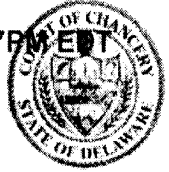


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Case No. 4813-



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

LOUISIANA MUNICIPAL POLICE
EMPLOYEES RETIREMENT SYSTEM,
Derivatively and on Behalf of BARNES &
NOBLE, INC.,

Plaintiff,

v.

Civil Action No. _____

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

Defendants,

- and -

BARNES & NOBLE, INC.

Nominal Defendant.

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

Plaintiff, Louisiana Municipal Police Employees Retirement System, by its undersigned attorneys, submits this Verified Shareholder Derivative Complaint ("Complaint") in the name and on behalf of nominal defendant Barnes & Noble, Inc. ("Barnes & Noble" or "the Company") against certain directors and officers named herein (the "Individual Defendants"). Plaintiff bases its allegations on actual knowledge as to its own acts and on information and belief as to all other allegations after due investigation, including, without limitation: (a) review and analysis of public filings made by Barnes & Noble and other persons with the Securities and Exchange

Commission (“SEC”); (b) review and analysis of press releases and other publications disseminated by certain of the Individual Defendants and other persons; and (c) review of other publicly available information concerning Barnes & Noble and other persons.

INTRODUCTION

1. This is a shareholder derivative action brought by shareholders of Barnes & Noble on behalf of the Company against certain of its directors seeking to remedy the Individual Defendants’ breaches of fiduciary duties, waste of corporate assets, and unjust enrichment, in connection with the proposed \$596 million acquisition of Barnes & Noble College Booksellers, Inc. (“College Books”)—a company privately owned by Barnes & Noble founder, Chairman of the Board, and controlling shareholder Leonard Riggio—which has caused and will continue to cause substantial damages to the Company, and which will unjustly enrich him and result in the waste of hundreds of millions of dollars of corporate assets. Leonard Riggio owns and controls over 32 percent of the issued and outstanding common stock of the Company, as well as exercises complete dominion and control over the business and affairs of the Company, as its largest individual shareholder, the Chairman of its Board, and brother of its CEO and, therefore, is a “controlling shareholder” of the Company. The action seeks damages, the imposition of a constructive trust, and other relief on behalf of Barnes & Noble to remedy the Individual Defendants’ breaches of fiduciary duty.

OVERVIEW

2. Barnes & Noble operates as a bookseller in the United States, selling a wide range of books and periodicals, gift, café products and services, and music and

movies. The Company also publishes a range of non-fiction and illustrated books on a host of subjects.

3. On August 10, 2009, the Company announced that it had entered into a definitive agreement to acquire shares of College Books—an entity owned by Leonard Riggio—in a transaction valued at \$596 million. However, in light of the recent technological innovations and trends in the college books industry, the approved acquisition price constitutes consideration so disproportionately large that it is well beyond the price at which any independent, third-party purchaser would be willing to pay for this entity.

4. In fact, as reported by the *New York Times* on August 14, 2009, the college book market is under enormous pressure, and assets like College Books are in permanent decline. According to the *Times*, “[w]ith the growing competition from online used-book sales, digital texts and new Internet textbook-rental businesses like Chegg and BookRenter, other publishers and college bookstores are also edging toward rentals.” While one of the nation’s text book publishers will “start renting books to students this year at 40 percent to 70 percent of the sale price,” College Books lags far behind, with only *plans* to start a pilot rental program at three of its 624 bookstores this fall. In any event, the move toward college textbook rentals signals an industry shift away from traditional purchases of textbooks, which often cost more than \$100 apiece and average \$700 to \$1,100 per semester, and towards a much lower-margin business with significantly increased competition by on-line vendors who do not have the high overhead of College Books, with its hundreds of physical locations.

5. Thus, in the face this industry shift and corresponding risk, Leonard Riggio used his influence as Barnes & Noble's controlling shareholder, founder and Chairman, to initiate and push through the acquisition of his privately held College Books in a self-dealing transaction for grossly excessive consideration—wasting the Company's assets to enrich himself, and in complete dereliction of his and the Board's fiduciary duties. As noted by Credit Suisse Analyst Gary Balter "the recently announced acquisition of Barnes & Noble College Booksellers significantly raises the risk profile and takes away the free cash that could have been used for a special dividend." Moreover—confirming the unfairness of the acquisition—immediately after the deal was announced, Credit Suisse downgraded Barnes & Noble to "Underperform" from "Neutral," and Company shares fell by 8 percent that same day (August 14, 2009).

6. Leonard Riggio's substantial 32.1 percent ownership interest and control over Barnes & Noble's operations, through his influence on the Board and through his younger brother and Vice Chairman and CEO Stephen Riggio, puts Leonard Riggio on both sides of a transaction and triggers application of the entire fairness standard. Prior to replacing his brother as Chief Executive Officer in 2002, Stephen Riggio worked for his brother for nearly 28 years.

7. Although the transaction was approved by a Special Committee of the Board of Directors, the Special Committee, as set forth herein, lacked any meaningful independence from Leonard Riggio. In fact, its members were beholden to Leonard Riggio or so under his influence that their discretion was sterilized, in violation of their duties owed to the Company and its shareholders.

8. It is obvious that Special Committee and the members of the Board who voted to ratify this transaction are not independent, and that the acquisition is fundamentally unfair to investors. Equally apparent, the transaction is not the result of an arms-length negotiation by independent and disinterested Board members exercising reasonable business judgment. In fact, in downgrading the Company's stock following the announcement of the College Books acquisition, Balter, the Credit Suisse analyst, stated that "[t]aking a deeper look, the deal strategically makes little sense over time as the company essentially *doubles its exposure* to one of the segments that we believe are most at risk to technology change over the next several years, as well as *reduces the cash element of the Barnes & Noble story that has supported it for so long.*" [Emphases added.]

9. Credit Suisse further stated that the deal would eliminate cash that could have been used to pay a special dividend to all shareholders as such—rather than Leonard Riggio, alone. Other commentators noted the acquisition's lack of transparency, as Barnes & Noble "provided numbers on [College Books] performance *only for the year to May, with no history or projections.*" [Emphasis added.]

10. In approving of or acquiescing in defendant Leonard Riggio's purchase of College Books for a song, each of the Individual Defendants acted in bad faith by creating the appearance of fair process, while facilitating the wasteful purchase of College Books at a grossly excessive and inequitable price, in breach of their fiduciary duties.

PARTIES

Plaintiff

11. Plaintiff Louisiana Municipal Police Employees Retirement System, an instrumentality of the State of Louisiana, is a holder of Barnes & Noble common stock. Plaintiff has held its Barnes & Noble shares at all times relevant hereto and will continue to do so through the pendency of this action.

Nominal Defendant

12. Nominal Defendant Barnes & Noble is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 122 5th Avenue, 2nd Floor, New York, New York.

Individual Defendants

13. Leonard Riggio is the founder of the Barnes & Noble and has been Chairman of the Board and a principal stockholder since the Company's inception in 1986. Leonard Riggio served as Chief Executive Officer from 1986 through February 2002, and is the older brother of Stephen Riggio, Vice Chairman and Chief Executive Officer of the Company. Since 1985, Leonard Riggio has been Chairman of the Board and a principal beneficial owner of MBS Textbook Exchange, Inc. ("MBS"). He is also the owner of College Books and a director of GameStop Corp., a national video game retailer.

14. Defendant Stephen Riggio is the younger brother of Leonard Riggio, and has been a director of the Company since September 1993. Stephen Riggio was appointed Vice Chairman in December 1997, and replaced Leonard Riggio as Chief

Executive Officer in February 2002. Prior to that time, Stephen Riggio had worked for his brother Leonard in a variety of capacities for nearly 28 years. Stephen Riggio served as the Company's Chief Operating Officer from February 1995 until December 1997. Each year since at least 2006, Stephen Riggio has been paid almost \$3 million by the Company in cash and equity-based compensation.

15. George Campbell, Jr. ("Campbell") has been a director since 2008. Campbell serves on the Company's Compensation Committee and has been the President of The Cooper Union for the Advancement of Science and Art since July 2000. Defendant Campbell is also a director of Con Edison, Inc. and the New York State Foundation for Science, Technology and Innovation, as well as a trustee of Rensselaer Polytechnic Institute, Montefiore Medical Center, and the Woodrow Wilson National Fellowship Foundation.

16. Michael J. Del Giudice ("Del Giudice") has been a director since 1999 and serves as Chair of the Compensation Committee and as a member of the Audit and the Corporate Governance and Nominating Committees of the Company. Del Giudice is also a Co-Founder and Senior Managing Director of Millennium Capital Markets LLC, an investment banking firm, and Chairman of Rockland Capital Energy Investments LLC. In addition, Del Giudice is Lead Director of the Board of Directors of Con Edison, Inc., a member of the Boards of Fusion Telecommunications International and Reis, Inc.; Vice Chairman of the Board of Trustees of the New York Racing Association; and a member of the Board of Advisors of Corinthian Capital Group, LLC, a private equity firm.

17. Lawrence S. Zilavy ("Zilavy") has been a director since June 2006 and has served as a Senior Vice President of College Books since May 2006. Previously, Zilavy was Executive Vice President, Corporate Finance and Strategic Planning of the Company from May 2003 to November 2004, and Chief Financial Officer from June 2002 through April 2003. Zilavy serves with Leonard Riggio, on the Board of GameStop Corp.

18. Irene R. Miller ("Miller") has been a director of the Company since May 1995. Miller serves on the Corporate Governance and Nominating Committee, and chaired the purportedly independent Special Committee which approved Leonard Riggio's acquisition of College Books. From September 1995 to June 1997, Miller was Vice Chairman of the Company, and she served as its Chief Financial Officer from September 1993 to June 1997. In addition, Miller served on the Board directors of Chapters, Inc. with Stephen Riggio in 1996. She has been the Chief Executive Officer of Akim, Inc., an investment management and consulting firm, since July 1997.

19. Patricia L. Higgins ("Higgins") has been a director since June 2006 and previously served on the Board from 1999 to 2004. Currently, Higgins serves as Chair of the Audit Committee, as a member of the Corporate Governance and Nominating Committee, and as a member of the purportedly independent Special Committee that approved the College Books transaction. Higgins was President, Chief Executive Officer, and a director of Switch and Data Facilities Company, Inc. from September 2000 to February 2004. Higgins is also a director of Travelers, Visteon, Dycom Industries, and Internap.

20. Margaret T. Monaco (“Monaco”) has been a director since May 1995. Monaco is a member of the Audit Committee and a member of the Special Committee. In October 2003, Monaco resumed her position as Principal of Probus Advisors, where she had served from July 1993 to April 1998. Monaco also served as the Chief Operating Officer of Merrill Lynch Ventures, LLC and KECALP, Inc., wholly-owned subsidiaries of Merrill Lynch & Co., Inc., from November 1999 to October 2003. Previously, Monaco had been the Chief Administrative Officer of Merrill Lynch Ventures, LLC and KECALP, Inc. from April 1998 to November 1999. Monaco is also a director of the W. P. Stewart Growth Fund, Cooker Restaurant Corp., Crown American Realty Trust, and Stage Stores.

21. William Dillard, II (“Dillard”) has been a director since November 1993. Dillard serves as Chair of the Corporate Governance and Nominating Committee, as a member of the Compensation Committee, and as a member of the Special Committee. In addition, Dillard has been the Chief Executive Officer of Dillard’s, Inc. since May 1998, Chairman since May 2002, and a director since 1968. Dillard is also a member of the JPMorganChase & Co. National Advisory Board, the JPMorganChase & Co. Dallas Region Advisory Board, and a director of Acxiom Corp.

SUBSTANTIVE ALLEGATIONS

I. Background of the Company and College Books

22. Barnes & Noble operates as a bookseller in the United States, selling trade books, mass market paperbacks, children’s books, bargain books, magazines, gift, café products and services, and music and movies. The Company also publishes a range of

non-fiction and illustrated books on a wide range of subjects. As of January 31, 2009, the Company operated 726 book stores under the trade name of Barnes & Noble Booksellers, and 52 under the trade name of B. Dalton Bookseller. In addition, Barnes & Noble conducts its online business through barnesandnoble.com llc.

23. College Books is a private entity, wholly owned and controlled by Leonard Riggio. College Books operates college bookstores at 600 institutions of higher education throughout the United States. College Books was founded in 1965 and was originally part of Barnes & Noble, which Leonard Riggio solely owned until 1984, when he sold a minority stake in all of the assets of Barnes & Noble except College Books, to finance the purchase of a competitor. College Books also owns the "Barnes & Noble" trademark, which it currently licenses to the Company. In addition, Barnes and Noble also uses a jet aircraft owned by College Books, and pays for its proportional costs and expense.

24. Barnes & Noble is controlled by Leonard Riggio, its founder, Chairman of the Board, and controlling shareholder. Leonard Riggio controls Barnes & Noble through his 32.1 percent common stock interest and through his influence over the Company's Board of directors and officers, including his younger brother, Stephen Riggio, whom he installed as Vice Chairman and CEO upon his retirement from the CEO position.

II. College Books Acquisition

25. On August 10, 2009, Barnes & Noble issued a press release announcing that it had entered into a stock purchase agreement dated August 7, 2009, with Leonard

Riggio and his wife, Louise Riggio, pursuant to which the Company would acquire all of the issued and outstanding capital stock of College Books, in a transaction valued at \$596 million—some \$460 million more than College Book’s cash on hand. The transaction is expected to close on October 1, 2009.

26. Given the highly related nature of the transaction, the Company’s Board of Directors purported to establish a Special Committee to evaluate the acquisition opportunity, negotiate its terms, and make a recommendation to the full Board. The full Board (with members Leonard Riggio, Stephen Riggio, and Zilavy purportedly abstaining) would then vote on the transaction. The Special Committee comprised Miller, Higgins, Monaco, and Dillard. The Company’s press release also noted that the Special Committee was advised by an independent legal advisor, Davis Polk & Wardwell LLP, and an independent financial advisor, Greenhill & Co., LLC, which delivered a fairness opinion to the Committee in connection with the transaction.

III. The Special Committee Lacks Independence

27. In spite of the trappings of independence, the Special Committee and its members lacked any meaningful independence from Leonard Riggio, and its members were substantially beholden to him or so under his influence that their ability to objectively consider the merits of the College Books transaction was compromised. Predictably, the Special Committee—whose members had virtually no experience in the college textbook industry—immediately approved the transaction, and then recommended it for approval by the remainder of the Board (which, as admittedly conflicted and nonindependent, was incapable of legitimately ratifying the transaction).

28. In fact, Barnes & Noble shareholders have been left guessing what prompted the Company's Board to ratify the acquisition of College Books at the price announced. Despite the fact that a week already has elapsed since the transaction was announced, shareholders have been provided virtually no information about College Books. The fairness opinion upon which the Special Committee and Board purportedly relied has not been made available, and no meaningful disclosure has been made regarding the process that the Board adopted in evaluating the fairness of the transaction—or the financial metrics upon which that analysis was based.

29. Further evidencing Leonard Riggio's control over the approval process, it was former Vice Chairman and Chief Financial Officer Miller who was installed as Chair of the Special Committee. Given her prior history, and her dependence upon Leonard Riggio for her status and continued business reputation, it was wholly inappropriate for Miller to serve on the Special Committee—much less chair it. Leonard Riggio and Miller have an extensive personal relationship that pre-dates the initial public offering of Barnes & Noble, whereby Leonard Riggio hand selected Miller to run the private company he founded and eventually sold to the public. Moreover, the significant reputation that Miller has achieved as Vice Chairman and CFO of the Company, both prior to and following it becoming public, is derived from and dependent upon this beneficial relationship.

30. In addition to the substantial reputation that Miller has derived as a result of her association with Leonard Riggio, this relationship has also earned her several

million dollars since the time that the Company went public, alone. Also, in 2009, Miller received almost \$200,000 in direct compensation from the Company.

31. The remaining three Special Committee members—Higgins, Monaco, and Dillard—also lacked independence. As a result of their director compensation, financial alliances, and Leonard Riggio’s status as a controlling shareholder, each member of the Special Committee faces insurmountable conflicts of interest or is otherwise beholden to Leonard Riggio—rendering him or her incapable of objectively analyzing the merits of the College Books transaction.

32. Thus, in addition to being dependent upon the Company for hundreds of thousands of dollars per year in direct compensation, Monaco’s association with Merrill Lynch (now part of Bank of America Corporation) also renders her neither disinterested nor independent with respect to the transaction. Despite the fact that Merrill Lynch stands to make millions of dollars in interest payments and consulting fees if the College Books acquisition occurs, Monaco was appointed to the Special Committee even though she recently served as the Chief Operating Officer of two wholly-owned subsidiaries of Merrill Lynch. Indeed, Merrill Lynch is one of three banks committed to providing up to \$1 billion to Barnes & Noble, in a four-year, revolving credit facility that will replace each of Barnes & Noble and College Books’ existing credit facilities and partially finance the College Books transaction. Merrill Lynch is also receiving significant fees by acting as the Company’s financial adviser with respect to the transaction, and it stands to profit handsomely if the acquisition is accomplished.

33. As of result of these financial conflicts, and also as a result of her receipt of substantial compensation from the Company, Monaco lacks independence and also should not be a member of the Special Committee charged with evaluating the fairness of the College Books acquisition.

34. Similarly, Dillard is also conflicted from rendering an independent evaluation of the proposed transaction. Dillard currently serves as a member of the JPMorganCase & Co. National Advisory Board, and the JPMorganChase & Co. Dallas Region Advisory Board. In addition to Merrill Lynch, JPMorganChase Bank is one of three banks committed to providing the \$1 billion, four-year, revolving credit facility that will replace the existing credit facilities and finance the transaction.

35. As of result of these financial conflicts, and also as a result of his receipt of substantial compensation from the Company, Dillard, too, lacks independence and also should not be a member of the Special Committee charged with evaluating the fairness of the College Books acquisition.

36. Higgins also lacked any meaningful independence from Chairman and controlling shareholder Leonard Riggio in approving the College Books acquisition. In addition to receiving \$202,763 in director compensation from Barnes & Noble in 2008, Higgins formerly served as a director of the Company. Moreover, because she also serves contemporaneously on the Board of at least four other large public companies, it is not evident that she has the time or resources available to effectively evaluate a transaction of such size and complexity in a short period of time. In any event, Higgins

will offer no challenge to the will of Chairman Leonard Riggio that could negatively affect her burgeoning career as a professional Board member.

37. This substantial compensation, past Board service, and Leonard Riggio's influence as Company Chairman also serve to neutralize Higgins's ability to independently evaluate the College Books transaction.

IV. The Remaining Board Members Lack Independence

38. In addition to the members of the Special Committee, the other voting Board members who approved Leonard Riggio's self-dealing acquisition of College Books, also lack independence. As noted above, Individual Defendants Leonard Riggio, Stephen Riggio, and Zilavy purported to abstain from the full Board vote. As evidenced by their absence from the Special Committee, the remaining members of the Board face insurmountable conflicts of interest or are otherwise beholden to Leonard Riggio, or so under his influence, that their discretion in this matter is neutralized.

39. In addition, Del Giudice shares a personal relationship, as well as political alliances, with Leonard Riggio. Both Del Giudice and Riggio were "high profile supporters" and "top fundraisers" for Bill Bradley's presidential primary campaign, for which Del Giudice served as co-chair for the New York operation. Together with Monaco, Del Giudice and Leonard Riggio were all members of Bill Bradley for President.

40. Similarly, Campbell and Del Giudice have received substantial director compensation from Barnes & Noble, and they have served together on Con Edison's Board of Directors since February 17, 2000. At that time, Campbell and Del Giudice

were the most recent appointments to the utility's board. Del Giudice currently serves as Con Edison's Lead Director.

41. As a result of these personal, political, and financial conflicts, as well as the control exercised by the Company's founder, Chairman and controlling shareholder Leonard Riggio, the voting Board Members lacked any meaningful independence and were not disinterested with respect to the College Books transaction.

**THE INDIVIDUAL DEFENDANTS
BREACHED THEIR FIDUCIARY DUTIES TO THE COMPANY**

42. By reason of their positions as directors, officers and fiduciaries of Barnes & Noble—and because of their ability to control the business and corporate affairs of the Company—the Individual Defendants owed Barnes & Noble and its shareholders fiduciary obligations of care, loyalty, candor, and good faith. These defendants were and are required to use their utmost ability to control and manage Barnes & Noble in a fair, just, honest and equitable manner. They were and are required to act in furtherance of the best interests of Barnes & Noble and its shareholders so as to benefit all shareholders equally—and not in furtherance of their personal interests or those of Leonard Riggio.

43. As a director of the Company, each Individual Defendant owes to Barnes & Noble and its shareholders the duty to exercise care, loyalty, candor, and good faith in the administration of the affairs of the Company and in the use and preservation of its property and assets, and to uphold the highest obligations of fair dealing. These same fiduciary duties apply to Leonard Riggio in his capacity as both Chairman of the Board and controlling shareholder.

44. To discharge their duties, the Individual Defendants were required to exercise reasonable and prudent judgment in evaluating the College Books transaction, and to refrain from an exchange of corporate assets for consideration so disproportionately large as to lie beyond the range at which any reasonable person might be willing to trade.

45. By approving or acquiescing in Leonard Riggio's self-dealing acquisition, each of the Individual Defendants is acting in bad faith by creating the *appearance* of fair process while facilitating the purchase of College Books at a grossly excessive and inequitable price in waste of the Company's assets.

DERIVATIVE ALLEGATIONS

46. Plaintiff brings this action derivatively in the right, and for the benefit, of Barnes & Noble to redress injuries suffered, and to be suffered, by the Company as a direct result of the breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment by the Individual Defendants.

47. Barnes & Noble is named as a nominal defendant in this case solely in a derivative capacity. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have. Plaintiff is and was a shareholder of Barnes & Noble at the time of the transaction complained of and will adequately and fairly represent the interests of the Company and its shareholders in enforcing and prosecuting their rights. Prosecution of this action, independent of the current Board of Directors, is in the best interests of the Company.

48. The wrongful acts complained of herein subject, and will continue to subject, Barnes & Noble to continuing harm as the instant transaction is expected to close on or about October 1, 2009, subject to the receipt of regulatory clearances and customary closing conditions.

DEMAND FUTILITY

49. Plaintiff has not made any demand on the Board of Directors of Barnes & Noble to institute this action because doing so would be an entirely futile and useless gesture. The wrongful acts complained of show a wholesale abandonment by the Individual Defendants of their fiduciary duties by approving or otherwise causing the wasteful acquisition of College Books from Leonard Riggio at grossly excessive consideration.

50. Where, as here, a controlling shareholder effectively stands on both sides of a transaction, the transaction is subject to the entire fairness doctrine. That doctrine carries a presumption that the transaction was accomplished to favor the interests of the controlling shareholder over the corporation, and the controlling shareholder carries the burden of demonstrating that the transaction was actually entirely fair to the corporation. Given that presumption and burden shifting, the business judgment rule is rebutted, and demand is not required.

51. Moreover, as detailed above, the Individual Defendants directly approved or acquiesced in Leonard Riggio's self-dealing transaction, in bad faith and in violation of their fiduciary duties. As such, the Individual Defendants' conduct lacked any legitimate business purpose and was not the product of a valid exercise of business

judgment. Accordingly, any demand upon the members of the Board of the Company to take the actions requested by Plaintiff herein are excused.

52. Defendant and Board Chairman Leonard Riggio will take no action against the remainder of the Barnes & Noble Board, and they will take no action against him, because he is the Chairman of the Board of Directors and the Company's controlling shareholder, and he dominates and controls the Company as a result of his ownership interests, positions, and influence over brother and Vice Chairman and CEO Stephen Riggio. In addition, Leonard Riggio will take no action against the other members of the Board because he is directly responsible for the self-dealing and fiduciary breaches alleged herein and, thus,

53. Further, as described above, the Defendant members of the Special Committee and the voting Board Members are beholden to Defendant Leonard Riggio as a result of their financial relationships, personal and working relationships, dependence on substantial compensation from the Company, and Leonard Riggio's authority as controlling shareholder and Board Chairman. They are thus incapable of acting in an independent and disinterested manner.

54. Barnes & Noble's Board is still dominated and controlled by Leonard Riggio, who has acted and will continue to act so as to obscure his and the Individual Defendants' misconduct, and who will not take action to protect the interests of the Company or its shareholders. The present Board has refused, and will continue to refuse, to institute this action for the foregoing and following reasons:

(a) The acts complained of herein constitute violations of fiduciary duties owed by the Board of Directors and these acts are incapable of ratification;

(b) Certain of the known principal wrongdoers and beneficiaries of the wrongdoing complained of herein are in a position to, and do, dominate and control the Board of Directors. Thus, the Board could not exercise independent objective judgment in deciding whether to bring or vigorously prosecute this action;

(c) In order to bring this action for breach of fiduciary duty, the members of the Board of Directors would have been required to sue themselves and/or their fellow directors and allies in the top ranks of the Company, who are their good friends and with whom they have entangling financial alliances, interests, and dependencies, which they would not do. They therefore would not be able to vigorously prosecute any such action;

(e) The members of the Barnes & Nobles Board, including each of the Individual Defendants, receive substantial salaries, bonuses, payments, benefits, and other emoluments by virtue of their membership on the Board and the control of Chairman and controlling shareholder Leonard Riggio. They have thus benefited and engaged in the wrongs herein alleged to preserve their positions and are incapable of exercising independent objective judgment in deciding whether to bring this action. The Board members also have close personal or business ties with each other and are, consequently, interested parties and cannot in good faith

exercise independent business judgment to determine whether to bring this action against themselves; and

(f) The Barnes & Noble directors' and officers' liability insurance policies for the Company have an "insured vs. insured" exclusion. Thus, if the directors caused the Company to sue its officers and directors for the liability asserted in this case they would not be insured. The Individual Defendants will not willing subject themselves to liability for the breaches of fiduciary duty complained of herein. The directors' and officers' liability insurance was purchased and paid for with corporate funds to protect the Company. This derivative suit does not trigger the "insured vs. insured" exclusion, and thus only this derivative suit can obtain a recovery on the directors' and officers' liability insurance and benefit the Company.

55. Demand also is excused because the Board has already failed to fairly and independently evaluate the self-dealing acquisition, even in the face of overwhelmingly negative investor and stock-market response. The Board thus has been made aware of the improper conduct and has failed to even investigate it—rendering any demand on the Board futile. Finally, all of the Individual Defendants face a sufficiently substantial likelihood of liability, and, thus, there is a reasonable doubt as to their disinterestedness in deciding whether pursuing legal action would be in the Company's best interest.

CLAIMS FOR RELIEF

Count I

Against All Defendants for Breach of Fiduciary Duty

56. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

57. The Individual Defendants owed and owe Barnes & Noble and its shareholders fiduciary obligations. By reason of their fiduciary relationships, the Individual Defendants as directors owed and owe Barnes & Noble the highest obligation of care, loyalty, good faith, and candor.

58. In approving or acquiescing in Leonard Riggio's self-dealing sale of College Books, each of the Individual Defendants breached these fiduciary duties by creating the appearance of fair process while facilitating the wasteful purchase of College Books at a grossly excessive and inequitable price.

59. As a direct and proximate result of the Individual Defendants' failure to perform their fiduciary obligations, Barnes & Noble has sustained significant damages, including waste of corporate assets and decline in share price. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

Count II

Against Defendant Leonard Riggio for Breach of Fiduciary Duty

60. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

61. As a controlling shareholder, Defendant Leonard Riggio owed and owes Barnes & Noble and its shareholders the highest obligation of care, loyalty, candor, and good faith.

62. Leonard Riggio violated these fiduciary duties by using his influence as Barnes & Noble founder, Chairman, and controlling shareholder to initiate and push through the acquisition of his privately held College Books in a self-dealing transaction at grossly excessive consideration in waste of the Company's assets.

63. As a direct and proximate result of Leonard Riggio's failure to perform his fiduciary obligations, Barnes & Noble has sustained significant damages including waste of corporate assets and a significant decline in share price. As a result of the misconduct alleged herein, Leonard Riggio is liable to the Company.

Count III

Against the Individual Defendants for Waste of Corporate Assets

64. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

65. In approving or acquiescing in Leonard Riggio's self-dealing transaction, the Individual Defendants have caused Barnes & Noble to waste valuable corporate assets by grossly overpaying for College Books beyond the range at which any reasonable person might be willing to pay, and without properly evaluating this acquisition in a fair and reasonable manner.

66. As a result of this waste of corporate assets, the Individual Defendants are liable to the Company.

Count IV

Against Defendant Leonard Riggio for Unjust Enrichment

67. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

68. Through his self-dealing transaction, Defendant Leonard Riggio will be unjustly enriched by the excessive consideration paid for College Books at the expense of and to the detriment of Barnes & Noble, in the hundreds of millions of dollars.

69. Plaintiff, as a shareholder and representative of Barnes & Noble, seeks restitution from Leonard Riggio, and seeks an order of this Court disgorging all monies or profits obtained in connection with his sale of College Books to the Company and/or imposing a constructive trust on such proceeds.

70. Plaintiff on behalf of Barnes & Noble has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Against all of the Individual Defendants and in favor of the Company for the amount of damages sustained by the Company as a result of the Individual Defendants' breaches of fiduciary duties, waste of corporate assets and unjust enrichment;

B. Extraordinary equitable and/or injunctive relief as permitted by law, equity, and statutory provisions, including the imposition of a constructive trust on or otherwise restricting the proceeds of the sale of College Books so as to assure that Plaintiff on behalf of Barnes & Noble will have an effective remedy;

C. Awarding to Barnes & Noble restitution from defendant Leonard Riggio and ordering disgorgement of all profits, benefits and other compensation obtained by him;

D. Directing Barnes & Noble to take all necessary actions to reform and improve its corporate governance and internal procedures to protect the Company and its shareholders from a repeat of the damaging events described herein;

E. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses;

F. Directing the Individual Defendants to pay damages to the Company, including both pre- and post-judgment interest at the highest rate allowed by law; and

G. Granting such other and further relief as the Court deems just and proper.

Dated: August 17, 2009

CHIMICLES & TIKELLIS LLP

/s/ Pamela S. Tikellis

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