

From: William J. Lynch
Sent: Tuesday, December 15, 2009 6:53 PM
To: B&N.com Leadership
Subject: Board Meeting

Went well. The board is extremely supportive of our efforts to grow BN.com and become a leader in the distribution of digital content. They aren't saying "why are we investing so much" but are rather asking "do you have what you need or does your team need more" to get BN.com/Digital to scale to carry the company. Everyone sees the areas you're managing as the future of all of BKS.

Some specific things came up I want to pass along and we should discuss together:

BN.com EDLP - Lots of interest in how the test is going. It's clear we don't as of yet have a clear sense of elasticity of books in specific categories at a granular level. I passed that along and messaged that we'd have a deep dive after the holiday with tight analysis as to what we learned. They've read about the Amazon/Wal Mart pricing battles and understand we aren't operating in a static competitive environment. After the holiday, and once we get a read on the analysis, we should have a strong POV as to how we want to move forward with book pricing and a crisp articulation of our strategy. Do we want to grab share?...solve for Gross Margin?...continue to test certain things?...assess various monetization opportunities, etc, etc?

Overall BN.com - They are very excited about the new account growth and growth in customer rates at BN.com yr/yr. I've said from the beginning to them this is the lifeblood of any online retailer and they are excited by the metrics (from flat in January to +20% in October). They asked about improvements in repeat rate, which is another stat this leadership team has discussed but don't have a handle on yet (we need to get smarter on it). We also discussed at some length the need to expand sales of other categories at a faster rate than current.

Nook - all of the board are nook owners and are all enjoying the experience. They are blown away by what we've accomplished in device, organization, content assembly, marketing, etc. They read the NY times review, along with the more favorable reviews. While acknowledging some experience opportunities with V1.0 they are all big nook fans, believe we are now "in the game" and very well positioned. They asked us to consider doubling down with more marketing of nook at retail next year, and support a TV ad campaign. They see 2010 as an ereader "land grab" and of the 7M units projected to sell in US want to sell over half of that in nooks. I mentioned a possible Best Buy deal and the message was get that done tomorrow if you can. They reiterated that it was 100% key to launch this holiday, so we could optimize (sw, supply chain, retail execution, BOM, etc) and be ready to grab share in a big way early 2010. They also agree that the database of digital content may be the most important asset BKS owns long-term. They wanted me to be sure to pass along congratulations to you for everything you've accomplished.

Expense Control - They see our trimming of non-strategic expense, and shedding underperforming staff as the responsible thing to do in our ultra-competitive environment. I let them know about the reorg in January and they are 100% supportive.

I can provide more color at our next management meeting as to what went on. Pls don't pass this along.

thx