



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

YUCAIPA AMERICAN ALLIANCE FUND II,
L.P., a Delaware limited partnership, and
YUCAIPA AMERICAN ALLIANCE
(PARALLEL) FUND II, L.P., a Delaware limited
partnership,

Plaintiffs,

v.

LEONARD RIGGIO, STEPHEN RIGGIO,
GEORGE CAMPBELL JR., MICHAEL J. DEL
GIUDICE, WILLIAM DILLARD, II, PATRICIA
L. HIGGINS, IRENE R. MILLER, MARGARET
T. MONACO, LAWRENCE S. ZILAVY, and
BARNES & NOBLE, INC., a Delaware
corporation.

Defendants.

C.A. No. 5465-VCS

ANSWER OF DEFENDANT BARNES & NOBLE, INC.

Defendant Barnes & Noble, Inc. (the “Company” or “Barnes & Noble”), by its undersigned attorneys, answers the Verified Complaint as follows:

1. The Company denies the averments of paragraph 1, except admits: (i) that on November 17, 2009, the Board of Directors of the Company adopted a Rights Agreement; and (ii) that on February 17, 2010, the Board adopted the First Amendment to the Rights Agreement (together with the Rights Agreement adopted on November 17, 2009, the “Rights Plan”), and respectfully refers the Court to the Rights Plan for the contents thereof.

2. The Company denies the averments of paragraph 2.

3. The Company denies the averments of paragraph 3.

4. The Company states that it is without knowledge or information sufficient to form a belief as to the truth of the averments in the first sentence in paragraph 4, except admits that the Company has publicly disclosed that it intends to hold the 2010 Annual Meeting no later

than September 30, 2010. The Company denies the averments of the second and third sentences in paragraph 4.

5. The Company denies the averments of paragraph 5, except states that no response is required to the averments of paragraph 5 to the extent they purport to describe Plaintiffs' claims.

6. The Company denies the averments of paragraph 6, except states that no response is required to the averments of paragraph 6 to the extent they purport to describe Plaintiffs' claims.

7. The Company denies the averments of paragraph 7, except states that no response is required to the averments of paragraph 7 to the extent they purport to describe Plaintiffs' claims.

8. The Company denies the averments of paragraph 8, except states that no response is required to the averments of paragraph 8 to the extent they purport to describe Plaintiffs' claims.

9. The Company denies the averments of paragraph 9, except admits: (i) that Leonard Riggio previously served as CEO; and (ii) that Leonard Riggio serves as Chairman of the Board.

10. The Company denies the averments of paragraph 10, except admits that on August 7, 2009, the Company entered into a Stock Purchase Agreement with Leonard Riggio and Louise Riggio relating to the purchase and sale of all of the issued and outstanding capital stock of Barnes & Noble College Booksellers, and respectfully refers the Court to the Company's Form 8-K filed with the Securities and Exchange Commission on August 10, 2009, for the contents of the Stock Purchase Agreement.

11. The Company denies the averments of paragraph 11, except admits:
(i) that the Company's By-Laws and its Certificate of Incorporation provide for a classified board and respectfully refers the Court to those documents for the contents thereof; and (ii) that the Company's Board is divided into three classes elected for three-year terms.

12. The Company denies the averments of paragraph 12, except admits:
(i) that Ronald Burkle filed Forms 13D/A with the Securities and Exchange Commission on November 13, 2009, and November 17, 2009, and respectfully refers the Court to those forms for the contents thereof; (ii) that on November 17, 2009, the Board adopted a Rights Agreement; (iii) that on July 10, 1998, the Board adopted a Rights Agreement that expired on July 20, 2008; and (iv) that the Company's Certificate of Incorporation contains a provision that opts out of Section 203 of the Delaware General Corporation Law.

13. The Company denies the averments of paragraph 13, and respectfully refers the Court to the Rights Plan for the contents thereof.

14. The Company denies the averments of paragraph 14.

15. The Company denies the averments of paragraph 15.

16. The Company denies the averments of paragraph 16.

17. The Company states that it is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 17.

18. The Company states that it is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 18.

19. The Company states that it is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 19.

20. The Company denies the averments of paragraph 20, except admits:

(i) that Leonard Riggio was Chief Executive Officer of the Company from 1986 to 2002; (ii) that Leonard Riggio has been Chairman from 1986 to the present; and (iii) that Stephen Riggio was Chief Executive Officer from 2002 through early 2010.

21. The Company denies the averment of paragraph 21, except admits:

(i) that Stephen Riggio is the younger brother of Leonard Riggio; (ii) that Stephen Riggio has been a director of the Company since September 1993; (iii) that Stephen Riggio joined the Company in 1975; (iv) that Stephen Riggio served as Vice President and General Manager of the Company's direct mail division from 1981 to 1987; (v) that Stephen Riggio was appointed Executive Vice President of Merchandising in 1987; (vi) that Stephen Riggio was the Company's Chief Operating Officer from 1995 to 1997; (vii) that Stephen Riggio was appointed Vice-Chairman in 1997; (viii) that Stephen Riggio was Chief Executive Officer from February 2002 through March 18, 2010; and (ix) that William Lynch has been Chief Executive Officer from March 18, 2010 to the present.

22. The Company admits the averments of paragraph 22.

23. The Company admits the averments of paragraph 23.

24. The Company admits the averments of paragraph 24.

25. The Company admits the averments of paragraph 25.

26. The Company denies the averments of paragraph 26, except admits:

(i) that Irene R. Miller ("Miller") has been a member of the Board of the Company since May 1995; (ii) that Miller served as the Company's Chief Financial Officer from September 1993 to June 1997; (iii) that Miller was Vice-Chairman of the Company from September 1995 to June 1997; and (iv) that Miller received nearly \$200,000 in director compensation in 2008.

27. The Company admits the averments of paragraph 27.

28. The Company denies the averments of paragraph 28, except admits:

(i) that Lawrence S. Zilavy (“Zilavy”) has been a member of the Board since June 2006; and

(ii) that Zilavy received more than \$140,000 in director compensation in 2008.

29. The Company admits the averments of paragraph 29.

30. The Company admits the averments of paragraph 30.

31. The Company denies the averments of paragraph 31, except respectfully refers the Court to the Company’s publicly filed financial statements for the contents thereof and respectfully refers the Court to the public record for the value of the Company’s common stock between 2005 and 2010.

32. The Company denies the averments of paragraph 32, except respectfully refers the Court to the Company’s publicly filed financial statements for the contents thereof.

33. The Company denies the averments of paragraph 33.

34. The Company denies the averments of paragraph 34.

35. The Company denies the averments of paragraph 35.

36. The Company admits the averments of paragraph 36.

37. The Company denies the averments of paragraph 37.

38. The Company denies the averments of paragraph 38, except admits:

(i) that on August 7, 2009, the Company entered into a Stock Purchase Agreement with Leonard Riggio and Louise Riggio relating to the purchase and sale of all of the issued and outstanding capital stock of Barnes & Noble College Booksellers; and (ii) that the Company filed a Form 8-K with the Securities and Exchange Commission on August 10, 2009, and respectfully refers the Court to that filing for the contents thereof.

39. The Company denies the averments of paragraph 39, except admits that the Company filed a Form 8-K with the Securities and Exchange Commission on October 1, 2009, and respectfully refers the Court to that filing for the contents thereof.

40. The Company denies the averments of paragraph 40, except admits that Barron's published an article on August 14, 2009, and respectfully refers the Court to that article for the contents thereof, and respectfully refers the Court to the public record for the per share value of the Company's common stock on August 14, 2009.

41. The Company denies the averments of paragraph 41.

42. The Company denies the averments of paragraph 42, except admits: (i) that between August 17 and September 18, 2009, six derivative actions were filed in this Court, and respectfully refers the Court to those complaints for the contents thereof; (ii) that the Court subsequently consolidated those actions and a consolidated complaint was filed on November 3, 2009; and (iii) that on March 17, 2010, the plaintiffs filed an amended consolidated stockholder derivative complaint, C.A. No. 4813-VCS.

43. The Company denies the averments of paragraph 43, except admits: (i) that Leonard Riggio and Ronald Burkle spoke via telephone in late 2008; (ii) that during that conversation Mr. Burkle addressed, among other things, Yucaipa's investment in the Company; and (iii) that Leonard Riggio knew Mr. Burkle prior to that time.

44. The Company denies the averments of paragraph 44, except admits: (i) that Leonard Riggio and Ronald Burkle had a meeting in late 2008 or early 2009; and (ii) that Mr. Burkle addressed, among other things, additional investments in the Company by Yucaipa during that meeting.

45. The Company states that it is without knowledge or information sufficient to form a belief as to the truth of the averments in paragraph 45, except admits that Yucaipa filed a series of Forms 13D/A during 2008 and 2009 and respectfully refers the Court to those filings for the contents thereof.

46. The Company denies the averments of paragraph 46, except admits: (i) that the Company filed a Form 8-K with the Securities and Exchange Commission on August 10, 2009, and respectfully refers the Court to that filing for the contents thereof; and (ii) that Ronald Burkle wrote a letter to the Board dated August 14, 2009, and respectfully refers the Court to that letter for the contents thereof.

47. The Company denies the averments of paragraph 47, except states that it lacks sufficient information to form a belief as to the truth of the averments concerning Yucaipa's state of mind, admits that the Company's By-Laws and its Certificate of Incorporation provide for a classified board and respectfully refers the Court to those documents for the contents thereof, and admits that Yucaipa purchased additional shares of the Company's stock during a short period of time preceding the adoption of the Rights Plan.

48. The Company denies the averments of paragraph 48, except admits that Yucaipa filed a Form 13D/A with the Securities and Exchange Commission on November 13, 2009, and respectfully refers the Court to that filing for the contents thereof.

49. The Company denies the averments of paragraph 49, except admits that Yucaipa filed a Form 13D/A with the Securities and Exchange Commission on November 17, 2009, and respectfully refers the Court to that filing for the contents thereof.

50. The Company denies the averments of paragraph 50, except admits: (i) that the Board adopted a Rights Agreement on November 17, 2009, and respectfully refers the

Court to that document for the contents thereof; (ii) that the Company issued a press release on November 17, 2009, and respectfully refers the Court to that press release for the content thereof; and (iii) that the Board has announced its intention to put the Rights Plan to a shareholder vote no later than November 17, 2010.

51. The Company denies the averments of paragraph 51, except admits that the Board adopted the Rights Plan and respectfully refers the Court to the Rights Plan for the contents thereof.

52. The Company denies the averments of paragraph 52, except admits that the Board adopted the Rights Plan and respectfully refers the Court to the Rights Plan for the contents thereof.

53. The Company denies the averments of paragraph 53, except admits that the Board adopted the Rights Plan and respectfully refers the Court to the Rights Plan for the contents thereof.

54. The Company denies the averments of paragraph 54, except admits that the Board adopted the Rights Plan and respectfully refers the Court to the Rights Plan for the contents thereof.

55. The Company denies the averments of paragraph 55 and subparagraphs 55(a) through 55(f).

56. The Company denies the averments of paragraph 56, except admits: (i) that the Company issued a press release on November 17, 2009, and respectfully refers the Court to that press release for the contents thereof; and (ii) that on July 10, 1998, the Board adopted a Rights Agreement, and respectfully refers the Court to the Company's Form 8-K filed

with the Securities and Exchange Commission on July 16, 1998, for the contents of that Rights Agreement.

57. The Company denies the averments of paragraph 57.

58. The Company denies the averments of paragraph 58, except admits that the Company's By-Laws and Certificate of Incorporation address, among other things, the structure of the Company's Board and shareholder voting requirements and respectfully refers the Court to those documents for the contents thereof.

59. The Company denies the averments of paragraph 59.

60. The Company denies the averments of paragraph 60, except admits that Mr. Burkle sent a letter to Leonard Riggio dated December 23, 2009, and respectfully refers the Court to that letter for the contents thereof.

61. The Company denies the averments of paragraph 61, except admits that Yucaipa sent a letter to the Board dated January 28, 2010, and respectfully refers the Court to that letter for the contents thereof.

62. The Company denies the averments of paragraph 62, except admits that Yucaipa sent a letter to the Board dated January 28, 2010, and respectfully refers the Court to that letter for the contents thereof.

63. The Company denies the averments of paragraph 63.

64. The Company denies the averments of paragraph 64, except admits that the Board sent a letter to Yucaipa dated February 17, 2010, and respectfully refers the Court to that letter for the contents thereof.

65. The Company denies the averments of paragraph 65, except admits:
(i) that Yucaipa sent a letter to the Board dated January 28, 2010, and respectfully refers the

Court to that letter for the contents thereof; (ii) that on February 17, 2010, the Board adopted an amendment to the Rights Agreement adopted on November 17, 2009; and (iii) that the Company filed a Form 8-K with the Securities and Exchange Commission on February 17, 2010, and respectfully refers the Court to that filing for the contents thereof.

66. The Company denies the averments of paragraph 66, except admits that the Board adopted the Rights Plan and respectfully refers the Court to the Rights Plan for the contents thereof.

67. The Company denies the averments of paragraph 67, except admits that the Board adopted the Rights Plan and respectfully refers the Court to the Rights Plan for the contents thereof.

68. The Company denies the averments of paragraph 68, except admits that Yucaipa sent a letter to the Board dated February 25, 2010, and respectfully refers the Court to that letter for the contents thereof.

69. The Company denies the averments of paragraph 69, except admits that Yucaipa sent a letter to the Board dated February 25, 2010, and respectfully refers the Court to that letter for the contents thereof.

70. The Company denies the averments of paragraph 70, except admits: (i) that Yucaipa sent a letter to the Board dated February 25, 2010, and respectfully refers the Court to that letter for the contents thereof; and (ii) that members of the Board met with Mr. Burkle on March 29, 2010, in New York, New York.

71. The Company denies the averments of paragraph 71.

72. The Company denies the averments of paragraph 72 and subparagraphs 72(a) through 72(e).

73. The Company denies the averments of paragraph 73, except states that it lacks information sufficient to form a belief as to the truth of the averments concerning Yucaipa's state of mind and respectfully refers the Court to the Rights Plan for the contents thereof.

74. The Company denies the averments of paragraph 74.

75. The Company denies the averments of paragraph 75, except admits that the Board has publicly disclosed that it intends to hold the 2010 Annual Meeting no later than September 30, 2010, and respectfully refers the Court to the Company's By-Laws for the contents thereof.

76. The Company denies the averments of paragraph 76.

77. The Company denies the averments of paragraph 77.

78. The Company denies the averments of paragraph 78.

COUNT I – BREACH OF FIDUCIARY DUTY
(Refusal to Amend the Poison Pill: Violation of *Unocal*)

79. The Company repeats and realleges its answers contained above as if fully set forth herein.

80. The Company declines to respond to the averments of paragraph 80 as they call for a legal conclusion to which no response is required.

81. The Company declines to respond to the averments of paragraph 81 as they call for a legal conclusion to which no response is required.

82. The Company denies the averments of paragraph 82.

83. The Company declines to respond to the averments of paragraph 83 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 83 to the extent they allege any wrongdoing by any defendant.

COUNT II – BREACH OF FIDUCIARY DUTY
(Refusal to Amend the Poison Pill: Violation of *Blasius*)

84. The Company repeats and realleges its answers contained above as if fully set forth herein.

85. The Company declines to respond to the averments of paragraph 85 as they call for a legal conclusion to which no response is required.

86. The Company denies the averments of paragraph 86.

87. The Company denies the averments of paragraph 87.

88. The Company declines to respond to the averments of paragraph 88 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 88 to the extent they allege any wrongdoing by any defendant.

COUNT III – BREACH OF FIDUCIARY DUTY
(Refusal to Amend the Poison Pill Constituted Gross Negligence)

89. The Company repeats and realleges its answers contained above as if fully set forth herein.

90. The Company declines to respond to the averments of paragraph 90 as they call for a legal conclusion to which no response is required.

91. The Company denies the averments of paragraph 91.

92. The Company declines to respond to the averments of paragraph 92 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 92 to the extent they allege any wrongdoing by any defendant.

COUNT IV – BREACH OF FIDUCIARY DUTY
(Refusal to Amend the Poison Pill Constituted Bad Faith)

93. The Company repeats and realleges its answers contained above as if fully set forth herein.

94. The Company declines to respond to the averments of paragraph 94 as they call for a legal conclusion to which no response is required.

95. The Company denies the averments of paragraph 95.

96. The Company declines to respond to the averments of paragraph 96 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 96 to the extent they allege any wrongdoing by any defendant.

COUNT V – BREACH OF FIDUCIARY DUTY
(Entire Fairness)

97. The Company repeats and realleges its answers contained above as if fully set forth herein.

98. The Company denies the averments of paragraph 98 and subparagraphs 98(a) through 98(h), and respectfully refers the Court to the Rights Plan for the contents thereof.

99. The Company denies the averments of paragraph 99.

100. The Company declines to respond to the averments of paragraph 100 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 100 to the extent they allege any wrongdoing by any defendant.

COUNT VI – BREACH OF FIDUCIARY DUTY
(Adoption of the Poison Pill With a 20% Trigger And With Exclusive Benefits to the Riggio Family: Violation of *Unocal*)

101. The Company repeats and realleges its answers contained above as if fully set forth herein.

102. The Company declines to respond to the averments of paragraph 102 as they call for a legal conclusion to which no response is required.

103. The Company declines to respond to the averments of paragraph 103 as they call for a legal conclusion to which no response is required.

104. The Company denies the averments of paragraph 104.

105. The Company declines to respond to the averments of paragraph 105 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 105 to the extent they allege any wrongdoing by any defendant.

COUNT VII – BREACH OF FIDUCIARY DUTY
(Adoption of the Poison Pill With a 20% Trigger And With Exclusive Benefits to the Riggio Family: Violation of *Blasius*)

106. The Company repeats and realleges its answers contained above as if fully set forth herein.

107. The Company declines to respond to the averments of paragraph 107 as they call for a legal conclusion to which no response is required.

108. The Company declines to respond to the averments of paragraph 108 as they call for a legal conclusion to which no response is required.

109. The Company denies the averments of paragraph 109.

110. The Company denies the averments of paragraph 110.

111. The Company denies the averments of paragraph 111.

112. The Company declines to respond to the averments of paragraph 112 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 112 to the extent they allege any wrongdoing by any defendant.

COUNT VIII – BREACH OF FIDUCIARY DUTY
(Adoption of the Poison Pill With a 20% Trigger And With Exclusive Benefits to the Riggio Family Constituted Gross Negligence)

113. The Company repeats and realleges its answers contained above as if fully set forth herein.

114. The Company declines to respond to the averments of paragraph 114 as they call for a legal conclusion to which no response is required.

115. The Company denies the averments of paragraph 115.

116. The Company declines to respond to the averments of paragraph 116 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 116 to the extent they allege any wrongdoing by any defendant.

COUNT IX – BREACH OF FIDUCIARY DUTY
(Adoption of the Poison Pill With a 20% Trigger And With Exclusive Benefits to the Riggio Family Constituted Bad Faith)

117. The Company repeats and realleges its answers contained above as if fully set forth herein.

118. The Company declines to respond to the averments of paragraph 118 as they call for a legal conclusion to which no response is required.

119. The Company denies the averments of paragraph 119.

120. The Company declines to respond to the averments of paragraph 120 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 120 to the extent they allege any wrongdoing by any defendant.

COUNT X – DECLARATORY JUDGMENT

121. The Company repeats and realleges its answers contained above as if fully set forth herein.

122. The Company declines to respond to the averments of paragraph 122 as they call for a legal conclusion to which no response is required.

123. The Company denies the averments of paragraph 123.

124. The Company declines to respond to the averments of paragraph 124 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 124 to the extent they allege any wrongdoing by any defendant.

COUNT XI – DECLARATORY JUDGMENT

125. The Company repeats and realleges its answers contained above as if fully set forth herein.

126. The Company declines to respond to the averments of paragraph 126 as they call for a legal conclusion to which no response is required.

127. The Company denies the averments of paragraph 127.

128. The Company declines to respond to the averments of paragraph 128 as they call for a legal conclusion to which no response is required, except denies the averments of paragraph 128 to the extent they allege any wrongdoing by any defendant.

GENERAL DENIAL

With respect to all paragraphs in the Complaint in which Plaintiffs pray for damages or other relief, the Company denies that Plaintiffs are so entitled under law.

AFFIRMATIVE DEFENSES

First Affirmative Defense

The Complaint fails to state a claim upon which relief may be granted.

Second Affirmative Defense

This action is barred, in whole or in part, by Article XI of the Company's Certificate of Incorporation and Delaware law, including 8 Del. C. § 102(b)(7).

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May 28, 2010

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By: /s/ William E. Green, Jr.

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