* in our Annual Report on Form 10-K for the year ended April 28, 2018.

Off-Balance Sheet Arrangements

As of October 27, 2018, we have no off-balance sheet arrangements as defined in Item 303 of Regulation S-K.

Critical Accounting Policies

Our policies regarding the use of estimates and other critical accounting policies are consistent with the disclosures in *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates* in our Annual Report on Form 10-K for the year ended April 28, 2018.

Recent Accounting Pronouncements

See *Item 1. Financial Statements — Note 3. Recent Accounting Pronouncements* of this Form 10-Q for information related to new accounting pronouncements.

Disclosure Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and information relating to us and our business that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this communication, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “will,” “forecasts,” “projections,” and similar expressions, as they relate to us or our management, identify forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Such statements reflect our current views with respect to future events, the outcome of which is subject to certain risks, including, among others:

- general competitive conditions, including actions our competitors and content providers may take to grow their businesses;
- a decline in college enrollment or decreased funding available for students;
- decisions by colleges and universities to outsource their physical and/or online bookstore operations or change the operation of their bookstores;
- implementation of our digital strategy may not result in the expected growth in our digital sales and/or profitability;
- risk that digital sales growth does not exceed the rate of investment spend;
- the performance of our online, digital and other initiatives, integration of and deployment of, additional products and services including new digital channels, and enhancements to higher education digital products, and the inability to achieve the expected cost savings;
- the risk of price reduction or change in format of course materials by publishers, which could negatively impact revenues and margin;
- the general economic environment and consumer spending patterns;
- decreased consumer demand for our products, low growth or declining sales;
- the strategic objectives, successful integration, anticipated synergies, and/or other expected potential benefits of various acquisitions, including MBS Textbook Exchange, LLC and Student Brands, LLC, may not be fully realized or may take longer than expected;
- the integration of the operations of various acquisitions, including MBS Textbook Exchange, LLC and Student Brands, LLC, into our own may also increase the risk of our internal controls being found ineffective;
- changes to purchase or rental terms, payment terms, return policies, the discount or margin on products or other terms with our suppliers;
- our ability to successfully implement our strategic initiatives including our ability to identify, compete for and execute upon additional acquisitions and strategic investments;
- risks associated with operation or performance of MBS Textbook Exchange, LLC's point-of-sales systems that are sold to college bookstore customers;
- technological changes;
- risks associated with counterfeit and piracy of digital and print materials;

- our international operations could result in additional risks;
- our ability to attract and retain employees;
- risks associated with data privacy, information security and intellectual property;
- trends and challenges to our business and in the locations in which we have stores;
- non-renewal of managed bookstore, physical and/or online store contracts and higher-than-anticipated store closings;
- disruptions to our information technology systems, infrastructure and data due to computer malware, viruses, hacking and phishing attacks, resulting in harm to our business and results of operations;
- disruption of or interference with third party web service providers and our own proprietary technology;
- work stoppages or increases in labor costs;
- possible increases in shipping rates or interruptions in shipping service;
- product shortages, including risks associated with merchandise sourced indirectly from outside the United States;
- changes in domestic and international laws or regulations, including U.S. tax reform, changes in tax rates, laws and regulations, as well as related guidance;
- enactment of laws which may restrict or prohibit our use of emails or similar marketing activities;
- the amount of our indebtedness and ability to comply with covenants applicable to any future debt financing;
- our ability to satisfy future capital and liquidity requirements;
- our ability to access the credit and capital markets at the times and in the amounts needed and on acceptable terms;
- adverse results from litigation, governmental investigations, tax-related proceedings, or audits;
- changes in accounting standards; and
- the other risks and uncertainties detailed in the section titled “*Risk Factors*” in *Part I - Item 1A* in our Annual Report on Form 10-K for the year ended April 28, 2018.

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 us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. We undertake 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

There have been no material changes to the items discussed in *Part II - Item 7A. Quantitative and Qualitative Disclosures About Market Risk* in our Annual Report on Form 10-K for the year ended April 28, 2018.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act) was performed under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation 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) as of the end of the period covered by this report. 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 upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective at the reasonable assurance level.

Management has not identified any changes in the Company’s internal control over financial reporting that occurred during the quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. We record a liability when we believe that it is both probable that a loss has been incurred and the amount of loss can be reasonably estimated. Based on our current knowledge, we do not believe that there is a reasonable possibility that the final outcome of any pending or threatened legal proceedings to which we or any of our subsidiaries are a party, either individually or in the aggregate, will have a material adverse effect on our future financial results. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes during the 26 weeks ended October 27, 2018 to the risk factors discussed in *Part I - Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended April 28, 2018.

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

Issuer Purchases of Equity Securities

The following table provides information as of October 27, 2018 with respect to shares of Common Stock we purchased during the second quarter of Fiscal 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	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 29, 2018 - August 25, 2018	—	\$ —	—	\$ 26,669,324
August 26, 2018 - September 29, 2018	—	\$ —	—	\$ 26,669,324
September 30, 2018 - October 27, 2018	—	\$ —	—	\$ 26,669,324
	—	\$ —	—	

(a) This amount represents the average price paid per common share. This price includes a per share commission paid for all repurchases.

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to \$50 million, in the aggregate, of our outstanding Common Stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During the 26 weeks ended October 27, 2018, we did not repurchase any shares of our Common Stock under the program.

During the 26 weeks ended October 27, 2018, we repurchased 349,660 shares of our Common Stock in connection with employee tax withholding obligations for vested stock awards.

Item 6. Exhibits

10.1	Barnes & Noble Education, Inc. Amended and Restated Equity Incentive Plan, amended and restated as of September 25, 2018.
10.2	Barnes & Noble Education, Inc. Form of Performance-Based Stock Unit Award Agreement.
10.3	Barnes & Noble Education, Inc. Form of Restricted Stock Unit Award Agreement.
10.4	Barnes & Noble Education, Inc. Form of Restricted Stock Award Agreement.
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 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 Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension 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 EDUCATION, INC.

(Registrant)

By: / s / BARRY BROVER

Barry Brover

Chief Financial Officer

(principal financial officer)

By: / s / SEEMA PAUL

Seema Paul

Chief Accounting Officer

(principal accounting officer)

December 4, 2018

EXHIBIT INDEX

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BARNES & NOBLE EDUCATION, INC.**AMENDED AND RESTATED EQUITY INCENTIVE PLAN**
(as of September 25, 2018)

BARNES & NOBLE EDUCATION, INC., a corporation existing under the laws of the State of Delaware, together with any successor thereto (the “Company”), hereby establishes and adopts the following Equity Incentive Plan (the “Plan”). Certain capitalized terms used in the Plan are defined in Article 2.

RECITALS

WHEREAS, the Company desires to encourage high levels of performance by those individuals who are key to the success of the Company, to attract new individuals who are highly motivated and who are expected to contribute to the success of the Company and to encourage such individuals to remain as non-employee directors, employees, consultants and/or advisors of the Company and its Affiliates by increasing their proprietary interest in the Company’s growth and success; and

WHEREAS, to attain these ends, the Company has formulated the Plan embodied herein to authorize the granting of Awards to Participants whose judgment, initiative and efforts are or have been or are expected to be responsible for the success of the Company.

NOW, THEREFORE, the Company hereby constitutes, establishes and adopts the following Plan and agrees to the following provisions:

ARTICLE 1**PURPOSE OF THE PLAN**

1.1. *Purpose.* The purpose of the Plan is to assist the Company and its Affiliates in attracting and retaining selected individuals to serve as non-employee directors, employees, consultants and/or advisors of the Company and its Affiliates who are expected to contribute to the Company’s success and to achieve long-term objectives which will inure to the benefit of all stockholders of the Company through the additional incentives inherent in the Awards hereunder.

ARTICLE 2**DEFINITIONS**

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

2.2. “*Award*” shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Performance Award, Other Stock Unit Award or any other right, interest or option relating to Shares or other property (including cash) granted pursuant to the provisions of the Plan.

2.3. “*Award Agreement*” shall mean any written or electronic agreement, contract or other instrument or document evidencing any Award granted by the Committee hereunder.

2.4. “*Board*” shall mean the board of directors of the Company.

2.5. “*Change of Control*” shall (a) have the meaning set forth in an Award Agreement; provided, however, that any definition of Change of Control set forth in an Award Agreement shall provide that a Change of Control shall not occur until consummation or effectiveness of a change of control of the Company, rather than upon the announcement, commencement, stockholder approval or other potential occurrence of any event or transaction that, if completed, would result in a change of control of the Company, or (b) if there is no definition set forth in an Award Agreement, mean the occurrence of any of the following events:

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

(ii) the consummation of (A) a merger, consolidation, statutory share exchange or similar form of corporate transaction involving (x) the Company or (y) any of its Subsidiaries, but in the case of this clause (y) only if Company Voting Securities (as defined below) are issued or issuable (each of the events referred to in this clause (A) being hereinafter referred to as a “Reorganization”) or (B) the sale or other disposition of all or substantially all the assets of the Company to an entity that is not an Affiliate (a “Sale”), in each case, if such Reorganization or Sale requires the approval of the Company’s stockholders under the law of the Company’s jurisdiction of organization (whether such approval is required for such Reorganization or Sale or for the issuance of securities of the Company in such Reorganization or Sale), unless, immediately following such Reorganization or Sale, (1) all or substantially all the individuals and entities who were the “beneficial owners” (as such term is defined in Rule 13d-3 under the Exchange Act (or a successor rule thereto)) of the securities eligible to vote for the election of the Board (“Company Voting Securities”) outstanding immediately prior to the consummation of such Reorganization or Sale beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation resulting from such Reorganization or Sale (including a corporation that, as a result of such transaction, owns the Company or all or substantially all the Company’s assets either directly or through one or more subsidiaries) (the “Continuing Corporation”) in substantially the same proportions as their ownership, immediately prior to the consummation of such Reorganization or Sale, of the outstanding Company Voting Securities (excluding any outstanding voting securities of the Continuing Corporation that such beneficial owners hold immediately following the consummation of the Reorganization or Sale as a result of their ownership prior to such consummation of voting securities

of any company or other entity involved in or forming part of such Reorganization or Sale other than the Company), (2) no “person” (as such term is used in Section 13(d) of the Exchange Act) (each, a “Person”) (excluding (x) any employee benefit plan (or related trust) sponsored or maintained by the Continuing Corporation or any corporation controlled by the Continuing Corporation or (y) the Riggio Stockholders) beneficially owns, directly or indirectly, 40% or more of the combined voting power of the then outstanding voting securities of the Continuing Corporation and (3) at least a majority of the members of the board of directors of the Continuing Corporation were Incumbent Directors at the time of the execution of the definitive agreement providing for such Reorganization or Sale or, in the absence of such an agreement, at the time at which approval of the Board was obtained for such Reorganization or Sale; or

(iii) any Person, corporation or other entity or “group” (as used in Section 14(d)(2) of the Exchange Act) (other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or an Affiliate, (C) any entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the voting power of the Company Voting Securities or (D) the Riggio Stockholders) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company Voting Securities; provided, however, that for purposes of this subparagraph (iii), the following acquisitions shall not constitute a Change of Control: (w) any acquisition directly from the Company, (x) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate, (y) any acquisition by an underwriter temporarily holding such Company Voting Securities pursuant to an offering of such securities or any acquisition by a pledgee of Company Voting Securities holding such securities as collateral or temporarily holding such securities upon foreclosure of the underlying obligation or (z) any acquisition pursuant to a Reorganization or Sale that does not constitute a Change of Control for purposes of subparagraph (ii) above.

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

2.6. “ *Code* ” shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

2.7. “ *Committee* ” shall mean the Compensation Committee of the Board (or such other committee designated by the Compensation Committee of the Board).

2.8. “ *Company* ” has the meaning set forth in introductory paragraph of the Plan.

2.9. “ *Director* ” shall mean a non-employee member (including any prospective non-employee member) of the Board or a non-employee member (including any prospective non-employee member) of the board of directors of a Subsidiary.

2.10. “ *Director Award Limitations* ” shall have the meaning set forth in Section 4.3.

2.11. “ *Distribution* ” shall mean the distribution by Barnes & Noble, Inc., a Delaware corporation, to its stockholders of all Shares.

2.12. “ *Employee* ” shall mean any employee (including any prospective employee) of the Company or any Affiliate. Solely for purposes of the Plan, an Employee shall also mean any consultant or advisor (or prospective consultant or advisor) who provides services to the Company or any Affiliate, so long as such person (i) renders bona fide services that are not in connection with the offer and sale of the Company’s securities in a capital-raising transaction and (ii) does not directly or indirectly promote or maintain a market for the Company’s securities.

2.13. “ *Exchange Act* ” shall mean the Securities Exchange Act of 1934, as amended.

2.14. “ *Fair Market Value* ” shall mean, with respect to any property other than Shares, the market value of such property determined by such methods or procedures as shall be established from time to time by the Committee. The Fair Market Value of Shares as of any date shall be the per Share closing price of the Shares as reported on the New York Stock Exchange on that date (or if there was no reported closing price on such date, on the last preceding date on which the closing price was reported) or, if the Company is not then listed on the New York Stock Exchange, the per Share closing price of the Shares as reported on an established securities market (within the meaning of Treasury Regulations Section 1.897-1(m)) on which the Shares are traded. If the Company is not listed on an established securities market (within the meaning of Treasury Regulations Section 1.897-1(m)), the Fair Market Value of Shares shall be determined by the Committee in its sole discretion using appropriate criteria. Notwithstanding the foregoing, the Fair Market Value of Shares shall, in all events, be determined in accordance with Code Section 409A.

2.15. “ *ISO Limitation* ” shall have the meaning set forth in Section 5.7.

2.16. “ *Limitations* ” shall mean, collectively, (i) the Plan Share Limitation, (ii) the Director Award Limitations, and (iii) the ISO Limitation.

2.17. “ *Option* ” shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

2.18. “ *Other Stock Unit Award* ” shall have the meaning set forth in Section 8.1.

2.19. “ *Participant* ” shall mean an Employee or Director who is selected by the Committee to receive an Award under the Plan.

2.20. “ *Participant Award Limitations* ” shall have the meaning set forth in Section 4.3.

2.21. “ *Payee* ” shall have the meaning set forth in Section 12.1.

2.22. “ *Performance Award* ” shall mean any Award of Performance Shares or Performance Units granted pursuant to Article 9.

2.23. “ *Performance Period* ” shall mean one or more periods of time not less than one fiscal year, as the Committee may select, over which the attainment of one or more performance goals will be measured

for the purpose of determining a Participant's right to and the payment of a Performance Award, in each case, established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

2.24. “ *Performance Share* ” shall mean any grant pursuant to Article 9 of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

2.25. “ *Performance Unit* ” shall mean any grant pursuant to Article 9 of a unit valued by reference to a designated amount of property (including cash) other than Shares, which value may be paid to the Participant by delivery of Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

2.26. “ *Permitted Assignee* ” shall have the meaning set forth in Section 11.3.

2.27. “ *Plan Share Limitation* ” shall have the meaning set forth in Section 3.1.

2.28. “ *Restricted Stock* ” shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including any restriction on the right to vote such Share and the right to receive any dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

2.29. “ *Restricted Period* ” shall have the meaning set forth in Section 7.1.

2.30. “ *Restricted Stock Award* ” shall have the meaning set forth in Section 7.1.

2.31. “ *Riggio Stockholders* ” shall mean Leonard Riggio, his spouse, his lineal descendants, trusts for the exclusive benefit of any such individuals, the executor or administrator of the estate or the legal representative of any of such individuals and any entity controlled by any of the foregoing Persons.

2.32. “ *Shares* ” shall mean the shares of common stock of the Company, par value \$0.01 per share.

2.33. “ *Stock Appreciation Right* ” shall mean the right granted to a Participant pursuant to Article 6.

2.34. “ *Subsidiary* ” shall mean any entity in which the Company, directly or indirectly, possesses fifty percent (50%) or more of the total combined voting power of all classes of its stock or similar equity interests.

2.35. “ *Substitute Awards* ” shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

2.36. “ *Treasury Regulations* ” shall mean the federal income tax regulations promulgated under the Code.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1. *Number of Shares* . (%3) Subject to adjustment as provided in Section 11.2, a total of 10,409,345 Shares shall be authorized for grant under the Plan (the “Plan Share Limitation”).

(a) If any Shares subject to an Award are forfeited, expire or otherwise terminate without issuance of such Shares, or any Award is settled for cash or otherwise does not result in the issuance of all or a portion of the Shares subject to such Award, the Shares shall, to the extent of such forfeiture, expiration, termination, cash settlement or non-issuance, again be available for Awards under the Plan. Awards that are required to be settled in cash will not reduce the Plan Share Limitation.

(b) If Shares issued upon vesting or settlement of an Award other than an Option or Stock Appreciation Right, or Shares owned by a Participant, are surrendered or tendered to the Company in payment of any taxes required to be withheld in respect of such Award, in each case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered Shares shall again become available to be delivered pursuant to Awards under the Plan; provided, however, that in no event shall such Shares increase the ISO Limitation and, for the avoidance of doubt, no Shares that are surrendered or tendered to the Company in payment of the exercise price of an Option or any taxes required to be withheld in respect of an Option or Stock Appreciation Right shall again become available to be delivered pursuant to Awards granted under the Plan.

(c) Substitute Awards shall not reduce the Shares authorized for issuance under the Plan or authorized for grant to a Participant in any calendar year. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for issuance under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Directors or employees, other service providers or non-employee directors of any Affiliate prior to such acquisition or combination.

3.2. *Character of Shares* . Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

ARTICLE 4

ELIGIBILITY AND ADMINISTRATION

4.1. Eligibility . Any Employee or Director shall be eligible to be selected as a Participant.

4.2. Administration . (a) The Plan shall be administered by the Committee. The Board may remove from, add members to, or fill vacancies on, the Committee.

(a) The Committee shall have full power and authority, subject to the provisions of the Plan and subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Employees and Directors to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Awards, not inconsistent with the provisions of the Plan, to be granted to each Participant hereunder; (iii) determine the number of Shares or dollar value to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder (including when and under what circumstances Awards shall vest, become exercisable or be paid or settled, subject to Section 4.4) and, if certain performance goals must be attained in order for an Award to vest or be settled or paid, establish such performance goals and determine in its sole discretion whether, and to what extent, such performance goals have been attained); (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other property and other amounts payable with respect to an Award made under the Plan shall be deferred either automatically or at the election of the Participant; (vii) determine whether, to what extent and under what circumstances any Award shall be canceled or suspended; (viii) interpret and administer the Plan and any instrument or agreement entered into under or in connection with the Plan, including any Award Agreement; (ix) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent that the Committee shall deem desirable to carry it into effect; (x) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xi) subject to Sections 8.1 and 9.1, determine whether dividends on the shares of Common Stock underlying any Award will accumulate; (xii) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards, (xiii) amend an outstanding Award or grant a replacement Award for an Award previously granted under the Plan if, in its sole discretion, the Committee determines that (A) the tax consequences of such Award to the Company or the Participant differ from those consequences that were expected to occur on the date the Award was granted or (B) clarifications or interpretations of, or changes to, tax law or regulations permit Awards to be granted that have more favorable tax consequences than initially anticipated; and (xiv) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(b) Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company, any Participant, any stockholder and any Employee or any Affiliate. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings. Notwithstanding the foregoing or anything else to the contrary in the Plan, any action or determination by the Committee specifically affecting or relating to an Award to a member of the Committee shall require the prior approval of the Board if the Award is not comparable and consistent with Awards to Directors who are

not members of the Committee. The full Board may, in its sole discretion, at any time and from time to time, grant Awards to any Director or administer the Plan with respect to such Awards. In any such case, the Board shall have all the power and authority granted to the Committee herein.

(c) The Committee may delegate to a committee of one or more non-employee directors of the Company or, to the extent permitted by law, to one or more officers or a committee of officers the right to grant Awards to Employees who are not Directors or officers of the Company and to cancel or suspend Awards to Employees who are not Directors or officers of the Company. Such delegation shall be subject to the requirements of Rule 16b-3 of the Exchange Act and the rules of the New York Stock Exchange.

4.3. Award Limitations . Notwithstanding any other provision of the Plan to the contrary, the aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted to any Director, together with any amounts paid to such Directors for annual and committee retainer fees, during any 12-month period shall not exceed \$700,000 (the “Director Award Limitations”). Subject to adjustment as provided in Section 7, no Participant shall be granted during any 12 month period, Awards with respect to more than 1,500,000 shares of Common Stock in the aggregate (the “Participant Award Limitations”). If an Award is to be settled in cash, the number of shares of Common Stock on which the Award is based shall not count toward the individual share limit set forth in this Section 6.

4.4. Minimum Vesting Requirements. Notwithstanding any other provision of the Plan to the contrary, equity-based Awards granted under the Plan shall vest no earlier than the first anniversary of the date the Award is granted (excluding, for this purpose, any (A) Substitute Awards, (B) shares delivered in lieu of fully vested cash Awards and (C) Awards to non-employee directors that vest on the earlier of the one year anniversary of the date of grant or the next annual meeting of shareholders (provided that such vesting period may not be less than 50 weeks after grant)); provided, that, the Committee may grant equity-based Awards without regard to the foregoing minimum vesting requirement with respect to a maximum of five percent (5%) of the available share reserve authorized for issuance under the Plan pursuant to Section 3.1 (subject to adjustment under Section 11.2); and, provided further, for the avoidance of doubt, that the foregoing restriction does not apply to the Committee’s discretion to provide for accelerated exercisability or vesting of any Award, including in cases of retirement, death or a Change in Control (in accordance with Section 10), in the terms of the Award or otherwise.

ARTICLE 5

OPTIONS

5.1. Grant of Options . Subject to the Limitations, Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option shall be subject to the terms and conditions of this Article 5 and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable. The provisions of Options need not be the same with respect to each recipient.

5.2. Award Agreements . All Options granted pursuant to this Article 5 shall be evidenced by a written or electronic Award Agreement in such form and containing such terms and conditions as the Committee shall determine which are not inconsistent with the provisions of the Plan. Granting of an Option pursuant to the Plan shall impose no obligation on the recipient to exercise such Option. Any individual who is granted an Option pursuant to this Article 5 may hold more than one Option granted pursuant to the Plan at the same time. The Committee may provide in the Award Agreement relating to an Option that such Option will be automatically exercised, without further action required by the holder, on the last day of such Option's exercise period if, on such day, the Fair Market Value of the Shares to be acquired pursuant to an exercise of such Option exceeds the aggregate option price payable to exercise such Option.

5.3. Option Price . Other than in connection with Substitute Awards, the option price per each Share purchasable under any Option granted pursuant to this Article 5 shall not be less than 100% of the Fair Market Value of such Share on the date of grant of such Option. Other than pursuant to Section 12.2, the Committee shall not be permitted to (a) lower the option price per Share of an Option after it is granted, (b) cancel an Option (at a time when the option price per Share exceeds the Fair Market Value of the underlying Shares) in exchange for another Award or cash (other than in connection with a "change of control" of the Company), and (c) take any other action with respect to an Option that may be treated as a repricing under the rules and regulations of the New York Stock Exchange.

5.4. Option Period . The term of each Option shall be fixed by the Committee in its sole discretion; provided that no Option shall be exercisable after the expiration of ten years from the date the Option is granted.

5.5. Exercise of Options . Vested Options granted under the Plan shall be exercised by the Participant or by a Permitted Assignee thereof (or by the Participant's executors, administrators, guardian or legal representative, as may be provided in an Award Agreement) as to all or part of the Shares covered thereby, by the giving of written notice of exercise to the Company or its designated agent, specifying the number of Shares to be purchased, accompanied by payment of the full purchase price for the Shares being purchased. Unless otherwise provided in an Award Agreement, full payment of such purchase price shall be made at the time of exercise and shall be made (a) in cash or by certified check or bank check or wire transfer of immediately available funds, (b) by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value), (c) with the consent of the Committee, by delivery of other consideration having a Fair Market Value on the exercise date equal to the total purchase price, (d) with the consent of the Committee, by withholding Shares otherwise issuable in connection with the exercise of the Option, (e) through any other method specified in an Award Agreement, or (f) any combination of any of the foregoing. In connection with a tender of previously acquired Shares pursuant to clause (b) above, the Committee, in its sole discretion, may permit the Participant to constructively exchange Shares already owned by the Participant in lieu of actually tendering such Shares to the Company, provided that adequate documentation concerning the ownership of the Shares to be constructively tendered is furnished in form satisfactory to the Committee. The notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Committee may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Committee may from time to time prescribe. In no event may any Option granted hereunder be

exercised for a fraction of a Share. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance.

5.6. *Form of Settlement* . In its sole discretion, the Committee may provide, at the time of grant, that the Shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

5.7. *Incentive Stock Options* . With respect to the Options that may be granted by the Committee under the Plan, the Committee may grant Options intended to qualify as "incentive stock options" as defined in Section 422 of the Code, to any employee of the Company or any Affiliate, subject to the requirements of Section 422 of the Code. Notwithstanding anything in Section 3.1 to the contrary and solely for the purposes of determining whether Shares are available for the grant of "incentive stock options" under the Plan, the maximum aggregate number of Shares with respect to which "incentive stock options" may be granted under the Plan shall be [1,204,673] Shares (the "ISO Limitation").

ARTICLE 6

STOCK APPRECIATION RIGHTS

6.1. *Grant and Exercise* . Subject to the Limitations, the Committee may provide Stock Appreciation Rights either alone or in addition to other Awards granted under the Plan.

6.2. *Terms and Conditions* . Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(a) Upon the exercise of a Stock Appreciation Right, the holder shall have the right to receive the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the base price of the right on the date of grant, as specified by the Committee in its sole discretion, which, except in the case of Substitute Awards or in connection with an adjustment provided in Section 11.2, shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be. The Committee may provide in the Award Agreement relating to a Stock Appreciation Right that such Stock Appreciation Right will be automatically exercised, without further action required by the holder, on the last day of such Stock Appreciation Right's exercise period if, on such day, the Fair Market Value of the Shares to which such Stock Appreciation Right relates exceeds the aggregate base price of such rights on their date of grant.

(b) Upon the exercise of a Stock Appreciation Right, the Committee shall determine in its sole discretion whether payment shall be made in cash, in whole Shares or other property, or any combination thereof.

(c) The provisions of Stock Appreciation Rights need not be the same with respect to each recipient.

(d) The Committee may impose such other conditions or restrictions on the terms of exercise and the base price of any Stock Appreciation Right, as it shall deem appropriate. Notwithstanding the foregoing provisions of this Section 6.2(d), but subject to Section 11.2, a Stock Appreciation Right shall not have (i) a base price less than Fair Market Value on the date of grant, or (ii) a term of greater than ten years. In addition to the foregoing, other than pursuant to Section 11.2, the Committee shall not be permitted to (A) reduce the base price of any Stock Appreciation Right after it is granted, (B) cancel any Stock Appreciation Right (at a time when the base price per Share exceeds the Fair Market Value of the underlying Shares) in exchange for another Award or cash (other than in connection with a “change of control” of the Company), and (C) take any other action with respect to a Stock Appreciation Right that may be treated as a repricing under the rules and regulations of the New York Stock Exchange.

(e) The Committee may impose such terms and conditions on Stock Appreciation Rights granted in conjunction with any Award (other than an Option) as the Committee shall determine in its sole discretion.

ARTICLE 7

RESTRICTED STOCK AWARDS

7.1. *Grants* . Subject to the Limitations, Awards of Restricted Stock may be issued hereunder to Participants either alone or in addition to other Awards granted under the Plan (a “Restricted Stock Award”). A Restricted Stock Award shall be subject to restrictions imposed by the Committee covering a period of time specified by the Committee (the “Restriction Period”). The provisions of Restricted Stock Awards need not be the same with respect to each recipient. The Committee has absolute discretion to determine whether any consideration (other than services) is to be received by the Company or any Affiliate as a condition precedent to the issuance of Restricted Stock.

7.2. *Award Agreements* . The terms of any Restricted Stock Award granted under the Plan shall be set forth in a written or electronic Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan.

7.3. *Rights of Holders of Restricted Stock*. Beginning on the date of grant of the Restricted Stock Award and subject to execution of the Award Agreement, the Participant shall become a stockholder of the Company with respect to all Shares subject to the Award Agreement and shall have all of the rights of a stockholder, including, except as set forth in this Section 7.3, the right to vote such Shares and the right to receive distributions made with respect to such Shares; however, subject to compliance with Code Section 409A, any dividends otherwise payable with respect to a Restricted Stock Award shall not be paid currently but shall be accumulated until the applicable Restricted Stock Award has vested. Furthermore, notwithstanding any provisions of the Plan to the contrary, in the case of Restricted Stock Awards that are subject to vesting based on the achievement of performance goals, a Participant shall not be entitled to receive payment for any dividends with respect to such Restricted Stock Awards unless, until and except to the extent that the applicable performance goals are achieved or are otherwise deemed to be satisfied. In any event, any Shares or any other property (other than cash) distributed as a dividend or otherwise with respect to any

Restricted Stock as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Stock.

ARTICLE 8

OTHER STOCK UNIT AWARDS

8.1. *Stock and Administration* . Subject to the Limitations, other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property (“Other Stock Unit Awards”) may be granted hereunder to Participants, either alone or in addition to other Awards granted under the Plan, and such Other Stock Unit Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan. Other Stock Unit Awards may be paid in cash, Shares, other property, or any combination thereof, in the sole discretion of the Committee at the time of payment. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees and Directors to whom and the time or times at which such Other Stock Unit Awards shall be made, the number of Shares to be granted pursuant to such Awards, and all other conditions of the Awards. The provisions of Other Stock Unit Awards need not be the same with respect to each recipient. Subject to compliance with Code Section 409A, any dividends otherwise payable with respect to an Other Stock Unit Award shall not be paid currently but shall be accumulated until the applicable Other Stock Unit Award has vested. Furthermore, notwithstanding any provision of the Plan to the contrary, in the case of Other Stock Unit Awards that are subject to vesting based on the achievement of performance goals, a Participant shall not be entitled to receive payment for any dividends with respect to such Other Stock Unit Awards unless, until and except to the extent that the applicable performance goals are achieved or are otherwise deemed to be satisfied.

8.2. *Terms and Conditions* . Shares (including securities convertible into Shares) subject to Awards granted under this Article 8 may be issued for no consideration or for such minimum consideration as may be required by applicable law. Shares (including securities convertible into Shares) purchased pursuant to a purchase right awarded under this Article 8 shall be purchased for such consideration as the Committee shall determine in its sole discretion.

ARTICLE 9

PERFORMANCE AWARDS

9.1. *Terms of Performance Awards* . Subject to the Limitations, Performance Awards may be issued hereunder to Participants, for no consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The performance goals to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. The provision of Performance Awards need not be the same with respect to each Participant. Except as provided in Article 11 or as may be provided in an Award Agreement, Performance Awards will be distributed only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property, or any combination thereof, in the sole discretion of the Committee at the time of payment. The performance goals to be achieved for each

Performance Period shall be conclusively determined by the Committee and may be based upon the criteria set forth in Section 9.2 or such other criteria as the Committee deems appropriate. The amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis. Notwithstanding any provision of the Plan to the contrary, a Participant shall not be entitled to receive payment for any dividends with respect to any Performance Awards unless, until and except to the extent that the performance goals applicable to such Performance Awards are achieved or are otherwise deemed to be satisfied.

9.2. *Performance Goals* . The performance goals to be determined by the Compensation Committee in establishing the terms of Performance Awards shall relate to the attainment of a specified level of performance of one or more performance criteria established by the Committee, which may include, but are not limited any of the following: sales (including same store or comparable sales); net sales; return on sales; cash flow (including operating cash flow and free cash flow); cash flow per Share (before or after dividends); cash flow return on investment; cash flow return on capital; pretax income before allocation of corporate overhead and bonus; earnings per share; net income; division, group or corporate financial goals or ratios including those measuring liquidity, activity, profitability or leverage; return on stockholders' equity; total stockholder return; return on assets; attainment of strategic and operational initiatives; appreciation in and/or maintenance of the price of the Shares or any other publicly-traded securities of the Company; market share; customer satisfaction; customer growth; user time spent online; unique users; registered users; user frequency; user retention; web page views; employee satisfaction; employee turnover; productivity or productivity ratios; strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; establishing relationships with commercial entities with respect to the marketing, distribution and sale of the Company's products (including with group purchasing organizations, distributors and other vendors); supply chain achievements (including establishing relationships with manufacturers or suppliers of component materials and manufacturers of the Company's products); co-development, co-marketing, profit sharing, joint venture or other similar arrangements); gross profits; gross or net profit margin; operating margin; gross profit growth; year-end cash; cash margin; revenue; net revenue; product revenue or system-wide revenue (including growth of such revenue measures); operating earnings; operating income; earnings before taxes; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; economic value-added models; comparisons with various stock market indices; regulatory achievements (including submitting or filing applications or other documents with regulatory authorities or receiving approval of any such applications or other documents and passing pre-approval inspections (whether of the Company or the Company's third-party manufacturer) and validation of manufacturing processes (whether the Company's or the Company's third-party manufacturer's)); improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; general and administrative expense savings; inventory control; operating efficiencies; average inventory; inventory turnover; inventory shrinkage; cost of capital or assets under management; financing and other capital raising transactions (including sales of the Company's equity or debt securities; debt level year-end cash position; book value; factoring transactions; competitive market metrics; timely completion of new product roll-outs; timely launch of new facilities (such as new store openings, gross or net); sales or licenses of the Company's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions); royalty income; implementation, completion or attainment of measurable objectives

with respect to research, development, manufacturing, commercialization, products or projects, production volume levels, acquisitions and divestitures, succession and hiring projects, reorganization and other corporate transactions, expansions of specific business operations and meeting divisional or project budgets; factoring transactions; and recruiting and maintaining personnel; debt reduction; reductions in costs, and/or return on invested capital of the Company or any Affiliate, division or business unit of the Company for or within which the Participant is primarily employed. Such performance goals also may be based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. When determining whether performance goals have been attained, the Committee will have the discretion to make adjustments to take into account extraordinary or nonrecurring items or events, or unusual nonrecurring gains or losses identified in the Company's financial statements, and include or exclude the impact of an event or occurrence which the Committee determines should appropriately be excluded, including, but not limited to (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges or infrequently occurring items, (b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, (c) a change in accounting standards required by generally accepted accounting principles, (d) asset write-downs, (e) litigation or claim judgments or settlements, (f) acquisitions or divestitures, (g) foreign exchange gains and losses, (h) a change in the fiscal year of the Company, (i) tax law changes, (j) costs associated with refinancing or repurchase of bank loans or debt securities, (k) unbudgeted capital expenditures or (l) a business interruption event.

ARTICLE 10

CHANGE OF CONTROL PROVISIONS

10.1. *Assumption Upon Change of Control.* Unless otherwise provided in the Award Agreement evidencing the applicable Award, in the event of a Change of Control, if the successor company assumes or substitutes for an outstanding Award (or in which the Company is the ultimate parent corporation and continues the Award), then such Award shall be continued in accordance with its applicable terms and shall not be accelerated as described in Section 10.2. For the purposes of this Section 10.1, an Award shall be considered assumed or substituted for if, following the Change of Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change of Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting a Change of Control by holders of Shares for each Share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the transaction constituting a Change of Control is not solely common stock of the successor company, the Committee may, with the consent of the successor company, provide that the consideration to be received upon the exercise or vesting of an Award, for each Share subject thereto, will be solely common stock of the successor company substantially equal in fair market value to the per share consideration received by holders of Shares in the transaction constituting a Change of Control. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding. Notwithstanding the foregoing, on such terms and conditions as may be set forth in an Award Agreement, in the event of a termination of a Participant's employment in such successor company within

a specified time period following such Change of Control, each Award held by such Participant at the time of the Change of Control shall be accelerated as described in Section 10.2. Notwithstanding the foregoing, no Award shall be assumed or substituted pursuant to this Section 10.1 if such action would cause an Award not otherwise “deferred compensation” within the meaning of Code Section 409A to become or create “deferred compensation” within the meaning of Code Section 409A.

10.2. *Acceleration Upon Change of Control.* Notwithstanding Section 10.1, and except as provided in the applicable Award Agreement, in the event of a Change of Control, unless provision is made in connection with the Change of Control for assumption or continuation of Awards previously granted or substitution of such Awards in accordance with Section 10.1, upon the Change of Control (a) Options and Stock Appreciation Rights outstanding as of the date of the Change of Control shall immediately vest and become fully exercisable, (b) restrictions on Restricted Stock shall lapse and the Restricted Stock shall become free of all restrictions and limitations and become fully vested, (c) all Performance Awards shall be considered to be earned and payable (either in full or pro-rata based on the portion of Performance Period completed as of the date of the Change of Control and at the level determined by the Committee), and any deferral or other restriction shall lapse and such Performance Awards shall be immediately settled or distributed, (d) the restrictions and other conditions applicable to any Other Stock Unit Awards or any other Awards shall lapse, and such Other Stock Unit Awards or such other Awards shall become free of all restrictions, limitations or conditions and become fully vested, and (e) such other additional benefits as the Committee deems appropriate shall apply, subject in each case to any terms and conditions contained in the Award Agreement evidencing such Award. Notwithstanding any provision of this Section 10.2, unless otherwise provided in the applicable Award Agreement, if any amount payable pursuant to an Award constitutes deferred compensation within the meaning of Code Section 409A, in the event of a Change of Control that does not qualify as an event described in Code Section 409A(a)(2)(A)(v), such Award (and any other Awards that constitute deferred compensation that vested prior to the date of such Change of Control but are outstanding as of such date) shall not be settled until the earliest permissible payment event under Code Section 409A following such Change of Control. Notwithstanding any other provision of the Plan, the Committee, in its discretion, may determine that, upon the occurrence of a Change of Control of the Company, (i) each Option and Stock Appreciation Right outstanding shall terminate within a specified number of days after notice to the Participant, and such Participant shall receive, with respect to each Share subject to such Option or Stock Appreciation Right, an amount equal to the excess of the Fair Market Value of such Share immediately prior to the occurrence of such Change of Control over the option or base price, as applicable, per Share of such Option and/or Stock Appreciation Right; such amount to be payable in cash, in one or more kinds of stock or property (including the stock or property, if any, payable in the transaction) or in a combination thereof, as the Committee, in its discretion, shall determine and (ii) each Option and Stock Appreciation Right outstanding at such time with an option or base price, as applicable, per Share that exceeds the Fair Market Value of such Share immediately prior to the occurrence of such Change of Control shall be canceled for no consideration.

ARTICLE 11

GENERALLY APPLICABLE PROVISIONS

11.1. *Amendment and Modification of the Plan* . The Board may, from time to time, alter, amend, suspend or terminate the Plan as it shall deem advisable, subject to any requirement for stockholder approval imposed by applicable law, including the rules and regulations of the New York Stock Exchange or any rule or regulation of any stock exchange or quotation system on which Shares are listed or quoted; provided that the Board may not amend the Plan in any manner that would result in noncompliance with Rule 16b-3 of the Exchange Act; and further provided that the Board may not, without the approval of the Company's stockholders, amend the Plan to (a) increase the number of Shares that may be the subject of Awards under the Plan (except for adjustments pursuant to Section 11.2), (b) expand the types of awards available under the Plan, (c) materially expand the class of persons eligible to participate in the Plan, (d) amend any provision of Section 5.3 or Section 6.2(d), (e) increase the maximum permissible term of any Option or Freestanding Stock Appreciation Right specified by Section 5.4 or Section 6.2(d), as applicable, or (f) amend the penultimate sentence of Section 11.3. In addition, no amendments to, or termination of, the Plan shall materially impair the rights of a Participant under any Award previously granted without such Participant's consent, provided, however, that the Board may amend, modify or terminate the Plan without the consent of such Participant if it deems such action necessary to comply with applicable law, tax rules, stock exchange rules or accounting rules, provided such action affects the rights of all similarly situated Participants.

11.2. *Adjustments* . To prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction (including any Change of Control) or event such as a merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property), stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Shares or the value thereof, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee, in its sole discretion, deems equitable or appropriate, including such adjustments in the aggregate number, class and kind of securities that may be delivered under the Plan, including each of the Plan Share Limitation and the ISO Limitation, and, in the aggregate or to any one Participant, in the number, class, kind and option or base price of securities subject to outstanding Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion; provided, however, that the number of Shares subject to any Award shall always be a whole number. Notwithstanding the foregoing, no Award shall be adjusted, substituted or otherwise modified pursuant to this Section 11.2 if such action would cause an Award not otherwise "deferred compensation" within the meaning of Code Section 409A to become or create "deferred compensation" within the meaning of Code Section 409A.

11.3. *Transferability of Awards* . Except as provided below, no Award and no Shares subject to Awards described in Article 8 that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution, and such Award may be exercised during the life of the Participant only by the Participant or the Participant's guardian or legal representative. Notwithstanding the foregoing, a Participant may assign or transfer an Award with the consent of the Committee (each transferee

thereof, a “Permitted Assignee”) to the Participant’s spouse, domestic partner and/or children (and/or trusts and/or partnerships established for the benefit of the Participant’s spouse, domestic partner and/or children or in which the Participant is a beneficiary or partner); provided that such Permitted Assignee(s) shall be bound by and subject to all of the terms and conditions of the Plan and the Award Agreement relating to the transferred Award and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Participant shall remain bound by the terms and conditions of the Plan. Notwithstanding the foregoing, in no event shall any Award (or any rights and obligations thereunder) be transferred to a third party in exchange for value unless such transfer is specifically approved by the Company’s stockholders. The Company shall cooperate with any Permitted Assignee and the Company’s transfer agent in effectuating any transfer permitted under this Section 11.3.

11.4. Termination of Employment . The Committee shall determine and set forth in each Award Agreement whether any Awards granted in such Award Agreement will continue to be exercisable, and the terms of such exercise, on and after the date that a Participant ceases to be employed by or to provide services to the Company or any Affiliate (including as a Director), whether by reason of death, disability, voluntary or involuntary termination of employment or services, or otherwise. The date of termination of a Participant’s employment or services will be determined by the Committee, which determination will be final.

ARTICLE 12

MISCELLANEOUS

12.1. Tax Withholding . The Company shall have the right to make all payments or distributions pursuant to the Plan to a Participant (or a Permitted Assignee thereof) (any such person, a “Payee”) net of any applicable Federal, State and local taxes required to be paid or withheld as a result of (a) the grant of any Award, (b) the exercise of an Option or Stock Appreciation Right, (c) the delivery of Shares or cash, (d) the lapse of any restrictions in connection with any Award or (e) any other event occurring pursuant to the Plan. The Company or any Affiliate shall have the right to withhold from wages or other amounts otherwise payable to such Payee such withholding taxes as may be required by law, or to otherwise require the Payee to pay such withholding taxes. If the Payee shall fail to make such tax payments as are required, the Company or its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Payee or to take such other action as may be necessary to satisfy such withholding obligations. The Committee shall be authorized to establish procedures for election by Participants to satisfy such obligation for the payment of such taxes by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value) that have been owned for a period of at least six months (or such other period to avoid accounting charges against the Company’s earnings), or by directing the Company to retain Shares (up to the employee’s minimum required tax withholding rate or such other rate that will not cause adverse accounting consequences and is permitted under applicable Internal Revenue Service withholding rules) otherwise deliverable in connection with the Award.

12.2. Right of Discharge Reserved; Claims to Awards . Nothing in the Plan nor the grant of an Award hereunder shall confer upon any Employee or Director the right to continue in the employment or service of the Company or any Affiliate or affect any right that the Company or any Affiliate may have to terminate the employment or service of (or to demote or to exclude from future Awards under the Plan) any such Employee

or Director at any time for any reason. Except as specifically provided by the Committee, the Company shall not be liable for the loss of existing or potential profit from an Award granted in the event of termination of an employment or other relationship. No Employee or Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

12.3. Prospective Recipient . The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

12.4. Stop Transfer Orders . All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

12.5. Nature of Payments . All Awards made pursuant to the Plan are in consideration of services performed or to be performed for the Company or any Affiliate, division or business unit of the Company. Any income or gain realized pursuant to Awards under the Plan constitute a special incentive payment to the Participant and shall not be taken into account, to the extent permissible under applicable law, as compensation for purposes of any of the employee benefit plans of the Company or any Affiliate except as may be determined by the Committee or by the Board or board of directors of the applicable Affiliate.

12.6. Other Plans . Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

12.7. Severability . If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (a) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (b) not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan shall be held unlawful or otherwise invalid or unenforceable by a court of competent jurisdiction, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid or unenforceable shall be made or provided under the Plan.

12.8. Construction . All references in the Plan to “ *Section* ”, “ *Sections* ”, or “ *Article* ” are intended to refer to the Section, Sections or Article, as the case may be, of the Plan. As used in the Plan, the words “ *include* ” and “ *including* ”, and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words “ *without limitation* ”, and the word “ *or* ” shall not be deemed to be exclusive.

12.9. Unfunded Status of the Plan . The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver the Shares or payments in lieu of or with respect to Awards hereunder; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

12.10. Governing Law . The Plan and all determinations made and actions taken thereunder, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed accordingly.

12.11. Effective Date of Plan; Termination of Plan . The Plan, as amended, is adopted by the Board as of July __, 2018, and will be effective upon approval by the Company stockholders at the 2018 annual meeting or such other meeting held to approve the Plan (the “Effective Date”). Awards may be granted under the Plan at any time and from time to time on or prior to the tenth anniversary of the effective date of the Plan, on which date the Plan will expire except as to Awards then outstanding under the Plan. Such outstanding Awards shall remain in effect until they have been exercised or terminated, or have expired.

12.12. Foreign Employees . Awards may be granted to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company’s obligation with respect to tax equalization for Employees on assignments outside their home country.

12.13. Captions . The captions in the Plan are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

12.14. Code Section 409A . All provisions of the Plan shall be interpreted in a manner consistent with Code Section 409A, and the regulations and other guidance promulgated thereunder. Notwithstanding the preceding, the Company makes no representations concerning the tax consequences of participation in the Plan under Code Section 409A or any other federal, state, or local tax law. Tax consequences will depend, in part, upon the application of relevant tax law, including Code Section 409A, to the relevant facts and circumstances. Participant should consult a competent and independent tax advisor regarding the tax consequences of the Plan.

12.15. Clawback . Notwithstanding anything to the contrary contained herein, an Award Agreement may provide that an Award granted thereunder shall be cancelled if the Participant, without the consent of the Company, while employed by or providing services to the Company or any Affiliate or after termination of such employment or service, (a) violates a non-competition, non-solicitation or non-disclosure covenant or agreement, (b) otherwise engages in activity that is in conflict with or adverse to the interest of the Company or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion or (c) to the extent applicable to the Participant, otherwise violates any policy adopted by the Company or any of its Affiliates relating to the recovery of compensation granted, paid, delivered, awarded or otherwise provided to any Participant by the Company or any of its Affiliates as such policy is in effect on the date of grant of the applicable Award or, to the extent necessary to address the requirements of applicable law (including Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified in Section 10D of the Exchange Act, Section 304 of the Sarbanes-Oxley Act of 2002 or any other applicable law), as may be amended from time to time. The Committee may also provide in an Award Agreement that (i) a Participant will forfeit any gain realized on the vesting or exercise of such Award if the Participant engages in any activity referred to in the preceding sentence, or (ii) a Participant must repay the gain to the Company realized under a previously paid Performance Award if a financial restatement reduces the amount that would have been earned under such Performance Award.

PERFORMANCE-BASED STOCK UNIT AWARD AGREEMENT

Issued Pursuant to the Barnes & Noble Education, Inc. Amended and Restated Equity Incentive Plan

THIS PERFORMANCE-BASED STOCK UNIT AWARD AGREEMENT (“Agreement”), effective as of the grant date (“Grant Date”) set forth in the attached Performance-Based Stock Unit Award Certificate (the “Certificate”), represents the grant of such target number of performance-based stock units subject to performance-based and any other vesting criteria (“PSUs”) set forth in the Certificate by Barnes & Noble Education, Inc. (the “Company”), to the person named in the Certificate (the “Participant”), subject to the terms and conditions set forth below, the Certificate, and the provisions of the Barnes & Noble Education, Inc. Amended and Restated Equity Incentive Plan, as may be amended from time to time (the “Plan”).

All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. **Grant of PSUs.** The Company hereby grants to the Participant the target number of PSUs set forth in the Certificate. The portion of the PSUs that will be earned based on the attainment of certain financial goals (the “Performance Metrics”) during a specific period of time (the “Performance Period”) under a specified formula (including the maximum number of PSUs that are eligible to be earned), each of which is set forth in the Certificate, shall be determined by the Committee. Following the end of the Performance Period, the Committee shall certify the level of attainment of the Performance Metrics and the PSUs earned as a result thereof. Such earned PSUs may be subject to additional vesting requirements, including, but not limited to time vesting requirements as established by the Committee.

2. **Vesting Period and Settlement.** (a) In general. Subject to the terms of this Agreement, the Certificate and the Plan, PSUs granted hereunder are eligible to vest as indicated in the Certificate at the end of the Performance Period. For such vesting to occur at the end of the Performance Period, the Participant must be continuously employed by the Company or any of its Affiliates from the Grant Date through the end of the Performance Period. Except as set forth in Section 6 or Section 13 below, if the Participant’s employment terminates before the Settlement Date (as defined below), all PSUs granted hereunder as of the date of termination of employment shall be forfeited.

(b) Vesting. Except as set forth in Section 6 or Section 13 below, in no event shall a Participant have any rights to the Shares underlying the PSUs granted hereunder prior to the date such PSUs vest pursuant to the vesting schedule set forth in the Certificate and the PSUs are settled.

(c) Settlement. Within 60 days after the end of the Performance Period, the Committee shall determine and certify in writing (1) whether and to what extent the Performance Metrics have been achieved and (2) based on the achievement of such Performance Metrics, the number of PSUs that have vested, in each case, in accordance with the Certificate. Not later than the 15th day of the third month following the end of the Performance Period (or such earlier date on which the PSUs vest in accordance with Section 6 or Section 13 below (such date, the “Settlement Date”)), the Company shall deliver to the Participant one Share, or the equivalent value in cash, other property or any combination thereof, as determined in the sole discretion of the Committee at the time of such payment, for each PSU that vested in accordance with the Certificate and the terms of this Agreement and the Plan, subject to Section 11 below relating to tax withholding.

3. **No Voting Rights.** No PSUs granted hereunder shall have any voting rights accorded to the underlying Shares. Each PSU constitutes an unfunded and unsecured promise of the Company to deliver to the Participant a Share (or the equivalent value thereof).

4. **Dividend Rights.** (a) Cash Dividends. The Participant shall be entitled to accrue an amount in cash equal to any cash dividends paid with respect to the number of Shares underlying the PSUs granted hereunder. Any such cash dividends shall not be distributed to the Participant unless, until and except to the extent that the Performance Metrics applicable to the PSUs are achieved or are otherwise deemed satisfied.

(b) Non-Cash Dividends. Any stock dividends or other distributions or dividends of property other than cash with respect to the Shares underlying these PSUs granted hereunder shall be subject to the same forfeiture restrictions and restrictions on transferability as apply to the PSUs with respect to which such property was paid.

5. **Nontransferability.** (a) In General. Except as may be provided in Section 5(b) below, these PSUs granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, except as provided in the Plan. No assignment or transfer of any PSUs in violation of this Section 5, whether voluntary or involuntary, by operation of law or otherwise, except by will or the laws of descent and distribution or as otherwise required by applicable law, shall vest in the assignee or transferee any interest whatsoever.

(b) Transfers With The Consent of the Committee. With the consent of the Committee, a Participant may assign or transfer unvested PSUs to the Participant's spouse, domestic partner and/or children (and/or trusts and/or partnerships established for the benefit of the Participant's spouse, domestic partner and/or children or in which the Participant is a beneficiary or partner) (each transferee thereof, a "Permitted Assignee"); provided, however, that such Permitted Assignee(s) shall be bound by and subject to all of the terms and conditions of the Plan, the Certificate and this Agreement relating to the transferred PSUs and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Participant shall remain bound by the terms and conditions of the Plan, the Certificate and this Agreement. Notwithstanding the foregoing, in no event shall the PSUs (or any rights and obligations thereunder) be transferred to a third party in exchange for value unless such transfer is specifically approved by the Company's stockholders. The Company shall cooperate with any Permitted Assignee and the Company's transfer agent in effectuating any transfer permitted under this Section 5(b).

6. **Termination.** (a) Death. In the event a Participant dies while employed by the Company or any of its Affiliates, a number of PSUs equal to the target number of PSUs awarded (as set forth in the Certificate) shall immediately vest in the estate of such Participant or in any person who acquired such PSUs by bequest or inheritance, or by the Permitted Assignee. References in this Agreement to a Participant shall include any person who acquired PSUs from such Participant by bequest or inheritance.

(b) Disability. In the event a Participant ceases to perform services of any kind for the Company or any of its Affiliates due to permanent and total disability, a number of PSUs equal to the target number of PSUs awarded (as set forth in the Certificate) shall immediately vest in the Participant, or his or her guardian or legal representative, or a Permitted Assignee, as of the first date of permanent and total disability (as determined in the sole discretion of the Committee). For purposes of this Agreement, the term "permanent and total disability" means the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, and the permanence and degree of which shall be supported by medical evidence satisfactory to the Committee. Notwithstanding anything to the contrary set forth herein, the Committee shall determine, in its sole and absolute discretion, (1) whether a Participant has ceased to perform services of any kind due to a permanent and total disability and, if so, (2) the first date of such permanent and total disability.

7. **Recoupment.** The Committee may, in its sole discretion, direct that the PSUs be cancelled or that the Company recoup, and upon demand by the Company, the Participant agrees to return to the Company, any gain realized under a previously paid Performance Share if (a) the Participant, without the consent of the Company, while employed by or providing services to the Company or any of its Affiliates, (i) violates a non-competition, non-solicitation or non-disclosure agreement, (ii) otherwise engages in activity that is in conflict with or adverse to the interest of the Company or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities or (iii) to the extent applicable to the Participant, otherwise violates any policy adopted by the Company or any of its Affiliates relating to the recovery of compensation granted, paid, delivered, awarded or otherwise provided to the Participant by the Company or any of its Affiliates as such policy is in effect on the date of grant of the PSUs or, to the extent necessary to address the requirements of applicable law (including Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified in Section 10D of the Exchange Act, Section 304 of the Sarbanes-Oxley Act of 2002 or any other applicable law), as may be amended from time to time or (b) if a financial restatement reduces the amount that would have been earned under such PSU. The amount to be recouped shall be determined by the Committee in its sole discretion but shall not exceed the Fair Market Value of the PSUs that vested under this Agreement. If after a demand for recoupment under this Section 7, the Participant fails to return any amount paid by the Company, the Participant acknowledges that the Company has the right to effect the recovery of the amount paid and the amount of its court costs, attorneys' fees and other costs and expenses incurred in connection with enforcing this Agreement.

8. **Administration.** (a) Generally. This Agreement and the rights of the Participant hereunder and under the Certificate are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of

the Plan, this Agreement and the Certificate, all of which shall be binding upon the Participant and Permitted Assignees. Any inconsistency between this Agreement or the Certificate (on the one hand) and the Plan (on the other hand) shall be resolved in favor of the Plan.

(b) **Conflicts.** The order of precedence as between the Plan, this Agreement or the Certificate, and any written employment agreement between the Participant and the Company shall be as follows: If there is any inconsistency between (i) the terms of this Agreement or the Certificate (on the one hand) and the terms of the Plan (on the other hand); or (ii) any such written employment agreement (on the one hand) and the terms of the Plan (on the other hand), the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement, the Certificate or the written employment agreement (as the case may be). If there is any inconsistency between the terms of this Agreement or the Certificate (on the one hand) and the terms of Participant's written employment agreement, if any (on the other hand), the terms of this Agreement or the Certificate (as the case may be) shall completely supersede and replace the conflicting terms of the written employment agreement unless such written employment agreement was approved by the Committee, in which event such written employment agreement shall completely supersede and replace the conflicting terms of this Agreement or the Certificate (as the case may be).

9. **Adjustments.** The number of PSUs granted hereunder shall be subject to adjustment in accordance with Section 11.2 of the Plan.

10. **Exclusion from Other Computations.** By acceptance of these PSUs granted hereunder, the Participant hereby agrees that any income or gain realized upon the receipt or settlement of the PSUs, or upon disposition of any Shares received upon settlement, is special incentive compensation and shall not be taken into account, to the extent permissible under applicable law, as "wages," "salary" or "compensation" in determining the amount of any payment under any pension, retirement, incentive, profit sharing, bonus, severance or deferred compensation plan of the Company or any of its Affiliates.

11. **Withholding Taxes.** The Company shall have the right to withhold from wages or other amounts otherwise payable to the Participant (or a Permitted Assignee thereof), or otherwise require the Participant or Permitted Assignee to pay, any federal, state, local or foreign income taxes, withholding taxes, or employment taxes required to be withheld by law or regulations ("Withholding Taxes") arising as a result of the grant or vesting of PSUs, the transfer of any PSUs or any other taxable event occurring pursuant to the Plan, this Agreement or the Certificate. If, notwithstanding the foregoing, the Participant (or Permitted Assignee) shall fail to actually or constructively make such tax payments as are required, the Company (or its Affiliates) shall, to the extent permitted by law, have the right to deduct any such Withholding Taxes from any payment of any kind otherwise due to such Participant or Permitted Assignee or to take such other action as may be necessary to satisfy such Withholding Taxes. In satisfaction of the requirement to pay Withholding Taxes, the Company, in its sole discretion, may elect to satisfy the obligation for Withholding Taxes by retaining a sufficient number of Shares that it would otherwise deliver on a particular vesting date equal to the amount of any Withholding Taxes due on such vesting date. For purposes of the preceding sentence, where the Company is to retain Shares to satisfy the obligation for Withholding Taxes, the net amount of Shares to be delivered to the Participant on a vesting date shall equal the total number of Shares otherwise deliverable to the Participant on such vesting date (pursuant to Section 2(c) hereof and the Certificate), less such number of Shares having an aggregate Fair Market Value equal to the amount of such Withholding Taxes (as determined in the Committee's sole discretion).

12. **Registration; Legend.** The Company may postpone the issuance and delivery of any PSUs granted hereunder until (a) the admission of such Shares to listing on any stock exchange or exchanges on which Shares of the Company of the same class are then listed and (b) the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable. The Participant shall make such representations and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company, in light of the then existence or non-existence with respect to such Shares of an effective Registration Statement under the Securities Act of 1933, as amended, to issue the Shares in compliance with the provisions of that or any comparable act.

The Company may cause the following or a similar legend to be set forth on each certificate representing PSUs granted hereunder unless counsel for the Company is of the opinion as to any such certificate that such legend is unnecessary:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE SUBJECT TO FORFEITURE AND OTHER LIMITATIONS AND RESTRICTIONS AS SET FORTH IN A PERFORMANCE-BASED STOCK UNIT AWARD AGREEMENT ON FILE WITH THE COMPANY. IN ADDITION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"),

OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, THE AVAILABILITY OF WHICH IS ESTABLISHED BY AN OPINION FROM COUNSEL TO THE COMPANY.

13. **Change of Control.** (a) In the event of the occurrence of a Change of Control of the Company, the PSUs shall be treated in accordance with Article 10 of the Plan.

(b) Notwithstanding the foregoing, in the event of a termination of the Participant's employment by the successor company within 24 months following such Change of Control, these PSUs granted hereunder or any award substituted therefor held by the Participant at the time of the Change of Control shall vest as of the day immediately preceding the date of termination unless the termination was made by the successor company for cause. For purposes of this Agreement, "cause" shall mean either (i) material failure by the Participant to perform his or her duties (other than as a result of incapacity due to physical or mental illness) during his or her employment with the Company after written notice of such breach or failure and the Participant failed to cure such breach or failure to the Company's reasonable satisfaction within five days after receiving such written notice; or (ii) any act of fraud, misappropriation, misuse, embezzlement or any other material act of dishonesty in respect of the Company or its funds, properties, assets or other employees.

14. **Miscellaneous.**

(a) **No Right to Employment.** Neither this Agreement nor the Certificate shall confer upon the Participant any right to continuation of employment by the Company, nor shall this Agreement or the Certificate interfere in any way with the Company's right to terminate the Participant's employment at any time.

(b) **Successors.** All obligations of the Company under the Plan, this Agreement and the Certificate, with respect to these PSUs granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

(c) **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(d) **Consent to Board or Committee Action.** By accepting this grant of PSUs, the Participant and each person claiming under or through the Participant shall be conclusively deemed to have indicated their acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

(e) **Amendment.** The Committee may, with the consent of the Participant, at any time or from time to time amend the terms and conditions of this grant of PSUs. In addition, the Committee may at any time or from time to time amend the terms and conditions of this grant of PSUs in accordance with the Plan.

(f) **Governmental Approvals.** This Agreement and the Certificate shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(g) **Governing Law.** To the extent not preempted by federal law, this Agreement and the Certificate shall be governed by, and construed in accordance with, the laws of the State of Delaware.

(h) **Compliance with Code Section 409A.** The grant of PSUs is intended to comply with Code Section 409A, and this Agreement shall be interpreted, operated and administered consistent with this intent. Notwithstanding the preceding, the Company makes no representations concerning the tax consequences of this Agreement under Code Section 409A or any other federal, state, local, foreign or other taxes. Tax consequences will depend, in part, upon the application of the relevant tax law to the relevant facts and circumstances. The Participant should consult a competent and independent tax advisor regarding the tax consequences of this Agreement.

(i) **Waiver of Trial by Jury.** The Participant, every person claiming under or through the Participant, and the Company hereby waives to the fullest extent permitted by applicable law any right to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with the Plan, this Agreement or the Certificate.

(j) **Exculpation.** These PSUs granted hereunder and all documents, agreements, understandings and arrangements relating hereto have been issued on behalf of the Company by officers acting on its behalf and not by any person

individually. None of the Directors, officers or stockholders of the Company nor the Directors, officers or stockholders of any Affiliate of the Company shall have any personal liability hereunder or thereunder. The Participant shall look solely to the assets of the Company for satisfaction of any liability of the Company in respect of these PSUs granted hereunder and all documents, agreements, understandings and arrangements relating hereto and will not seek recourse or commence any action against any of the Directors, officers or stockholders of the Company or any of the Directors, officers or stockholders of any Affiliate, or any of their personal assets, for the performance or payment of any obligation hereunder or thereunder. The foregoing shall also apply to any future documents, agreements, understandings, arrangements and transactions between the parties hereto with respect to these PSUs granted hereunder.

(k) Captions. The captions in this Agreement are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

(l) Notices. Any notice that either party hereto may be required or permitted to give to the other shall be in writing, and may be delivered personally or by mail, postage prepaid or overnight courier, addressed as follows: if to the Company, at its office at 120 Mountain View Blvd, Basking Ridge, NJ 07920, Attn: Human Resources, or at such other address as the Company by notice to the Participant may designate in writing from time to time; and if to the Participant, at the address shown below his or her signature on the Certificate, or at such other address as the Participant by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

RESTRICTED STOCK UNIT AWARD AGREEMENT**Issued Pursuant to the
Barnes & Noble Education, Inc. Amended and Restated Equity Incentive Plan**

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (“Agreement”), effective as of the grant date (“Grant Date”) set forth in the attached Restricted Stock Unit Award Certificate (the “Certificate”), represents the grant of such number of restricted stock units (“RSUs”) set forth in the Certificate by Barnes & Noble Education, Inc. (the “Company”), to the person named in the Certificate (the “Participant”), subject to the terms and conditions set forth below, the Certificate and the provisions of the Barnes & Noble Education, Inc. Amended and Restated Equity Incentive Plan (the “Plan”).

All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. Grant of RSUs. The Company hereby grants to the Participant the number of RSUs set forth in the Certificate, subject to the terms and conditions of the Plan and this Agreement.

2. Vesting Period and Settlement. (a) In General. Subject to the terms of this Agreement, the Certificate and the Plan, RSUs granted hereunder are eligible to vest as indicated in the Certificate. For such vesting to occur on any vesting date set forth therein, the Participant must be continuously employed by the Company or any of its Affiliates from the Grant Date through such vesting date. Except as set forth in Section 6 or Section 12 below, if the Participant’s employment terminates before the last vesting date set forth in the Certificate, all RSUs granted hereunder that are unvested as of the date of termination of employment shall be forfeited.

(b) Vesting. Except as set forth in Section 6 or Section 12 below, in no event shall a Participant have any rights to the Shares underlying the RSUs granted hereunder prior to the date such RSUs vest pursuant to the vesting schedule set forth in the Certificate and the RSUs are settled.

(c) Settlement. On each vesting date, the Company shall deliver to the Participant one Share, or the equivalent value in cash, other property or any combination thereof, as determined in the sole discretion of the Committee at the time of such payment, for each RSU that is scheduled to vest on such date in accordance with the Certificate and the terms of this Agreement and the Plan, subject to Section 10 below relating to tax withholding.

3. No Voting Rights. No RSUs granted hereunder shall have any voting rights accorded to the underlying Shares. Each RSU constitutes an unfunded and unsecured promise of the Company to deliver to the Participant a Share (or the equivalent value thereof).

4. Dividend Rights. (a) Cash Dividends. The Participant shall be entitled to receive an amount in cash equal to any cash dividends paid with respect to the number of Shares underlying these RSUs granted hereunder. Any such cash dividends shall not be distributed to the Participant unless, until and except to the extent that these RSUs vest.

(b) Non-Cash Dividends. Any stock dividends or other distributions or dividends of property other than cash with respect to the Shares underlying these RSUs granted hereunder shall be

subject to the same forfeiture restrictions and restrictions on transferability as apply to the RSUs with respect to which such property was paid.

5. Nontransferability. (a) In General. Except as may be provided in Section 5(b) below, these RSUs granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, except as provided in the Plan. No assignment or transfer of any RSUs in violation of this Section 5, whether voluntary or involuntary, by operation of law or otherwise, except by will or the laws of descent and distribution or as otherwise required by applicable law, shall vest in the assignee or transferee any interest whatsoever.

(b) Transfers With The Consent of the Committee. With the consent of the Committee, a Participant may assign or transfer RSUs to the Participant's spouse, domestic partner and/or children (and/or trusts and/or partnerships established for the benefit of the Participant's spouse, domestic partner and/or children or in which the Participant is a beneficiary or partner) (each transferee thereof, a "Permitted Assignee"); provided, however, that such Permitted Assignee(s) shall be bound by and subject to all of the terms and conditions of the Plan, the Certificate and this Agreement relating to the transferred RSUs and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Participant shall remain bound by the terms and conditions of the Plan, the Certificate and this Agreement. Notwithstanding the foregoing, in no event shall the RSUs (or any rights and obligations thereunder) be transferred to a third party in exchange for value unless such transfer is specifically approved by the Company's stockholders. The Company shall cooperate with any Permitted Assignee and the Company's transfer agent in effectuating any transfer permitted under this Section 5(b).

6. Termination. (a) Death. In the event a Participant dies while employed by the Company or any of its Affiliates, all restrictions set forth herein shall lapse and any RSUs held by such Participant (or his or her Permitted Assignee) shall immediately vest in the estate of such Participant or in any person who acquired such RSUs by bequest or inheritance, or by the Permitted Assignee. References in this Agreement to a Participant shall include any person who acquired RSUs from such Participant by bequest or inheritance.

(b) Disability. In the event a Participant ceases to perform services of any kind for the Company or any of its Affiliates due to permanent and total disability, all restrictions set forth herein shall lapse and all RSUs shall immediately vest in the Participant, or his guardian or legal representative, or a Permitted Assignee, as of the first date of permanent and total disability (as determined in the sole discretion of the Committee). For purposes of this Agreement, the term "permanent and total disability" means the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, and the permanence and degree of which shall be supported by medical evidence satisfactory to the Committee. Notwithstanding anything to the contrary set forth herein, the Committee shall determine, in its sole and absolute discretion, (1) whether a Participant has ceased to perform services of any kind due to a permanent and total disability and, if so, (2) the first date of such permanent and total disability.

7. Administration. (a) Generally. This Agreement and the rights of the Participant hereunder and under the Certificate are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan, this Agreement and the Certificate, all of which shall be binding upon the Participant and Permitted Assignees. Any inconsistency

between this Agreement or the Certificate (on the one hand) and the Plan (on the other hand) shall be resolved in favor of the Plan.

(b) Conflicts. The order of precedence as between the Plan, this Agreement or the Certificate, and any written employment agreement between the Participant and the Company shall be as follows: If there is any inconsistency between (i) the terms of this Agreement or the Certificate (on the one hand) and the terms of the Plan (on the other hand); or (ii) any such written employment agreement (on the one hand) and the terms of the Plan (on the other hand), the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement, the Certificate or the written employment agreement (as the case may be). If there is any inconsistency between the terms of this Agreement or the Certificate (on the one hand) and the terms of Participant's written employment agreement, if any (on the other hand), the terms of this Agreement or the Certificate (as the case may be) shall completely supersede and replace the conflicting terms of the written employment agreement unless such written employment agreement was approved by the Committee, in which event such written employment agreement shall completely supersede and replace the conflicting terms of this Agreement or the Certificate (as the case may be).

8. Adjustments. The number of RSUs granted hereunder shall be subject to adjustment in accordance with Section 11.2 of the Plan.

9. Exclusion from Other Computations. By acceptance of these RSUs granted hereunder, the Participant hereby agrees that any income or gain realized upon the receipt or settlement of the RSUs, or upon disposition of any Shares received upon settlement, is special incentive compensation and shall not be taken into account, to the extent permissible under applicable law, as "wages", "salary" or "compensation" in determining the amount of any payment under any pension, retirement, incentive, profit sharing, bonus, severance or deferred compensation plan of the Company or any of its Affiliates.

10. Withholding Taxes. The Company shall have the right to withhold from wages or other amounts otherwise payable to the Participant (or a Permitted Assignee thereof), or otherwise require the Participant or Permitted Assignee to pay, any federal, state, local or foreign income taxes, withholding taxes, or employment taxes required to be withheld by law or regulations ("Withholding Taxes") arising as a result of the grant or vesting of RSUs, the transfer of any RSUs or any other taxable event occurring pursuant to the Plan, this Agreement or the Certificate. If, notwithstanding the foregoing, the Participant (or Permitted Assignee) shall fail to actually or constructively make such tax payments as are required, the Company (or its Affiliates) shall, to the extent permitted by law, have the right to deduct any such Withholding Taxes from any payment of any kind otherwise due to such Participant or Permitted Assignee or to take such other action as may be necessary to satisfy such Withholding Taxes. In satisfaction of the requirement to pay Withholding Taxes, the Company, in its sole discretion, may elect to satisfy the obligation for Withholding Taxes by retaining a sufficient number of Shares that it would otherwise deliver on a particular vesting date equal to the amount of any Withholding Taxes due on such vesting date. Notwithstanding the foregoing discretion, the Company shall satisfy the obligation for Withholding Taxes by retaining a sufficient number of Shares that it would otherwise deliver on a particular vesting date equal to the amount of any Withholding Taxes due on such vesting date. For purposes of the preceding two sentences, where the Company is to retain Shares to satisfy the obligation for Withholding Taxes, the net amount of Shares to be delivered to the Participant on a vesting date shall equal the total number of Shares otherwise deliverable to the Participant on such vesting date (pursuant to Section 2(c) hereof and the Certificate), less such number of Shares having an aggregate Fair Market Value equal to the amount of such Withholding Taxes (as determined in the Committee's sole discretion).

11. Registration; Legend. The Company may postpone the issuance and delivery of any Shares upon settlement of these RSUs granted hereunder until (a) the admission of such Shares to listing on any stock exchange or exchanges on which Shares of the Company of the same class are then listed and (b) the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable. The Participant shall make such representations and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company, in light of the then existence or non-existence with respect to such Shares of an effective Registration Statement under the Securities Act of 1933, as amended, to issue the Shares in compliance with the provisions of that or any comparable act.

The Company may cause the following or a similar legend to be set forth on each certificate representing Shares issuable upon settlement of these RSUs granted hereunder unless counsel for the Company is of the opinion as to any such certificate that such legend is unnecessary:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE SUBJECT TO FORFEITURE AND OTHER LIMITATIONS AND RESTRICTIONS AS SET FORTH IN A RESTRICTED STOCK UNIT AWARD AGREEMENT ON FILE WITH THE COMPANY. IN ADDITION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, THE AVAILABILITY OF WHICH IS ESTABLISHED BY AN OPINION FROM COUNSEL TO THE COMPANY.

12. Change of Control. (a) In the event of the occurrence of a Change of Control of the Company, the RSUs shall be treated in accordance with Article 10 of the Plan.

(b) Notwithstanding the foregoing, in the event of a termination of the Participant's employment by the successor company within 24 months following such Change of Control, these RSUs granted hereunder or any award substituted therefor held by the Participant at the time of the Change of Control shall vest as of the day immediately preceding the date of termination unless the termination was made by the successor company for cause. For purposes of this Agreement, "cause" shall mean either (i) material failure by the Participant to perform his or her duties (other than as a result of incapacity due to physical or mental illness) during his or her employment with the Company after written notice of such breach or failure and the Participant failed to cure such breach or failure to the Company's reasonable satisfaction within five days after receiving such written notice; or (ii) any act of fraud, misappropriation, misuse, embezzlement or any other material act of dishonesty in respect of the Company or its funds, properties, assets or other employees.

13. Miscellaneous.

(a) No Right to Employment. Neither this Agreement nor the Certificate shall confer upon the Participant any right to continuation of employment by the Company, nor shall this Agreement or the Certificate interfere in any way with the Company's right to terminate the Participant's employment at any time.

(b) Successors. All obligations of the Company under the Plan, this Agreement and the Certificate, with respect to these RSUs granted hereunder, shall be binding on any successor to the

Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

(c) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(d) Consent to Board or Committee Action. By accepting this grant of RSUs, the Participant and each person claiming under or through the Participant shall be conclusively deemed to have indicated their acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

(e) Amendment. The Committee may, with the consent of the Participant, at any time or from time to time amend the terms and conditions of this grant of RSUs. In addition, the Committee may at any time or from time to time amend the terms and conditions of this grant of RSUs in accordance with the Plan.

(f) Governmental Approvals. This Agreement and the Certificate shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(g) Governing Law. To the extent not preempted by federal law, this Agreement and the Certificate shall be governed by, and construed in accordance with, the laws of the State of Delaware.

(h) Compliance with Code Section 409A. The settlement of these RSUs granted hereunder is intended to comply with Code Section 409A, and this Agreement shall be interpreted, operated and administered consistent with this intent. Notwithstanding the preceding, the Company makes no representations concerning the tax consequences of this Agreement under Code Section 409A or any other federal, state, local, foreign or other taxes. Tax consequences will depend, in part, upon the application of the relevant tax law to the relevant facts and circumstances. The Participant should consult a competent and independent tax advisor regarding the tax consequences of this Agreement.

(i) Waiver of Trial by Jury. The Participant, every person claiming under or through the Participant, and the Company hereby waives to the fullest extent permitted by applicable law any right to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with the Plan, this Agreement or the Certificate.

(j) Exculpation. These RSUs granted hereunder and all documents, agreements, understandings and arrangements relating hereto have been issued on behalf of the Company by officers acting on its behalf and not by any person individually. None of the Directors, officers or stockholders of the Company nor the Directors, officers or stockholders of any Affiliate of the Company shall have any personal liability hereunder or thereunder. The Participant shall look solely to the assets of the Company for satisfaction of any liability of the Company in respect of these RSUs granted hereunder and all documents, agreements, understandings and arrangements relating hereto and will not seek recourse or commence any action against any of the Directors, officers or stockholders of the Company or any of the Directors, officers or stockholders of any Affiliate, or any of their personal assets, for the performance or payment of any obligation hereunder or thereunder. The foregoing shall also apply to any future documents, agreements, understandings, arrangements and transactions between the parties hereto with respect to these RSUs granted hereunder.

(k) Captions. The captions in this Agreement are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

(l) Notices. Any notice that either party hereto may be required or permitted to give to the other shall be in writing, and may be delivered personally or by mail, postage prepaid or overnight courier, addressed as follows: if to the Company, at its office at 120 Mountain View Blvd, Basking Ridge, NJ 07920, Attn: Human Resources, or at such other address as the Company by notice to the Participant may designate in writing from time to time; and if to the Participant, at the address shown below his or her signature on the Certificate, or at such other address as the Participant by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

RESTRICTED STOCK AWARD AGREEMENT**Issued Pursuant to the
Barnes & Noble Education, Inc. Amended and Restated Equity Incentive Plan**

THIS RESTRICTED STOCK AWARD AGREEMENT (“Agreement”), effective as of the grant date (“Grant Date”) set forth in the attached Restricted Stock Award Certificate (the “Certificate”), represents the grant of such number of Shares of Restricted Stock set forth in the Certificate by Barnes & Noble Education, Inc. (the “Company”), to the person named in the Certificate (the “Participant”), subject to the terms and conditions set forth below, the Certificate and the provisions of the Barnes & Noble Education, Inc. Amended and Restated Equity Incentive Plan (the “Plan”).

All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. Grant of Restricted Stock. The Company hereby grants to the Participant the number of Shares of Restricted Stock set forth in the Certificate, subject to the terms and conditions of the Plan and this Agreement. As soon as practicable after the Grant Date, the Company shall cause to be transferred on the books of the Company, Shares registered in the name of the Company, as nominee for the Participant, evidencing the Restricted Stock covered by this Agreement, but subject to forfeiture to the Company retroactive to the Grant Date, if the Certificate is not duly executed by the Participant and timely returned to the Company. Until the lapse or release of all restrictions applicable to a grant of Restricted Stock, the share certificates representing such Restricted Stock shall be held in custody by the Company or its designee.

2. Vesting Period. (a) In General. Subject to the terms of this Agreement, the Certificate and the Plan, Shares of Restricted Stock granted hereunder are eligible to vest as indicated in the Certificate. For such vesting to occur on any vesting date set forth therein, the Participant must be continuously employed by or providing services to the Company or any of its Affiliates from the Grant Date through such vesting date. Except as set forth in Section 6 below, if the Participant’s employment or service terminates before the last vesting date set forth in the Certificate, all Shares of Restricted Stock granted hereunder that are unvested as of the date of termination of employment or service shall be forfeited.

(b) Vesting. Except as set forth in Section 6 or Section 12 below, in no event shall a Participant have any rights to these Shares of Restricted Stock granted hereunder prior to the date such Shares vest pursuant to the vesting schedule set forth in the Certificate.

3. Voting Rights. All Shares of Restricted Stock issued hereunder, whether vested or unvested, shall have full voting rights accorded to outstanding Shares.

4. Dividend Rights. (a) Cash Dividends. The Participant shall be entitled to receive any cash dividends paid with respect to Shares of Restricted Stock granted hereunder. Any such cash dividends shall not be distributed unless, until and except to the extent that the Restricted Stock vests.

(b) Non-Cash Dividends. Any stock dividends or other distributions or dividends of property other than cash with respect to Shares of Restricted Stock granted hereunder shall be subject to the same forfeiture restrictions and restrictions on transferability as apply to the Restricted Stock with respect to which such property was paid.

5. Nontransferability. (a) In General. Except as may be provided in Section 5(b) below, these Shares of Restricted Stock granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, until such Shares have vested in accordance with Section 2 hereof and except as provided in the Plan. No assignment or transfer of any Shares of Restricted Stock in violation of this Section 5, whether voluntary or involuntary, by operation of law or otherwise, except by will or the laws of descent and distribution or as otherwise required by applicable law, shall vest in the assignee or transferee any interest whatsoever.

(b) Transfers With The Consent of the Committee. With the consent of the Committee, a Participant may assign or transfer unvested Shares of Restricted Stock to the Participant's spouse, domestic partner and/or children (and/or trusts and/or partnerships established for the benefit of the Participant's spouse, domestic partner and/or children or in which the Participant is a beneficiary or partner) (each transferee thereof, a "Permitted Assignee"); provided, however, that such Permitted Assignee(s) shall be bound by and subject to all of the terms and conditions of the Plan, the Certificate and this Agreement relating to the transferred Shares of Restricted Stock and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Participant shall remain bound by the terms and conditions of the Plan, the Certificate and this Agreement. Notwithstanding the foregoing, in no event shall the Shares of Restricted Stock (or any rights and obligations thereunder) be transferred to a third party in exchange for value unless such transfer is specifically approved by the Company's stockholders. The Company shall cooperate with any Permitted Assignee and the Company's transfer agent in effectuating any transfer permitted under this Section 5(b).

6. Termination. (a) Death. In the event a Participant dies while employed by or providing services to the Company or any of its Affiliates, all restrictions set forth herein shall lapse and any unvested Shares of Restricted Stock held by such Participant (or his or her Permitted Assignee) shall immediately vest in the estate of such Participant or in any person who acquired such Shares of Restricted Stock by bequest or inheritance, or by the Permitted Assignee. References in this Agreement to a Participant shall include any person who acquired Shares of Restricted Stock from such Participant by bequest or inheritance.

(b) Disability. In the event a Participant ceases to perform services of any kind (whether as an employee or Director) for the Company or any of its Affiliates due to permanent and total disability, all restrictions set forth herein shall lapse and all unvested Shares of Restricted Stock shall immediately vest in the Participant, or his guardian or legal representative, or a Permitted Assignee, as of the first date of permanent and total disability (as determined in the sole discretion of the Committee). For purposes of this Agreement, the term "permanent and total disability" means the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, and the permanence and degree of which shall be supported by medical evidence satisfactory to the Committee. Notwithstanding anything to the contrary set forth herein, the Committee shall determine, in its sole and absolute discretion, (1) whether a Participant has ceased to perform services of any kind due to a permanent and total disability and, if so, (2) the first date of such permanent and total disability.

7. Administration. (a) Generally. This Agreement and the rights of the Participant hereunder and under the Certificate are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan, this Agreement and the

Certificate, all of which shall be binding upon the Participant and Permitted Assignees. Any inconsistency between this Agreement or the Certificate (on the one hand) and the Plan (on the other hand) shall be resolved in favor of the Plan.

(b) Conflicts. The order of precedence as between the Plan, this Agreement or the Certificate, and any written employment agreement between the Participant and the Company shall be as follows: If there is any inconsistency between (i) the terms of this Agreement or the Certificate (on the one hand) and the terms of the Plan (on the other hand); or (ii) any such written employment agreement (on the one hand) and the terms of the Plan (on the other hand), the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement, the Certificate or the written employment agreement (as the case may be). If there is any inconsistency between the terms of this Agreement or the Certificate (on the one hand) and the terms of Participant's written employment agreement, if any (on the other hand), the terms of this Agreement or the Certificate (as the case may be) shall completely supersede and replace the conflicting terms of the written employment agreement unless such written employment agreement was approved by the Committee, in which event such written employment agreement shall completely supersede and replace the conflicting terms of this Agreement or the Certificate (as the case may be).

8. Adjustments. The number of Shares of Restricted Stock granted hereunder shall be subject to adjustment in accordance with Section 11.2 of the Plan.

9. Exclusion from Other Computations. By acceptance of these Shares of Restricted Stock granted hereunder, the Participant hereby agrees that any income or gain realized upon the receipt or disposition of the Shares is special incentive compensation and shall not be taken into account, to the extent permissible under applicable law, as "wages", "salary" or "compensation" in determining the amount of any payment under any pension, retirement, incentive, profit sharing, bonus, severance or deferred compensation plan of the Company or any of its Affiliates.

10. Withholding Taxes. The Company shall have the right to withhold from wages or other amounts otherwise payable to the Participant (or a Permitted Assignee thereof), or otherwise require the Participant or Permitted Assignee to pay, any federal, state, local or foreign income taxes, withholding taxes, or employment taxes required to be withheld by law or regulations ("Withholding Taxes") arising as a result of the grant or vesting of Shares of Restricted Stock, the transfer of any Shares of Restricted Stock, the making of an election under Section 83(b) (or any similar provision) of the Internal Revenue Code of 1986 (the "Code"), or any other taxable event occurring pursuant to the Plan (including, without limitation, the payment of dividends on unvested Shares of Restricted Stock), this Agreement or the Certificate. If, notwithstanding the foregoing, the Participant (or Permitted Assignee) shall fail to actually or constructively make such tax payments as are required, the Company (or its Affiliates) shall, to the extent permitted by law, have the right to deduct any such Withholding Taxes from any payment of any kind otherwise due to such Participant or Permitted Assignee or to take such other action as may be necessary to satisfy such Withholding Taxes. In satisfaction of the requirement to pay Withholding Taxes (but only if the [Section 83(b)] Election defined below has not been made with respect to the Restricted Stock granted hereunder), the Company, in its sole discretion, may elect to satisfy the obligation for Withholding Taxes by retaining a sufficient number of Shares of Restricted Stock that it would otherwise deliver on a particular vesting date equal to the amount of any Withholding Taxes due on such vesting date. Notwithstanding the foregoing discretion, the Company shall satisfy the obligation for Withholding Taxes by retaining a sufficient number of Shares of Restricted Stock that it would otherwise deliver on a particular vesting date equal to the amount of any Withholding Taxes due on such vesting date, unless the Participant has either (a) made the [Section 83(b)] Election defined below or (b) provided the Company with written notice at least 30 days (or such lesser period as may be permitted by the Company in its sole

discretion) in advance of such vesting date that the Participant will pay the Withholding Taxes in cash. For purposes of the preceding two sentences, where the Company is to retain Shares to satisfy the obligation for Withholding Taxes, the net amount of Shares to be delivered to the Participant on a vesting date shall equal the total number of Shares otherwise deliverable to the Participant on such vesting date (pursuant to Section 1 hereof and the Certificate), less such number of Shares having an aggregate Fair Market Value equal to the amount of such Withholding Taxes (as determined in the Committee's sole discretion).

11. Registration; Legend. The Company may postpone the issuance and delivery of these Shares of Restricted Stock granted hereunder until (a) the admission of such Shares to listing on any stock exchange or exchanges on which Shares of the Company of the same class are then listed and (b) the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable. The Participant shall make such representations and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company, in light of the then existence or non-existence with respect to such Shares of an effective Registration Statement under the Securities Act of 1933, as amended, to issue the Shares in compliance with the provisions of that or any comparable act.

The Company may cause the following or a similar legend to be set forth on each certificate representing Shares of Restricted Stock granted hereunder unless counsel for the Company is of the opinion as to any such certificate that such legend is unnecessary:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE SUBJECT TO FORFEITURE AND OTHER LIMITATIONS AND RESTRICTIONS AS SET FORTH IN A RESTRICTED STOCK AWARD AGREEMENT ON FILE WITH THE COMPANY. IN ADDITION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, THE AVAILABILITY OF WHICH IS ESTABLISHED BY AN OPINION FROM COUNSEL TO THE COMPANY.

12. Change of Control. (a) In the event of the occurrence of a Change of Control of the Company, the Shares of Restricted Stock shall be treated in accordance with Article 10 of the Plan.

(b) Notwithstanding the foregoing, in the event of a termination of the Participant's employment by the successor company within 24 months following such Change of Control, these Shares of Restricted Stock granted hereunder or any award substituted therefor held by the Participant at the time of the Change of Control shall vest as of the day immediately preceding the date of termination unless the termination was made by the successor company for cause. For purposes of this Agreement, "cause" shall mean either (i) material failure by the Participant to perform his or her duties (other than as a result of incapacity due to physical or mental illness) during his or her employment with the Company after written notice of such breach or failure and the Participant failed to cure such breach or failure to the Company's reasonable satisfaction within five days after receiving such written notice; or (ii) any act of fraud, misappropriation, misuse, embezzlement or any other material act of dishonesty in respect of the Company or its funds, properties, assets or other employees.

13. Miscellaneous.

(a) No Right to Employment. Neither this Agreement nor the Certificate shall confer upon the Participant any right to continuation of employment by the Company, nor shall this Agreement or the Certificate interfere in any way with the Company's right to terminate the Participant's employment at any time.

(b) Successors. All obligations of the Company under the Plan, this Agreement and the Certificate, with respect to these Shares of Restricted Stock granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

(c) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(d) Consent to Board or Committee Action. By accepting this grant of Shares of Restricted Stock, the Participant and each person claiming under or through the Participant shall be conclusively deemed to have indicated their acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

(e) Amendment. The Committee may, with the consent of the Participant, at any time or from time to time amend the terms and conditions of this grant of Shares of Restricted Stock. In addition, the Committee may at any time or from time to time amend the terms and conditions of this grant of Shares of Restricted Stock in accordance with the Plan.

(f) Governmental Approvals. This Agreement and the Certificate shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(g) Governing Law. To the extent not preempted by federal law, this Agreement and the Certificate shall be governed by, and construed in accordance with the laws of the State of Delaware.

(h) Section 83(b) Election. If the Participant makes the election contemplated by Section 83(b) of the Code (a "Section 83(b) Election") (or any similar provision of federal, state or local law) with respect to the Shares of Restricted Stock granted hereunder, the Participant shall provide the Company with a copy of such election within 30 days after the Grant Date (or such earlier date required by law) and otherwise comply with the provisions of this Section 13(h). The Participant hereby agrees, as a condition precedent to any issuance of Shares of Restricted Stock under this Agreement, that on or prior to the date of filing of any Section 83(b) Election with respect to such Shares of Restricted Stock, Participant shall satisfy the Company's Withholding Tax obligations with respect to such Section 83(b) Election by tendering payment to the Company, in readily available funds, of an amount equal to such Withholding Tax obligation (or enter into such other arrangement as shall be acceptable to the Company to satisfy such Withholding Tax obligation).

(i) No Tax Advice. Participant hereby acknowledges that the Company has not provided any specific tax advice to Participant in connection with his or her participation in the Plan. Participant understands and acknowledges that the Section 83(b) Election is valid only if made within 30 days after

the Grant Date. Participant will consult with his or her own tax advisors with respect to any tax consequences relating to a grant of Restricted Stock, participation in the Plan, and the decision of whether or not to make a Section 83(b) Election.

(j) Waiver of Trial by Jury. The Participant, every person claiming under or through the Participant, and the Company hereby waives to the fullest extent permitted by applicable law any right to a trial by jury with respect to any litigation directly or indirectly arising out of, under, or in connection with the Plan, this Agreement or the Certificate.

(k) Exculpation. These Shares of Restricted Stock granted hereunder and all documents, agreements, understandings and arrangements relating hereto have been issued on behalf of the Company by officers acting on its behalf and not by any person individually. None of the Directors, officers or stockholders of the Company nor the Directors, officers or stockholders of any Affiliate of the Company shall have any personal liability hereunder or thereunder. The Participant shall look solely to the assets of the Company for satisfaction of any liability of the Company in respect of these Shares of Restricted Stock granted hereunder and all documents, agreements, understandings and arrangements relating hereto and will not seek recourse or commence any action against any of the Directors, officers or stockholders of the Company or any of the Directors, officers or stockholders of any Affiliate, or any of their personal assets, for the performance or payment of any obligation hereunder or thereunder. The foregoing shall also apply to any future documents, agreements, understandings, arrangements and transactions between the parties hereto with respect to these Shares of Restricted Stock granted hereunder.

(l) Captions. The captions in this Agreement are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

(m) Notices. Any notice that either party hereto may be required or permitted to give to the other shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: if to the Company, at its office at 120 Mountain View Blvd, Basking Ridge, NJ 07920, Attn: Human Resources, or at such other address as the Company by notice to the Participant may designate in writing from time to time; and if to the Participant, at the address shown below his or her signature on the Certificate, or at such other address as the Participant by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

**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, Michael P. Huseby, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended October 27, 2018 of Barnes & Noble Education, 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: December 4, 2018

By: /s/ Michael P. Huseby
Michael P. Huseby
Chairman and Chief Executive Officer
Barnes & Noble Education, 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, Barry Brover, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended October 27, 2018 of Barnes & Noble Education, 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: December 4, 2018

By: /s/ Barry Brover

Barry Brover

Chief Financial Officer

Barnes & Noble Education, Inc.

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

In connection with the quarterly report of Barnes & Noble Education, Inc. (the “Company”) on Form 10-Q for the period ended October 27, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael P. Huseby, Chairman and 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/ Michael P. Huseby

Michael P. Huseby

*Chairman and Chief Executive Officer
Barnes & Noble Education, Inc.*

December 4, 2018

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 Education, Inc. (the "Company") on Form 10-Q for the period ended October 27, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barry Brover, 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/ Barry Brover

Barry Brover

Chief Financial Officer

Barnes & Noble Education, Inc.

December 4, 2018

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.