BOOKS-A-MILLION

08 ANNUAL REPORT

Notice of 2008
Annual Meeting &
Proxy Statement

COMPANY PROFILE

Books-A-Million is one of the nation's leading book retailers and sells on the Internet at *www.booksamillion.com*. The Company presently operates more than 200 stores in 20 states and the District of Columbia. The Company operates two distinct store formats, including large superstores operating under the names Books-A-Million and Books & Co. and traditional bookstores operating under the names Books-A-Million and Bookland.

FIVE-YEAR HIGHLIGHTS

	For the Fiscal Year Ended:				
(In thousands, except per share amounts)	**2/2/08**	2/3/07[1]	1/28/06	1/29/05	1/31/04
Statement of Income Data	**52 weeks**	53 weeks	52 weeks	52 weeks	52 weeks
Net revenue	**$535,128**	$520,416	$503,751	$474,099	$457,234
Net income	**16,522**	18,887	13,067	10,199	7,126
Earnings per share – diluted	**1.01**	1.12	0.77	0.59	0.42
Weighted average shares – diluted	**16,302**	16,805	16,888	17,178	16,789
Capital investment	**16,878**	14,907	11,297	14,923	10,402
Dividends per share - declared	**3.36**	0.33	0.23	0.23	0.00
Balance Sheet Data					
Property and equipment, net	**$ 53,514**	$ 51,471	$ 51,001	$ 55,946	$ 59,892
Total assets	**284,833**	304,037	311,659	300,812	296,398
Long-term debt	**6,975**	7,100	7,200	7,500	20,640
Stockholders' equity	**99,051**	157,034	145,009	134,859	131,001
Other Data					
Working capital	**$ 58,785**	$117,737	$106,637	$ 95,382	$104,723
Debt to total capital ratio	**0.26**	0.04	0.05	0.05	0.14
Operational Data					
Total number of stores	**208**	206	205	206	202
Number of superstores	**184**	179	173	168	163
Number of traditional stores	**24**	27	32	38	39

(1) The year ended February 3, 2007 included an extra week and $2.3 million of gift card breakage from prior periods.

TO OUR STOCKHOLDERS:

Fiscal Year 2008 was a year of stark contrasts. The summer brought the unprecedented success of the publication of the final book in the Harry Potter series and the fall brought a difficult holiday sales environment and the beginnings of what we now know to be a significant economic slowdown. Despite the tough environment we were able to control costs, manage our inventory and deliver solid earnings.

Our core book department business was down slightly for the year, however several categories performed well. Fiction sales were very strong, driven by commercial fiction and the January publication of John Grisham's **The Appeal** and Stephen King's **Duma Key**. The biography category experienced the phenomenal success of Elizabeth Gilbert's memoir, **Eat, Pray, Love**. We also built on the positive sales trends in teen, graphic novels and our Faithpoint inspirational book category. Children's books were an obvious bright spot with sales of **Harry Potter and The Deathly Hallows** setting new records and the ongoing growth of the broader category.

Our stores also produced solid gains in bargain books and gifts with toys and games emerging as an exciting growth opportunity. Our investment in new fixtures in the gift departments paid off and we continue to adjust our store model to exploit the growth areas of our business.

We opened 9 new stores during the year and were pleased with their performance. We intend to grow somewhat faster in the year ahead with an eye toward both filling in our existing real estate footprint and expanding to high growth markets.

We see a challenging year ahead as we face the economic headwinds that have developed in recent months. We remain focused on the fundamentals of our business and committed to a disciplined approach to delivering results.

Clyde B. Anderson
Executive Chairman of the Board

Sandra B. Cochran
President, Chief Executive Officer

FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts)	Fiscal Year Ended **2/2/08**	2/3/07
Net revenue	**$535,128**	$520,416
Operating profit	**27,420**	30,099
Net income	**16,522**	18,887
Net income per share – diluted	**1.01**	1.12
Dividends per share – declared	**3.36**	0.33

(In thousands)	As of **2/2/08**	2/3/07
Working capital	**$58,785**	$117,737
Total assets	**284,833**	304,037
Stockholders' equity	**99,051**	157,034

SELECTED CONSOLIDATED FINANCIAL DATA

	Fiscal Year Ended				
(In thousands, except per share data)	**2/2/08**	2/3/07	1/28/06	1/29/05	1/31/04
Statement of Operations Data:	**52 weeks**	53 weeks	52 weeks	52 weeks	52 weeks
Net revenue	**$535,128**	$520,416	$503,751	$474,099	$457,234
Cost of products sold, including warehouse distribution and store occupancy costs	**376,580**	363,688	357,166	339,012	330,150
Gross profit	**158,548**	156,728	146,585	135,087	127,084
Operating, selling and administrative expenses	**117,139**	112,560	109,160	99,207	93,974
Gain on insurance recovery		--	1,248	--	--
Depreciation and amortization	**13,989**	14,069	15,636	17,788	18,065
Operating profit	**27,420**	30,099	23,037	18,092	15,045
Interest expense, net	**1,346**	105	1,441	1,874	2,909
Income from continuing operations before income taxes	**26,074**	29,994	21,596	16,218	12,136
Provision for income taxes	**9,552**	11,107	8,545	6,001	4,613
Income from continuing operations	**16,522**	18,887	13,051	10,217	7,523
Discontinued operations:					
(Loss) income from discontinued operations (including impairment charge)	**--**	--	27	(29)	(641)
Income tax provision (benefit)	**--**	--	11	(11)	(244)
(Loss) income from discontinued operations	**--**	--	16	(18)	(397)
Net income	**$ 16,522**	$ 18,887	$ 13,067	$ 10,199	$ 7,126
Net income per common share:					
Basic:					
Income from continuing operations	**$ 1.03**	$ 1.16	$ 0.80	$ 0.62	$ 0.46
Loss from discontinued operations	**--**	--	--	--	(0.02)
Net income per share	**$ 1.03**	$ 1.16	$ 0.80	$ 0.62	$ 0.44
Weighted average number of shares outstanding - basic	**16,089**	16,352	16,275	16,453	16,279
Diluted:					
Income from continuing operations	**$ 1.01**	$ 1.12	$ 0.77	$ 0.59	$ 0.45
Loss from discontinued operations	**--**	--	--	--	(0.03)
Net income per share	**$ 1.01**	$ 1.12	$ 0.77	$ 0.59	$ 0.42
Weighted average number of shares outstanding - diluted	**16,302**	16,805	16,888	17,178	16,789
Dividends per share – declared	**$ 3.36**	$ 0.33	$ 0.23	$ 0.23	--
Balance Sheet Data:					
Property and equipment, net	**$ 53,514**	$ 51,471	$ 51,001	$ 55,946	$ 59,892
Total assets	**284,833**	304,037	311,659	300,812	296,398
Long-term debt	**6,975**	7,100	7,200	7,500	20,640
Stockholders' investment	**99,051**	157,034	145,009	134,859	131,001
Other Data:					
Working capital	**$ 58,785**	$117,737	$106,637	$ 95,382	$104,723

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

General

The Company was founded in 1917 and currently operates 208 retail bookstores concentrated primarily in the southeastern United States. Of the 208 stores, 184 are superstores that operate under the names Books-A-Million and Books & Co., and 24 are traditional stores that operate under the Bookland and Books-A-Million names. In addition to the retail store formats, the Company offers its products over the Internet at *www.booksamillion.com*. As of February 2, 2008, the Company employed approximately 5,000 full and part-time employees.

The Company's growth strategy is focused on opening superstores in new and existing market areas, particularly in the Southeast. In addition to opening new stores, management intends to continue its practice of reviewing the profitability trends and prospects of existing stores and closing or relocating under-performing stores. During fiscal 2008, the Company opened nine stores, closed seven stores and relocated three stores.

The Company's performance is partially measured based on comparable store sales, which is similar to most retailers. Comparable store sales are determined each fiscal quarter during the year based on all stores that have been open at least 12 full months as of the first day of the fiscal quarter. Any stores closed during a fiscal quarter are excluded from comparable store sales as of the first day of the quarter in which they close. The factors affecting the future trend of comparable store sales include, among others, overall demand for products the Company sells, the Company's marketing programs, pricing strategies, store operations and competition.

Executive Summary

The purpose of this section is to provide a brief summary overview of the 52-week period ended February 2, 2008. Additional detail about the income statement and balance sheet is provided in the pages following this summary.

Income Statement

For the 52-week period ended February 2, 2008, Books-A-Million reported net income of $16.5 million. This represents a 12.5% reduction from the 53-week period ended February 3, 2007. The decrease is primarily attributable to two events that occurred in fiscal year 2007. First, the 2007 fiscal year included one week more than fiscal year 2008. This additional week produced $9.0 million in net sales. Secondly, the 2007 fiscal year included one-time additional sales income of $2.3 million related to the recognition of gift card breakage from prior years. Without these two items, fiscal year 2007 net income would have been $16.8 million or $0.3 million higher than fiscal year 2008.

Consolidated net revenue increased $25.9 million, or 5.1% in the 52-week ended February 2, 2008, compared to the 52-week period ended February 3, 2007 (which excludes the $9.0 million of additional sales from the 53rd week and the one-time additional sales income of $2.3 million from prior year gift card breakage recorded in fiscal year 2007). Comparable store sales increased 1.4% in fiscal year 2008 compared to the 52 week period ended February 3, 2007. The increase is primarily due to increased sales in best sellers and promotional items.

Gross profit, which includes cost of sales, distribution costs and occupancy costs, increased $1.8 million, or 1.2%, in the 52-week period ended February 2, 2008, compared to the 53-week period ended February 3, 2007. Excluding the additional week and one-time sales income associated with prior year gift card breakage recorded in fiscal year 2007, gross profit increased $7.1 million or 4.7% in fiscal year 2008. Gross profit as a percentage of sales decreased over the same period. The decrease is attributable to higher occupancy costs offset by higher club card membership income and lower markdowns and inventory shrinkage.

Consolidated operating profit was $27.4 million for the 52-week period ended February 2, 2008, compared to $30.1 million for the 53-week period ended February 3, 2007. Excluding the extra week and gift card breakage recorded in fiscal 2007, operating profit increased $0.6 million during fiscal 2008. This increase was primarily attributable to increased store sales.

Balance Sheet

Current assets decreased $21.6 million in fiscal year 2008 compared to fiscal year 2007. The decrease is primarily attributable to the $28.5 million decrease in cash and cash equivalents. This is partially offset by a $6.6 million increase in inventory. The decrease in cash and cash equivalents is primarily the result of the increase in shares repurchased, the increase in dividends paid during fiscal 2008, and the reduction in sales during the fourth quarter. The increase in inventory is primarily due to the sales shortfall in the fourth quarter.

Current liabilities increased $37.4 million in fiscal year 2008 compared to fiscal year 2007. The increase is primarily attributable to the $28.0 million increase in short-term borrowings and a $4.8 million increase in accounts payable. Accounts payable increased primarily due to a change in payment practices to more effectively meet vendor payment guidelines. The increase in short-term borrowings is the result of the increase in shares repurchased and the increase in dividends paid.

Critical Accounting Policies

General

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements require management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Company believes that the likelihood is remote that materially different amounts will be reported related to actual results for the estimates and judgments described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Property and Equipment

Property and equipment are recorded at cost. Depreciation on equipment and furniture and fixtures is provided on the straight-line method over the estimated service lives, which range from three to seven years. Depreciation of buildings and amortization of leasehold improvements, including remodels, is provided on the straight-line basis over the lesser of the assets estimated useful lives (ranging from five to 40 years) or, if applicable, the periods of the leases. Determination of useful asset life is based on several factors requiring judgment by management and adherence to generally accepted accounting principles for depreciable periods. Judgment used by management in the determination of useful asset life could relate to any of the following factors: expected use of the asset; expected useful life of similar assets; any legal, regulatory, or contractual provisions that may limit the useful life; and other factors that may impair the economic useful life of the asset. Maintenance and repairs are charged to expense as incurred. Improvement costs are capitalized to property accounts and depreciated using applicable annual rates. The cost and accumulated depreciation of assets sold, retired or otherwise disposed of are removed from the accounts, and the related gain or loss is credited or charged to income.

Other Long-Lived Assets

The Company's other long-lived assets consist of property and equipment which includes leasehold improvements. At February 2, 2008, the Company had $53.5 million of property and equipment, net of accumulated depreciation, accounting for approximately 18.8% of the Company's total assets. The Company reviews its 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 Statement of Financial Accounting Standards (SFAS) No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets.*" The Company evaluates long-lived assets for impairment at the individual store level, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the Company will first compare the carrying amount of the assets to the individual store's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the assets to the individual store's fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Impairment losses totaled $0.1 million, $0.3 million and $0.2 million in fiscal 2008, 2007 and 2006, respectively, and were recorded in selling, general and administrative costs. For all years presented, the impairment losses related to the retail trade business segment.

Goodwill

At February 2, 2008, the Company had $1.4 million of goodwill, accounting for approximately 0.5% of the Company's total assets. SFAS No. 142, "*Goodwill and Other Intangible Assets,*" requires that goodwill and other unamortizable intangible assets no longer be amortized, but instead be tested for impairment at least annually or earlier if there are impairment indicators. The Company performs a two-step process for impairment testing of goodwill as required by SFAS No. 142. The first step of this test, used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount. The second step (if necessary) measures the amount of the impairment. The Company completed its annual impairment test on the goodwill during the fourth quarter of fiscal 2008 and determined that no impairment charge was necessary. The Company has noted no subsequent indicators of impairment. Changes in market conditions, among other factors, could have a material impact on these estimates.

Closed Store Expenses

Management considers several factors in determining when to close or relocate a store. Some of these factors are: decreases in store sales from the prior year, decreases in store sales from the current year budget, annual measurement of individual store pre-tax future net cash flows, indications that an asset no longer has an economically useful life, remaining term of an individual store lease, or other factors that would indicate a store in the current location cannot be profitable.

When the Company closes or relocates a store, the Company charges unrecoverable costs to expense. Such costs include the net book value of abandoned fixtures and leasehold improvements, lease termination costs, costs to transfer inventory and usable fixtures, other costs in connection with vacating the leased location, and a provision for future lease obligations, net of expected sublease recoveries. Costs associated with store closings of $599,810, $418,000 and $40,000 during fiscal 2008, 2007 and 2006, respectively, are included in selling and administrative expenses in the accompanying consolidated statements of income.

Inventories
Inventories are taken throughout the fiscal year. Store inventory counts are performed by an independent inventory service, while warehouse inventory counts are performed internally. All physical inventory counts are reconciled to the Company's records. The Company's accrual for inventory shortages is based upon historical inventory shortage results.

Cost is assigned to store and warehouse inventories using the retail inventory method. Using this method, store and warehouse inventories are valued by applying a calculated cost-to-retail ratio to the retail value of inventories. The retail method is an averaging method that is widely used within the retail industry. Inventory costing also requires certain significant management estimates and judgments involving markdowns, the allocation of vendor allowances and shrinkage. These practices affect ending inventories at cost as well as the resulting gross margins and inventory turnover ratios.

The Company utilizes the last-in, first-out (LIFO) method of accounting for inventories. The cumulative difference between replacement and current cost of inventory over stated LIFO value is $2.5 million as of February 2, 2008 and $2.1 million as of February 3, 2007. The estimated replacement cost of inventory is the current FIFO value of $209.3 million.

Vendor Allowances
The Company receives allowances from its vendors from a variety of programs and arrangements, including merchandise placement and cooperative advertising programs. Effective February 3, 2002, the Company adopted the provisions of Emerging Issues Task Force ("EITF") No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor*, which addresses the accounting for vendor allowances. As a result of the adoption of this statement, vendor allowances in excess of incremental direct costs are reflected as a reduction of inventory costs and recognized in cost of products sold upon the sale of the related inventory.

Accrued Expenses
On a monthly basis, certain material expenses are estimated and accrued to properly record those expenses in the period incurred. Such estimates include those made for payroll and employee benefits costs, occupancy costs and advertising expenses among other items. Certain estimates are made based upon analysis of historical results. Differences in management's estimates and assumptions could result in accruals that are materially different from the actual results.

Income Taxes
The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that result in temporary differences between the amounts recorded in its financial statements and tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Results of Operations

The following table sets forth statement of income data expressed as a percentage of net sales for the periods presented.

	Fiscal Year Ended		
	2/2/08	2/3/07	1/28/06
	52 weeks	53 weeks	52 weeks
Net revenue	**100.0%**	100.0%	100.0%
Gross profit	**29.6%**	30.1%	29.1%
Operating, selling, and administrative expenses	**21.9%**	21.6%	21.7%
Gain on insurance recoveries	**0.0%**	0.0%	(0.3%)
Depreciation and amortization	**2.6%**	2.7%	3.1%
Operating profit	**5.1%**	5.8%	4.6%
Interest expense, net	**0.3%**	0.0%	0.3%
Income from continuing operations before income taxes	**4.9%**	5.8%	4.3%
Provision for income taxes	**1.8%**	2.2%	1.7%
Income from continuing operations	**3.1%**	3.6%	2.6%
(Gain)/loss from discontinued operations (including impairment charge), net of tax	**0.0%**	0.0%	0.0%
Net income	**3.1%**	3.6%	2.6%

Fiscal 2008 Compared to Fiscal 2007

Consolidated net revenue increased $14.7 million, or 2.8%, to $535.1 million for the 52-week period ended February 2, 2008 from $520.4 million for the 53-week period ended February 3, 2007. Two events occurred in the year ended February 3, 2007 that increased total net revenue when compared to the year ended February 2, 2008. First, the 2007 fiscal year included one more week than the 2008 fiscal year. This additional week produced $9.0 million in net sales. Second, the 2007 fiscal year included one-time additional sales income of $2.3 million related to the recognition of gift card breakage from prior years. Consolidated net revenue increased $25.9 million, or 5.1%, to $535.1 million for the 52-week period ended February 2, 2008, when compared with $509.3 million during the period ending February 3, 2007 on a 52-week operating basis (which excludes the $9.0 million of additional sales from the 53rd week of the 2007 fiscal year and the one-time additional sales income of $2.3 million in fiscal 2007 related to gift card breakage from prior years).

Comparable store sales for the 52-week period ended February 2, 2008 increased 1.4% when compared to the same 52-week period in the prior fiscal year. The increase in comparable store sales was primarily attributable to a strong performance in our best sellers and promotional items. During the second quarter of the year ended February 2, 2008, *Harry Potter and the Deathly Hallows* was released and added to our comparable store sales increase.

Consolidated net revenue included $1.4 million of gift card breakage income for the 52-week period ended February 2, 2008 compared to $3.2 million for the 53-week period ended February 3, 2007. The 53-week period ended February 3, 2007 included $2.3 million, $1.4 million net of taxes, of gift card breakage income related to periods prior to fiscal 2007. In fiscal 2007 the Company formed a gift card subsidiary, Books-A-Million Card Services ("Card Services"), and began recording gift card breakage income for those cards for which the likelihood of redemption is deemed to be remote (after 24 months of inactivity) and which there is no legal obligation to remit the value of such redeemed gift cards to the relevant jurisdictions. The primary function of Card Services is to administer the Company's gift card program and to provide a more advantageous legal structure. The $2.3 million related to periods prior to fiscal 2007 represents a change in estimate in the escheat liability due to operational changes related to the creation of Card Services.

Our core book department business was down slightly for the year. However, several categories performed well. Fiction sales were very strong, driven by commercial fiction and the January publication of John Grisham's *The Appeal* and Stephen King's *Duma Key*. The biography category experienced the success of Elizabeth Gilbert's memoir, *Eat, Pray Love*. We also built on the positive sales trends in teen, graphic novels and our Faithpoint inspirational book category. Children's books sales increased over prior year due to sales of *Harry Potter and The Deathly Hallows* setting new records and the ongoing growth of the broader category. Our stores produced solid gains in bargain books and gifts with toys and games experiencing gains over prior periods.

The Company opened nine new stores during fiscal 2008 resulting in partial year sales of $6.4 million and closed seven stores during fiscal 2008 with partial year sales of $1.2 million. The Company also converted one traditional store to a superstore during fiscal 2008 with partial year sales of $1.0 million.

Net sales for the retail trade segment increased $15.6 million, or 3.0%, to $528.6 million in the 52-week period ended February 2, 2008, from $513.0 million in the 53-week period ended February 3, 2007. When compared to the same 52-week period last year, the retail trade segment increased $23.8 million, or 4.7%. In addition to the factors discussed above, the increase in net sales for the retail trade segment was primarily due to new stores opened in fiscal 2008.

Net sales for the electronic commerce segment increased $1.0 million, or 3.6%, to $27.0 million in the 52-week period ended February 2, 2008, from $26.0 million in the 53-week period ended February 3, 2007. When compared to the same 52-week period last year, the electronic commerce segment increased $1.7 million, or 6.7%. The increase in net sales for the electronic commerce segment was primarily due to increased business to business sales.

Gross profit, which includes cost of sales, distribution costs and occupancy costs (including rent, common area maintenance, property taxes, utilities and merchant association dues), increased $1.8 million, or 1.2%, to $158.5 million in the 52-week period ended February 2, 2008, from $156.7 million in the 53-week period ended February 3, 2007. Gross profit as a percentage of net sales decreased to 29.6% in the 52-week period ended February 2, 2008 from 30.1% in the 53-week period ended February 3, 2007. Excluding the extra week and gift card breakage recorded in fiscal 2007, gross profit as a percentage of net sales decreased 0.2% in fiscal 2008. The decrease is primarily the result of higher occupancy and warehouse costs partially offset by lower promotional discounts, lower markdowns, improvements in store inventory shrinkage and higher club card membership income.

Operating, selling and administrative expenses increased $4.5 million, or 4.1%, to $117.1 million in the 52-week period ended February 2, 2008, from $112.6 million in the 53-week period ended February 3, 2007. Operating, selling and administrative expenses as a percentage of net sales remained relatively flat at 21.9% in the 52-week period ending February 2, 2008 compared to 21.6% in the 53-week period ended February 3, 2007. Excluding the extra week recorded in fiscal 2007, operating, selling and administrative expenses as a percentage of net sales increased 0.2% in fiscal 2008. The increase was primarily due to an increase in health care expense, promotional expense for our club card program and a revision of the franchise tax estimate.

Depreciation and amortization decreased $0.1 million, or 0.6%, to $14.0 million in fiscal 2008, from $14.1 million in fiscal 2007. Depreciation and amortization as a percentage of net sales decreased to 2.6% in fiscal 2008, from 2.7% in fiscal 2007, due to the impact of certain assets becoming fully depreciated during the prior year.

Consolidated operating profit was $27.4 million for the 52-week period ended February 2, 2008, compared to $30.1 million for the 53-week period ended February 3, 2007. Excluding the extra week and gift card breakage recorded in fiscal 2007, operating profit increased $0.6 million during fiscal 2008. This increase was primarily attributable to increased store sales for the reasons set forth above, which resulted in higher gross profit for fiscal 2008. Operating profit as a percentage of sales was 5.1% for fiscal 2008. Excluding the extra week and the gift card breakage recorded in fiscal 2007, operating profit was 5.3% of sales for fiscal 2007. The decrease as a percentage of sales from fiscal 2007 is attributable to the decrease in gross margin as a percent of sales plus the increase in operating, selling and administrative expenses offset by the reduction in depreciation as outlined above. The operating profit for the electronic commerce segment was $1.5 million, compared to $1.4 million in fiscal 2007. The improvement in operating results was primarily due to higher gross margin partially offset by higher customer service payroll, an adjustment to our gift card reserves, software maintenance and bad debt.

Net interest expense increased $1.2 million, or 1185.8%, to $1.3 million in fiscal 2008, from $0.1 million in fiscal 2007, primarily due to borrowing from our revolving credit facility primarily as a result of the special dividend paid on July 5, 2007 and our share repurchase program. During fiscal 2008, the Company purchased 1.4 million shares of its common stock at a total cost of $20.0 million under its share repurchase program.

The effective rate for income tax purposes was 36.64% for fiscal 2008 and 37.0% for fiscal 2007. The decrease in the effective tax rate was due to federal tax credits for prior year returns taken in fiscal 2008.

The Company closed two stores in fiscal 2008 in a market where the Company does not expect to retain the closed stores' customers at another store in the same market. The store's sales and operating results for fiscal 2008 have not been included in discontinued operations because the impact on the financial statements was immaterial. The Company continues to report in discontinued operations for prior year stores closed where the Company does not expect to retain the closed stores' customers at another store. One such store was closed in fiscal 2007. The financial impact of these closings was reported as discontinued operations in the financial statements, but had a minimal impact on the financial results of the Company.

Presented below is certain financial information for the fiscal year ended February 3, 2007 on a 52-week "operating basis," the effect of which is to exclude the financial results for the final week of the fiscal period and to exclude the effect of prior year gift card breakage income. This information is presented because the fiscal year ended February 3, 2007 was one week longer than the fiscal year ended February 2, 2008 and included gift card breakage income related to periods prior to fiscal 2007.

Management uses these non-GAAP financial measures because it believes that they are important to investors in comparing the Company's financial performance in one fiscal period against a prior fiscal period in circumstances where the fiscal periods are of a different duration or include a material non-recurring item such as a change in estimate. As noted above, the fiscal year ended February 3, 2007, was one week longer than the fiscal year ended February 2, 2008 and included $2.3 million, $1.4 million net of taxes, of prior year gift card breakage income.

These non-GAAP financial measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for results determined in accordance with GAAP. Additionally, other companies in the retail industry may not exclude portions of a fiscal period from the financial results for such period, limiting their usefulness as a comparative measure. The following table reconciles the non-GAAP measures from the fiscal year ended February 3, 2007, with the comparable financial measure calculated and presented in accordance with GAAP.

BOOKS-A-MILLION, INC.
Unaudited Consolidated Statements of Income
(In thousands, except per share data)
Year-to-Date FY 2008

	Year Ended February 2, 2008	Year Ended February 3, 2007		
	GAAP Basis (52 weeks)	GAAP Basis (53 weeks)	Adjustments	Operating Basis (52 weeks)
NET SALES	$535,128	$520,416	$11,244	$509,172
Cost of sales (including warehouse, distribution and store occupancy costs)	376,580	363,688	6,005	357,683
GROSS PROFIT	158,548	156,728	5,239	151,489
Operating, selling and administrative expenses	117,139	112,560	1,892	110,668
Depreciation and amortization	13,989	14,069	-	14,069
OPERATING INCOME	27,420	30,099	3,347	26,752
Interest expense (income), net	1,346	105	-	105
INCOME BEFORE INCOME TAXES	26,074	29,994	3,347	26,647
Income tax provision	9,552	11,107	1,239	9,868
NET INCOME	$ 16,522	$ 18,887	$ 2,107	$ 16,780
NET INCOME PER COMMON SHARE:				
Basic:				
Net income	$ 1.03	$ 1.16	$ 0.13	$ 1.03
Weighted average shares outstanding	16,089	16,353	16,353	16,353
Diluted:				
Net income	$ 1.01	$ 1.12	$ 0.12	$ 1.00
Weighted average shares outstanding	16,302	16,805	16,805	16,805

Fiscal 2007 Compared to Fiscal 2006
Consolidated net revenue increased $16.6 million, or 3.3%, to $520.4 million for the 53-week period ended February 3, 2007, from $503.8 million for the 52-week period ended January 28, 2006. Sales for the 52-week period ended January 27, 2007 increased 1.6%. Comparable store sales for the 52-week period ended January 27, 2007 decreased 0.6% when compared to the same 52-week period in the prior year. The decrease in comparable store sales was primarily attributable to a decrease in magazines sales and café sales, with book and gift sales primarily flat with the previous year. The café business is increasingly competitive with saturation of the market from new competitor store openings. Magazines sales continued to experience negative comparable sales as book retailers' shares declined due to grocery and convenience store offerings.

Included in fiscal 2007 net revenue is $3.2 million of gift card breakage income of which $2.3 million relates to periods prior to fiscal 2007. In fiscal 2007 the Company formed a gift card subsidiary, Books-A-Million Card Services ("Card Services"), and began recording gift card breakage income for those cards for which the likelihood of redemption is deemed to be remote (after 24 months of inactivity) and which there is no legal obligation to remit the value of such unredeemed gift cards to the relevant jurisdictions. The primary function of Card Services is to administer the Company's gift card program and to provide a more advantageous legal structure. The $2.3 million represents a change in estimate in the escheat liability due to operational changes related to the creation of Card Services.

Several categories of book sales showed increases during fiscal 2007, including adventure books, inspirational books, fiction, the gift category, social sciences, pets, teen reading, and cooking. These increases were offset by lower sales in the children's book category driven by the phenomenal sales of *The Chronicles of Narnia* and *Harry Potter and the Half Blood Prince* in the prior year. John Grisham's non-fiction bestseller, *Innocent Man*, drove sales in the social science category. The gift category experienced growth from import book accessories. The pet category increases were driven by sales of two titles-*Marley and Me* and *Caesar's Way*. Teen fiction continued to experience dynamic growth, predominately as a result of interest in a wide ranging number of fiction titles and Food Network stars Paula Deen and Rachael Ray dominated the cookbook category. A diet book, *You: On A Diet*, proved to be a surprise fourth-quarter bestseller in the cookbook category.

The Company opened nine new stores during fiscal 2007 resulting in partial year sales of $12.6 million and closed eight stores during fiscal 2007 with partial year sales of $3.9 million. The stores in Biloxi, Mississippi, and Deerfield Beach, Florida, which were temporarily closed due to the hurricanes in the prior year, were reopened in fiscal 2007.

Net sales for the retail trade segment increased $16.4 million, or 3.3%, to $513.0 million in fiscal 2007, from $496.6 million in fiscal 2006. In addition to the factors discussed above, the increase in net sales for the retail trade segment was primarily due to new stores opened during fiscal 2007 and the additional selling week in fiscal 2007.

Net sales for the electronic commerce segment decreased $1.6 million, or 5.6%, to $26.0 million in fiscal 2007, from $27.6 million in fiscal 2006. The decrease in net sales for the electronic commerce segment for fiscal 2007 was primarily due to sales of *Harry Potter and the Half Blood Prince* during fiscal 2006, which were not replaced in fiscal 2007.

Gross profit, which includes cost of sales, distribution costs and occupancy costs (including rent, common area maintenance, property taxes, utilities and merchant association dues), increased $10.1 million, or 6.9%, to $156.7 million in fiscal 2007, from $146.6 million in fiscal 2006. Gross profit as a percentage of net sales increased to 30.1% in fiscal 2007, from 29.1% in fiscal 2006, partially due to gift card breakage income discussed above as well as increased sales of proprietary product which has a higher gross profit than regular product. Also, the Company was able to generate higher sales in fiscal 2007 with less promotional discounting.

Operating, selling and administrative expenses increased $3.4 million, or 3.1%, to $112.6 million in fiscal 2007, from $109.2 million in fiscal 2006. Operating, selling and administrative expenses as a percentage of net sales remained relatively flat at 21.6% in fiscal 2007 compared to 21.7% in fiscal 2006. Higher stock based compensation expense in fiscal 2007 was offset by a reduction in costs incurred for Sarbanes-Oxley compliance, other corporate expenses and the non-recurrence of costs associated with the NASDAQ de-listing hearing in October 2005.

In fiscal 2006 the Company recognized an insurance gain of $754,000, net of taxes, related to insurance recoveries for hurricane damage suffered at certain stores in fiscal 2005. The insurance recovery amount was finalized with the insurance company during the third quarter of fiscal 2006 (for stores damaged by hurricanes in fiscal 2005), and therefore the gain was recorded in the respective period.

Depreciation and amortization decreased $1.5 million, or 10.0%, to $14.1 million in fiscal 2007, from $15.6 million in fiscal 2006. Depreciation and amortization as a percentage of net sales decreased to 2.7% in fiscal 2007 from 3.1% in fiscal 2006, due to lower capital expenditures in fiscal 2007, as well as the impact of certain assets becoming fully depreciated during the prior year.

Consolidated operating profit was $30.1 million for fiscal 2007, compared to $23.0 million in fiscal 2006. Operating profit for the retail trade segment was $29.2 million in fiscal 2007, versus $22.4 million in fiscal 2006. This increase was partially attributable to increased store sales for the reasons set forth above, which resulted in higher gross profit for fiscal 2007. Also, gross profit improved as a percentage of sales due to increased gift card breakage income, increased sales of proprietary product which has a higher gross profit, as well as less promotional discounting. These increases were partially offset by higher operating, selling and administrative expenses due to higher store selling costs and other corporate expenses. The operating profit for the electronic commerce segment was $1.4 million, compared to $1.0 million in fiscal 2006. The improvement in operating results was primarily due to lower costs incurred for shipping and warehouse handling.

Net interest expense decreased $1.3 million, or 92.7%, to $0.1 million in fiscal 2007 from $1.4 million in fiscal 2006, primarily due to lower average debt levels and increased short term investments during fiscal 2007.

The effective rate for income tax purposes was 37.0% for fiscal 2007 and 39.6% for fiscal 2006. The decrease in the effective tax rate was due to a lower state effective tax rate in fiscal 2007.

The Company closed one store in fiscal 2007 in a market where the Company does not expect to retain the closed stores' customers at another store in the same market. The store's sales and operating results for fiscal 2007 have not been included in discontinued operations because the impact on the financial statements was immaterial. The Company continues to report in discontinued operations for prior year stores closed where the Company does not expect to retain the closed stores' customers at another store. Two such stores were closed in fiscal 2006. The financial impact of these closings was reported as discontinued operations in the financial statements, but had a minimal impact on the financial results of the Company.

Seasonality and Quarterly Results

Similar to many retailers, the Company's business is seasonal, with its highest retail sales, gross profit and net income historically occurring in the fourth fiscal quarter. This seasonal pattern reflects the increased demand for books and gifts experienced during the year-end holiday selling season. Working capital requirements are generally highest during the third fiscal quarter and the early part of the fourth fiscal quarter due to the seasonality of the Company's business. The Company's results of operations depend significantly upon net sales generated during the fourth fiscal quarter, and any significant adverse trend in the net sales of such period would have a material adverse impact on the Company's results of operations for the full year.

In addition, the Company's results of operations may fluctuate from quarter to quarter as a result of the amount and timing of sales and profits contributed by new stores as well as other factors. New stores require the Company to incur pre-opening expenses and often require several months of operation before generating acceptable sales volumes. Accordingly, the addition of a large number of new stores in a particular quarter could adversely affect the Company's results of operations for that quarter.

Liquidity and Capital Resources

The Company's primary sources of liquidity are cash flows from operations, including credit terms from vendors, and borrowings under its credit facilities. The Company has an unsecured revolving credit facility under a credit agreement with a syndicate of banks that allows borrowings up to $100.0 million, which expires in July, 2011. Availability under the facility is reduced by outstanding letters of credit issued under this facility. The credit agreement contains certain financial and non-financial covenants, the most restrictive of which is the maintenance of a minimum fixed charge coverage ratio. The outstanding balance under this credit facility as of February 2, 2008 and February 3, 2007, was $28.0 million and $0, respectively, and the face amount of letters of credit issued under the facility was $2.4 million and $2.9 million, respectively. The maximum and average outstanding borrowings under the credit facility (excluding the face amount of letters of credit issued thereunder) during fiscal 2008 were $55.9 million and $20.7 million, respectively.

During fiscal 1996 and fiscal 1995, the Company acquired and constructed certain warehouse and distribution facilities with the proceeds of loans made pursuant to an industrial development revenue bond (the "Bond"). As of February 2, 2008 and February 3, 2007, there was $7.0 million and $7.1 million of borrowings outstanding, respectively, under these arrangements, which bear interest at variable rates.

The Company's capital expenditures totaled $16.9 million in fiscal 2008. These expenditures were primarily used for new store openings, renovation and improvements to existing stores, upgrades and expansion of warehouse distribution facilities and investment in management information systems.

Financial Position

During fiscal 2008, the Company opened nine stores, closed seven stores and re-opened three other stores. The challenging retail environment in the fourth quarter resulted in an increase in inventory balances to $206.8 million at February 2, 2008, as compared to $200.3 million at February 3, 2007. The challenging retail environment resulted in lower sales than anticipated in the fourth quarter which, in turn, increased inventory levels.

Net property and equipment increased due to higher capital expenditures primarily for nine new stores opened and three other stores re-opened in fiscal 2008. Additionally, cash and cash equivalents decreased by $28.5 million as of February 2, 2008 as compared with the balance as of February 3, 2007, primarily due to the special dividend and the share repurchase program. Offsetting the reduced cash balance were higher accounts payable balances of $4.8 million between fiscal years and a $28.0 million increase in short-term borrowings. The increase in accounts payable was primarily due to a change in payment practices to more effectively meet vendor payment guidelines. The increase in short-term borrowings is the result of the special dividend and the share repurchase program.

Future Commitments

The following table lists the aggregate maturities of various classes of obligations and expiration amounts of various classes of commitments related to Books-A-Million, Inc. at February 2, 2008:

	Payments Due Under Contractual Obligations						
(in thousands)	**Total**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**Thereafter**
Short-term borrowings[(1)]	$27,967	$27,967	$ --	$ --	$ --	$ --	$ --
Long-term debt-industrial revenue bond	6,975	--	--	--	6,975	--	--
Subtotal of debt	34,942	27,967	--	--	6,975	--	--
Operating leases	133,101	30,297	24,752	19,991	14,730	11,521	31,810
Total of obligations	$168,043	$58,264	$24,752	$19,991	$21,705	$11,521	$31,810

(1) Short term borrowings represent borrowings under the $100 million credit facility that are due in 12 months or less.

Guarantees

From time to time, the Company enters into certain types of agreements that require the Company to indemnify parties against third-party claims. Generally, these agreements relate to: (a) agreements with vendors and suppliers, under which the Company may provide customary indemnification to its vendors and suppliers in respect of actions they take at the Company's request or otherwise on its behalf, (b) agreements with vendors who publish books or manufacture merchandise specifically for the Company to indemnify the vendors against trademark and copyright infringement claims concerning the books published or merchandise manufactured on behalf of the Company, (c) real estate leases, under which the Company may agree to indemnify the lessors for claims arising from the Company's use of the property, and (d) agreements with the Company's directors, officers and employees, under which the Company may agree to indemnify such persons for liabilities arising out of their relationship with the Company. The Company has Directors and Officers Liability Insurance, which, subject to the policy's conditions, provides coverage for indemnification amounts payable by the Company with respect to its directors and officers up to specified limits and subject to certain deductibles.

The nature and terms of these types of indemnities vary. The events or circumstances that would require the Company to perform under these indemnities are transaction and circumstance specific. Historically, the Company has not incurred significant costs related to performance under these types of indemnities.

Cash Flows

Operating activities provided cash of $34,493,000, $21,306,000 and $36,713,000 in fiscal 2008, 2007 and 2006 respectively, and included the following effects:

- Cash used by inventories in fiscal 2008 of $6,559,000 was the result of the sales shortfall in the fourth quarter. Cash provided by inventories was $4,512,000 and $5,481,000 in fiscal 2007 and 2006 respectively. This was primarily the result of increased sales and improved inventory management during the respective years.
- Cash provided by accounts payable (including related party payables) in fiscal 2008 of $4,800,000 was the result of a deliberate change in our payment practices to more effectively meet vendor payment guidelines, and improved accounts payable leveraging with vendors. Cash used by accounts payable (including related party payables) in fiscal 2007 of $14,455,000 was due to the timing of vendor payments for fourth quarter merchandise versus the prior year end and lower inventory levels for fiscal 2007. Cash used by accounts payable (including related party payables) in fiscal 2006 of $5,914,000 was due to lower inventory levels for fiscal 2006 which resulted in lower accounts payable balances.
- Depreciation and amortization expenses were $13,989,000, $14,069,000 and $15,651,000 in fiscal 2008, 2007 and 2006, respectively. The decrease in fiscal 2008 and 2007 was primarily due to the impact of certain assets becoming fully depreciated during the prior years.
- Cash provided by accrued expenses was $4,537,000 in fiscal 2008 and was primarily due to unused gift card reserve, accrued payroll taxes and the adoption of FASB Staff Position FIN 48-1. Cash used by accrued expenses was $3,090,000 in fiscal 2007 and was primarily due to a lower gift card liability due to the recognition of gift card breakage, lower capital expenditure accruals and lower audit fee accruals. Cash provided by accrued expenses was $5,519,000 in fiscal 2006 and was primarily due to increases in deferred revenues related to the Company's discount card, deferred rent related to landlord allowances and higher bonus accruals due to the Company's improved earnings performance.

Cash used in investing activities in fiscal 2008, 2007 and 2006 reflected a net use of cash of $16,878,000, $16,176,000 and $11,286,000, respectively. Cash was used to fund capital expenditures for new store openings, renovation and improvements to existing stores, warehouse distribution purposes and investments in management information systems.

Financing activities used cash of $46,141,000 in fiscal 2008 primarily to purchase stock ($20,054,000) and for dividend payments ($56,824,000), offset by proceeds from the issuance of stock upon the exercise of stock options ($1,257,000) and related tax benefits ($1,638,000). Financing activities used cash of $8,528,000 in fiscal 2007 primarily to purchase stock ($7,460,000) and for dividend payments ($5,303,000), offset by proceeds from the issuance of stock upon the exercise of stock options ($1,768,000). Financing activities used cash of $4,467,000 in fiscal 2006 primarily to purchase stock ($5,324,000) and for dividend payments ($3,273,000), offset by proceeds from the issuance of stock upon the exercise of stock options ($4,431,000).

Dividends
The Company paid $56.8 million in dividends in fiscal 2008 and $5.3 million in dividends in fiscal 2007. See the table below for summary of dividends declared each quarter. On June 4, 2007, the Company's board of directors declared a special one-time cash dividend of $3.00 per common share. The dividend was paid on July 5, 2007 to stockholders of record at the close of business on June 20, 2007. A total of $50.9 million was paid on the Company's 16,958,000 outstanding shares of common stock as a result of the special dividend.

	Dividends Declared	
	Fiscal 2008	Fiscal 2007
First quarter	$0.09	$0.08
Second quarter	$3.09	$0.08
Third quarter	$0.09	$0.08
Fourth quarter	$0.09	$0.09
Annual Total	$3.36	$0.33

Impact of Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes"* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *"Accounting for Income Taxes."* FIN 48 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted the provisions of FIN 48, effective February, 4, 2007. As a result of the adoption of FIN 48, the Company recorded an increase of $1,987,000 in other long-term liabilities in its consolidated balance sheet for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the February 4, 2007 balance of retained earnings.

Recently Issued Accounting Pronouncements Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS No. 157"). SFAS No. 157 was issued to provide increased consistency and comparability in fair value measurements. Specifically, SFAS No. 157 creates a significant definition of fair value emphasizing fair value as a market-based measurement. The Company is required to adopt SFAS No. 157 as of the beginning of its fiscal year that begins after November 15, 2007. The adoption of SFAS No. 157 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities: Including an amendment of FASB No. 115*" ("SFAS No. 159"). SFAS No. 159 permits all entities to elect to measure many financial instruments and certain other items at fair value with changes in fair value reported in earnings. The fair value option is generally applied on an instrument-by-instrument basis and may be elected for a single item without electing other identical items, even if issued in a single transaction. The Company is required to adopt SFAS No. 159 as of the beginning of its fiscal year that begins after November 15, 2007. The adoption of SFAS No. 159 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In May 2007, the FASB issued FASB Staff Position No. FIN 48-1, "*Definition of Settlement in FASB Interpretation No. 48*" ("FSP FIN 48-1"). FSP FIN 48-1 amends FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*," to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purposes of recognizing previously unrecognized tax benefits. The Company is required to apply the guidance provided in FSP FIN 48-1 upon its adoption of FIN 48 which was as of February 4, 2007. The application of FSP FIN 48-1 has not had a material effect on the Company's financial position, results of operations, or cash flows.

In June 2007, the Emerging Issues Task Force (EITF) of the FASB ratified their consensus position 06-11, "*Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*" ("EITF 06-11"). EITF 06-11 provides guidance on how a company should recognize the income tax benefit received on dividends that are paid to employees holding equity-classified nonvested shares, equity-classified nonvested share units, or equity-classified outstanding share options charged to retained earnings under FASB Statement 123(R), "*Share-Based Payment*." The Company is required to apply the guidance provided in EITF 06-11 prospectively to income tax benefits of dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning after September 15, 2007. Early adoption of EITF 06-11 is permitted for the income tax benefit of dividends on equity-classified employee share-based payment awards that are declared in periods for which financial statements have not yet been issued. The Company has elected early adoption of this pronouncement as of the fiscal quarter ending August 4, 2007. The early adoption of EITF 06-11 has not had a material effect on the Company's financial position, results of operation or cash flows.

In December 2007, the FASB issued *SFAS No. 141 revised, Business Combinations*. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141 revised is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

In December 2007, the FASB issued *SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*. The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the Noncontrolling interest in a subsidiary and for the decosolation of a subsidiary. SFAS 160 is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

In March, 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. Based on current conditions, the Company does not expect the adoption of SFAS 161 to have a significant impact on its results of operations or financial position.

Related Party Activities

As discussed in Note 6 of Notes to Consolidated Financial Statements, the Company conducts business with other entities in which certain officers, directors and principal stockholders of the Company have controlling ownership interests. The most significant related party transactions include inventory purchases from, and sales of merchandise to, related parties. Related party inventory purchases increased by $1.8 million, or 6.2%, to $30.8 million in fiscal 2008, compared to fiscal 2007 purchases of $29.0 million. The increase in related party purchases was primarily due to increased magazine, music and collectibles purchases versus fiscal 2007. Related party sales transactions increased in fiscal 2008 to $3.6 million, an increase of $1.2 million, as a result of increased book merchandise sales. The Company leases certain office, retail and warehouse space from related parties, for which the rents have remained relatively unchanged. Management believes the terms of these related party transactions are substantially equivalent to those available from unrelated parties.

Disclosure Regarding Forward-Looking Statements

This document contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties. A number of factors could cause actual results, performance, achievements of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, the competitive environment in the book retail industry in general and in the Company's specific market areas; inflation; economic conditions in general and in the Company's specific market areas; the number of store openings and closings; the profitability of certain product lines; capital expenditures and future liquidity; liability and other claims asserted against the Company; uncertainties related to the Internet and the Company's Internet operations; and other factors referenced herein. In addition, such forward-looking statements are necessarily dependent upon assumptions, estimates and dates that may be incorrect or imprecise and involve known and unknown risks, uncertainties and other factors. Accordingly, any forward-looking statements included herein do not purport to be predictions of future events or circumstances and may not be realized. Given these uncertainties, stockholders and prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events or developments.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

Board of Directors and Shareholders
Books-A-Million, Inc.

We have audited the accompanying consolidated balance sheets of Books-A-Million, Inc. and subsidiaries (the “Company”) as of February 2, 2008 and February 3, 2007 and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended February 2, 2008. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 2, 2008 and February 3, 2007, and the results of its operations and its cash flows for each of the years in the periods ended February 2, 2008, February 3, 2007 and January 28, 2006 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board (“FASB”) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" effective February 4, 2007 and adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” effective January 29, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of February 2, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 15, 2008 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
April 15, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors and Stockholders
Books-A-Million, Inc.

We have audited Books-A-Million, Inc.'s and subsidiaries (the "Company") internal control over financial reporting as of February 2, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on Books-A-Million, Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 2, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company as of February 2, 2008 and February 3, 2007, and the related consolidated statements of income, stockholder's equity, and cash flows for each of the years in the periods ended February 2, 2008, February 3, 2007 and January 28, 2006 and our report dated April 15, 2008 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
April 15, 2008

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)	As of **2/2/08**	2/3/07
Assets		
Current Assets:		
Cash and cash equivalents	**$5,595**	$ 34,121
Accounts receivable, net of allowance for doubtful accounts of $741 and $711, respectively	**6,450**	7,524
Related party receivables	**3,780**	2,647
Inventories	**206,836**	200,277
Prepayments and other	**4,678**	4,365
Total Current Assets	**227,339**	248,934
Property and Equipment:		
Land	**628**	628
Buildings	**6,915**	6,869
Equipment	**84,843**	77,806
Furniture and fixtures	**53,071**	51,354
Leasehold improvements	**76,653**	74,263
Construction in process	**398**	54
Gross Property and Equipment	**222,508**	210,974
Less accumulated depreciation and amortization	**168,994**	159,503
Net Property and Equipment	**53,514**	51,471
Deferred Income Taxes	**2,452**	2,031
Other Assets:		
Goodwill	**1,368**	1,368
Other	**160**	233
Total Other Assets	**1,528**	1,601
Total Assets	**$284,833**	$304,037
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable:		
Trade	**$88,994**	$ 83,419
Related party	**2,213**	2,988
Accrued expenses	**41,539**	38,584
Accrued income taxes	**995**	2,714
Deferred income taxes	**6,846**	3,492
Short-term borrowings	**27,967**	
Total Current Liabilities	**168,554**	131,197
Long-term Debt	**6,975**	7,100
Other Long-term Liabilities	**10,253**	8,706
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, $.01 par value; 1,000,000 shares authorized, no shares outstanding	**-**	-
Common stock, $.01 par value; 30,000,000 shares authorized 20,850,611 and 20,461,333 shares issued at February 2, 2008 and February 3, 2007, respectively	**209**	205
Additional paid-in capital	**89,752**	85,396
Treasury stock at cost (5,216,951 shares at February 2, 2008 and 3,818,356 shares at February 3, 2007, respectively)	**(44,468)**	(24,414)
Retained earnings	**53,558**	95,847
Total Stockholders' Equity	**99,051**	157,034
Total Liabilities and Stockholders' Equity	**$284,833**	$304,037

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	Fiscal Year Ended 2/2/08	2/3/07	1/28/06
	52 weeks	53 weeks	52 weeks
Net revenue	**$535,128**	$520,416	$503,751
Cost of products sold, including warehouse distribution and store occupancy costs	**376,580**	363,688	357,166
Gross profit	**158,548**	156,728	146,585
Operating, selling and administrative expenses	**117,139**	112,560	109,160
Gain on insurance recoveries (note 10)	**--**	--	1,248
Depreciation and amortization	**13,989**	14,069	15,636
Operating profit	**27,420**	30,099	23,037
Interest expense, net	**1,346**	105	1,441
Income from continuing operations before income taxes	**26,074**	29,994	21,596
Provision for income taxes	**9,552**	11,107	8,545
Income from continuing operations	**16,522**	18,887	13,051
Discontinued operations:			
Income (loss) from discontinued operations before taxes (including impairment charge)	**--**	--	27
Income tax provision (benefit)	**--**	**--**	11
Income (loss) from discontinued operations	**--**	--	16
Net Income	**$16,522**	$ 18,887	$ 13,067
Net income per common share:			
Basic			
Income from continuing operations	**$1.03**	$ 1.16	$ 0.80
Income (loss) from discontinued operations	**--**	--	--
Net Income per share	**$1.03**	$ 1.16	$ 0.80
Weighted average number of shares outstanding – basic	**16,089**	16,352	16,276
Diluted			
Income from continuing operations	**$1.01**	$ 1.12	$ 0.77
Income (loss) from discontinued operations	**--**	--	--
Net Income per share	**$1.01**	$ 1.12	$ 0.77
Weighted average number of shares outstanding – diluted	**16,302**	16,805	16,888
Dividends per share – declared	**$ 3.36**	$ 0.33	$ 0.23

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 29, 2005	19,068	$191	$74,024	2,793	$(11,630)	$72,469	$(195)	$134,859
Net income						$13,067		$ 13,067
Unrealized gain on accounting for derivative instruments, net of tax provision of $89							141	141
Reclassification of unrealized loss related to de-designation of cash flow hedge, net of tax benefit of $30							47	47
Subtotal comprehensive income								13,255
Purchase of treasury stock, at cost				494	(5,324)			(5,324)
Dividends paid						(3,273)		(3,273)
Issuance of restricted stock	43	1	(1)					--
Amortization of deferred compensation related to restricted stock			448					448
Issuance of stock for employee stock purchase plan	13		84					84
Exercise of stock options	640	6	4,341					4,347
Tax benefit from exercise of stock options			613					613
Balance, January 28, 2006	19,764	$198	$79,509	3,287	$(16,954)	$82,263	$ (7)	$145,009
Net income						18,887		18,887
Unrealized gain on accounting for derivative instruments, net of tax provision of $4							7	7
Subtotal comprehensive income								18,894
Purchase of treasury stock, at cost				531	(7,460)			(7,460)
Dividends paid						(5,303)		(5,303)
Issuance of restricted stock	148	1	1,558					1,559
Issuance of stock for employee stock purchase plan	9		88					88
Exercise of stock options	540	6	1,674					1,680
Tax benefit from exercise of stock options			2,567					2,567
Balance, February 3, 2007	20,461	$205	$85,396	3,818	$(24,414)	$95,847	$ --	$157,034
Net income						16,522		16,522
Subtotal comprehensive income								16,522
FIN 48 Adjustment						(1,987)		(1,987)
Purchase of treasury stock, at cost				1,399	(20,054)			(20,054)
Dividends paid						(56,824)		(56,824)
Issuance of restricted stock	155	2	1,464					1,466
Issuance of stock for employee stock purchase plan	8		118					118
Exercise of stock options	226	2	1,136					1,138
Tax benefit from exercise of stock options			1,638					1,638
Balance, February 2, 2008	20,850	$209	$89,752	5,217	$(44,468)	$53,558	$ --	$99,051

The accompanying notes are an integral part of these consolidated statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal Year Ended 2/2/08	2/3/07	1/28/06
Cash Flows from Operating Activities:			
Net income	**$16,522**	$18,887	$13,067
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**13,989**	14,069	15,651
Stock-based compensation	**1,466**	1,559	448
Loss on impairment of assets	**60**	336	215
(Gain) loss on sale of property and equipment	**479**	228	(4)
Deferred income tax provision	**2,933**	465	1,281
Excess tax benefit of exercise of stock options	**(1,638)**	(2,567)	613
Reclassification of unrealized loss from de-designation of cash flow hedge	**--**	--	47
(Increase) decrease in assets:			
Accounts receivable	**1,074**	2,144	(2,673)
Related party receivables	**(1,133)**	(1,513)	(1,061)
Inventories	**(6,559)**	4,512	5,481
Prepayments and other	**(315)**	(25)	2,571
Noncurrent assets (excluding amortization)	**(3)**	(124)	1,176
Increase (decrease) in liabilities:			
Accounts payable	**5,575**	(14,752)	986
Related party payables	**(775)**	297	(6,900)
Accrued income taxes	**(1,719)**	880	296
Accrued expenses	**4,537**	(3,090)	5,519
Total adjustments	**17,971**	2,419	23,646
Net cash provided by operating activities	**34,493**	21,306	36,713
Cash Flows from Investing Activities:			
Capital expenditures	**(16,878)**	(16,191)	(11,297)
Proceeds from sale of property and equipment	**--**	15	11
Net cash used in investing activities	**(16,878)**	(16,176)	(11,286)
Cash Flows from Financing Activities:			
Borrowings under credit facilities	**174,212**	2,850	189,119
Repayments under credit facilities	**(146,370)**	(2,950)	(189,420)
Proceeds from exercise of stock options and issuance of common stock under employee stock purchase plan	**1,257**	1,768	4,431
Purchase of treasury stock	**(20,054)**	(7,460)	(5,324)
Payment of dividends	**(56,824)**	(5,303)	(3,273)
Excess tax benefit from exercise of stock options	**1,638**	2,567	--
Net cash used in financing activities	**(46,141)**	(8,528)	(4,467)
Net (Decrease) increase in Cash and Cash Equivalents	**(28,526)**	(3,398)	20,960
Cash and Cash Equivalents at Beginning of Year	**34,121**	37,519	16,559
Cash and Cash Equivalents at End of Year	**$5,595**	$34,121	$37,519
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	**$1,907**	$ 910	$ 1,607
Income taxes, net of refunds	**$6,666**	$ 7,199	$ 6,787
Supplemental Disclosures of Non Cash Investing Activities:			
Capital expenditures in accrued expenses	**$(368)**	$(1,284)	$ --

The accompanying notes are an integral part of these consolidated statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Business
Books-A-Million, Inc. and its subsidiaries (the "Company") are principally engaged in the sale of books, magazines and related items through a chain of retail bookstores. The Company presently operates 208 bookstores in 20 states and the District of Columbia, which are predominantly located in the southeastern United States. The Company also operates a retail Internet website. The Company presently consists of Books-A-Million, Inc. and its three wholly owned subsidiaries, American Wholesale Book Company, Inc. ("American Wholesale") , American Internet Service, Inc ("AIS") and Books-A-Million Card Services, Inc. ("Card Services"). All inter-company balances and transactions have been eliminated in consolidation. For a discussion of the Company's business segments, see Note 8.

Fiscal Year
The Company operates on a 52 or 53-week year, with the fiscal year ending on the Saturday closest to January 31. Fiscal year 2008 was a 52-week period while fiscal year 2007 was a 53-week period. Fiscal year 2006 was a 52-week period.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition
The Company recognizes revenue from the sale of merchandise at the time the merchandise is sold and the customer takes delivery. Returns are recognized at the time the merchandise is returned and processed. At each period end, an estimate of sales returns is recorded. Sales return reserves are based on historical returns as a percentage of sales activity. The historical returns percentage is applied to the sales for which returns are projected to be received after period end. The estimated returns percentage and return dollars have not materially changed in the last several years. Sales tax collected is recorded net and is not recognized as revenue and is included on the consolidated balance sheets in accrued expenses.

The Company sells its Millionaire's Club Card, which entitles the customer to receive a ten percent discount on all purchases made during the twelve-month membership period, for a non-refundable fee. The Company recognizes this revenue over the twelve-month membership period based upon historical customer usage patterns. Related deferred revenue is included in accrued expenses.

The Company sells gift cards to its customers in its retail stores. The gift cards do not have an expiration date. Income is recognized from gift cards when: (1) the gift card is redeemed by the customer; or (2) the likelihood of the gift card being redeemed by the customer is remote (gift card breakage) and there is no legal obligation to remit the value of the unredeemed gift cards to the relevant jurisdictions. The gift card breakage rate is determined based upon historical redemption patterns. Based on this historical information, the likelihood of a gift card remaining unredeemed can be determined after 24 months of card inactivity. At that time, breakage income is recognized for those cards for which the likelihood of redemption is deemed to be remote and which there is no legal obligation to remit the value of such unredeemed gift cards to the relevant jurisdictions. In fiscal 2007, the Company formed a gift card subsidiary, Books-A-Million Card Services ("Card Services") to administer the Company's gift card program and to provide a more advantageous legal structure. During fiscal 2008, the Company recognized $1.4 million of gift card breakage income. Breakage income for fiscal 2007 was $3.2 million of which $2.3 million relates to periods prior to fiscal 2007. The $2.3 million represents a change in estimate in the escheat liability due to operational changes related to the creation of Card Services. Breakage income for fiscal 2006 was $482,000. Gift card breakage income is included in revenue.

Vendor Allowances
The Company receives allowances from its vendors from a variety of programs and arrangements, including placement and co-operative advertising programs. Effective February 3, 2002, the Company adopted the provisions of Emerging Issues Task Force ("EITF") No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor*, which addresses the accounting for vendor allowances. As a result of the adoption of this statement, vendor allowances in excess of incremental direct costs are reflected as a reduction of inventory costs and recognized in cost of products sold upon the sale of the related inventory.

Accounts Payable
The Company classifies its checks written but not yet cleared by the bank in Accounts Payable. Checks are only written once approved by management. Amounts included in Accounts Payable as of February 2, 2008 and February 3, 2007 were $24,991,000 and $12,719,000, respectively.

Inventories
Inventories are valued at the lower of cost or market, using the retail method. Market is determined based on the lower of replacement cost or estimated realizable value. Using the retail method, store and warehouse inventories are valued by applying a calculated cost to retail ratio to the retail value of inventories.

The Company currently utilizes the last-in, first-out (LIFO) method of accounting for inventories. The cumulative difference between replacement and current cost of inventory over stated LIFO value is $2.5 million as of February 2, 2008 and $2.1 million as of February 3, 2007. The estimated replacement cost of inventory is the current FIFO value of $209.3 million.

Physical inventory counts are taken throughout the course of the fiscal period and reconciled to the Company's records. Accruals for inventory shortages are estimated based upon historical shortage results.

Inventories were:

	Fiscal Year Ended	
(In thousands)	**February 2, 2008**	February 3, 2007
Inventories (at FIFO)	**$209,314**	$202,327
LIFO reserve	**(2,478)**	(2,050)
Net inventories	**$206,836**	$200,277

Property and Equipment
Property and equipment are recorded at cost. Depreciation of equipment and furniture and fixtures is provided on the straight-line method over the estimated service lives, which range from three to seven years. Depreciation of buildings and amortization of leasehold improvements, including remodels, is provided on the straight-line basis over the lesser of the assets' estimated useful lives (ranging from five to 40 years) or, if applicable, the periods of the leases. Determination of useful asset life is based on several factors requiring judgment by management and adherence to generally accepted accounting principles for depreciable periods. Judgment used by management in the determination of useful asset life could relate to any of the following factors: expected use of the asset; expected useful life of similar assets; any legal, regulatory, or contractual provisions that may limit the useful life; and other factors that may impair the economic useful life of the asset. Maintenance and repairs are charged to expense as incurred. Improvement costs, which extend the useful life of an asset, are capitalized to property accounts and depreciated over the asset's expected remaining life. The cost and accumulated depreciation of assets sold, retired or otherwise disposed of are removed from the accounts, and the related gain or loss is credited or charged to income.

Long-Lived Assets
The Company's long-lived assets consist of property and equipment which includes leasehold improvements. At February 2, 2008, the Company had $53.5 million of property and equipment, net of accumulated depreciation, accounting for approximately 18.8% of the Company's total assets. The Company reviews its 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 Statement of Financial Accounting Standards (SFAS) No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*." The Company evaluates long-lived assets for impairment at the individual store level, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the Company will first compare the carrying amount of the assets to the individual store's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the assets to the individual store's fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Impairment losses totaled $0.1 million, $0.3 million and $0.2 million in fiscal 2008, 2007 and 2006, respectively, and were recorded in selling, general administrative costs. For all years presented, the impairment losses related to the retail trade business segment.

Goodwill
At February 2, 2008, the Company had $1.4 million of goodwill, accounting for approximately 0.5% of the Company's total assets. SFAS No. 142, "*Goodwill and Other Intangible Assets*," requires that goodwill and other indefinite life intangible assets no longer be amortized, but instead be tested for impairment at least annually or earlier if there are impairment indicators. The Company performs a two-step process for impairment testing of goodwill as required by SFAS No. 142. The first step of this test, used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount. The second step (if necessary) measures the amount of the impairment. The Company completed its annual impairment test on the goodwill during the fourth quarter of fiscal 2008 and deemed that no impairment charge was necessary. The Company has noted no subsequent indicators of impairment. Changes in market conditions, among other factors, could have a material impact on these estimates.

Deferred Rent
The Company recognizes rent expense by the straight-line method over the lease term, including lease renewal option periods that can be reasonably assured at the inception of the lease. The lease term commences on the date when the Company takes possession and has the right to control use of the leased premises. Also, funds received from the lessor intended to reimburse the Company for the cost of leasehold improvements are recorded as a deferred credit resulting from a lease incentive and are amortized over the lease term as a reduction of rent expense.

Loss from Discontinued Operations
The Company periodically closes under-performing stores. The Company believes that a store is a component under SFAS No. 144. Therefore, each store closure would result in the reporting of a discontinued operation unless the operations and cash flows from the closed store could be absorbed in some part by surrounding Company stores(s) within the same market area. Management evaluates certain factors in determining whether a closed store's operations could be absorbed by surrounding store(s); the primary factor considered is the distance to the next closest Books-A-Million store. When a closed store results in a discontinued operation, the results of operations of the closed store include store closing costs and any related asset impairments. See Note 7 for discontinued operations disclosures.

In November 2004, the Emerging Issues Task Force ("EITF") issued EITF No. 03-13, "*Applying the Conditions in Paragraph 42 of FASB No. 144 in Determining Whether to Report Discontinued Operations*." EITF No. 03-13 addresses how an ongoing entity should evaluate whether the operations and cash flows of a disposed component have been or will be eliminated from the ongoing operations of the entity and the types of continuing involvement that constitute significant continuing involvement in the operations of the disposed component. EITF No. 03-13 became effective with the fiscal year beginning January 30, 2005. Prior to the effective date of EITF No. 03-13, the Company was already reporting certain closed stores as discontinued operations (see footnote 7). Therefore, adopting this new guidance did not impact the Company's financial position, results of operations or cash flows.

Store Opening Costs
Non-capital expenditures incurred in preparation for opening new retail stores are expensed as incurred.

Store Closing Costs
The Company continually evaluates the profitability of its stores. When the Company closes or relocates a store, the Company incurs unrecoverable costs, including net book value of abandoned fixtures and leasehold improvements, lease termination payments, costs to transfer inventory and usable fixtures and other costs of vacating the leased location. Such costs are primarily expensed as incurred and are included in selling, general and administrative costs. During fiscal 2008, 2007 and 2006, the Company recognized store closing costs of $599,810, $418,000 and $40,000, respectively.

Advertising Costs
The costs of advertising are expensed as incurred. Advertising costs, net of applicable vendor reimbursements of $1,756,487, $1,413,000 and $1,647,000, are charged to operating, selling and administrative expenses, and totaled $3,801,000, $3,629,000 and $3,578,000 for fiscal years 2008, 2007 and 2006, respectively.

Insurance Accruals
The Company is subject to large deductibles under its workers' compensation and health insurance policies. Amounts are accrued currently for the estimated cost of claims incurred, both reported and unreported.

Income Taxes
The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that result in temporary differences between the amounts recorded in its financial statements and tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Accounts Receivable and Allowance for Doubtful Accounts
Receivables represent customer, landlord and other receivables due within one year and are net of any allowance for doubtful accounts. Net receivables were $10,230,000 and $10,171,000 for February 2, 2008 and February 3, 2007, respectively. Trade accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The collectability of trade receivable balances is regularly evaluated based on a combination of factors such as customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment patterns. If it is determined that a customer will be unable to fully meet its financial obligation, such as the case of a bankruptcy filing or other material events impacting its business, a specific reserve for doubtful accounts is recorded to reduce the related receivable to the amount expected to be recovered.

Cash and Cash Equivalents
For purposes of the consolidated statements of cash flows, the Company considers all short-term, highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Sales and Use Tax Contingencies
The Company is subject to potential ongoing sales and use tax audits, income tax audits and other tax issues for both its retail and electronic commerce segments. It is the policy of the Company to estimate any potential tax contingency liabilities based on various factors such as ongoing state and federal tax audits, historical results of audits at the state or federal level and specific tax issues. Accruals for potential tax contingencies are recorded by the Company when they are deemed to have a probable likelihood of a liability and the liability can be reasonably estimated.

Stockholders' Equity
Basic net income per share ("EPS") is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution, using the treasury stock method that could occur if stock options are exercised or restricted stock granted to employees vested and resulted in an increase of common stock that then shared in the earnings of the Company. Diluted EPS has been computed based on the average number of shares outstanding including the effect of outstanding stock options and restricted stock, if dilutive, in each respective year. A reconciliation of the weighted average shares for basic and diluted EPS is as follows:

	Fiscal Year Ended		
(In thousands)	**2/2/08**	2/3/07	1/28/06
Weighted average shares outstanding:			
Basic	**16,089**	16,352	16,276
Dilutive effect of stock options and restricted stock outstanding	**213**	453	612
Diluted	**16,302**	16,805	16,888

Weighted options outstanding of 0, 0 and 94,000 for the years ended February 2, 2008, February 3, 2007 and January 28, 2006, respectively, were not included in the table above as they were anti-dilutive in those periods.

In March 2004, the Board of Directors authorized a common stock repurchase program for up to 1.6 million shares, or 10% of the outstanding stock ("The March 2004 Plan"). Under the March 2004 Plan, the Company repurchased a total of 1,452,000 shares at a cost of $13,667,000. This plan is now discontinued.

On June 8, 2006, the Board approved a new stock repurchase program ("The June 2006 Plan"). The program authorized the repurchase of up to $10 million in shares of the Company's common stock over the next twelve months, but no specific number of shares was approved. This stock repurchase program replaced the March 2004 Plan.

On August 23, 2006, the Board approved an additional stock repurchase program ("The August 2006 Plan"). This program authorized the repurchase of up to additional $25 million in shares of the Company's common stock over the next eighteen months. This program is in addition to the June 2006 Plan to repurchase up to $10 million in shares of common stock. Under the August 2006 Plan, the Company repurchased 1,399,000 and 300,000 shares at a cost of $20,054,000 and $4,436,000 during the fiscal years ended February 2, 2008 and February 3, 2007, respectively. This plan expired on February 23, 2008. On March 26, 2008, the Board of Directors authorized a new common stock repurchase program for up to $5 million. The plan will expire on April 30, 2009.

Additionally, in June 2005 the Company commenced a modified "Dutch Auction" tender offer (the "Tender Offer") to purchase up to 4,000,000 shares of its outstanding common stock at a price per share of not less than $8.75 nor in excess of $10.00 per share, for an aggregate purchase price of up to $40.0 million. Pursuant to the Tender Offer, the Company purchased 56,406 shares of common stock at a purchase price of $10.00 per share, plus expenses for completing the Tender Offer, for a total cost of $1,040,000.

Disclosure of Fair Value of Financial Instruments
Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are reflected in the accompanying financial statements at cost, which approximates fair value because of the short-term maturity of these instruments. Investments are reflected in the accompanying financial statements at current market value. Based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities at February 2, 2008 and February 3, 2007, the Company's debt approximates fair value.

Stock-Based Compensation
On January 29, 2006, the Company adopted the provisions of SFAS No. 123(R), "*Share-Based Payment*," which revises SFAS No. 123, "*Accounting for Stock-Based Compensation,"* and supersedes APB Opinion 25, "*Accounting for Stock Issued to Employees."* SFAS No. 123(R) requires the Company to recognize expense related to the fair value of its stock-based compensation awards, including employee stock options.

Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based compensation awards using the intrinsic value method as required by APB Opinion 25. Accordingly, the Company did not recognize compensation expense in the statement of income for options granted that had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. However, the Company did record compensation expense related to restricted stock units based on the market value of its stock at the date of grant. As required by SFAS No. 123, the Company also provided certain pro forma disclosures for stock-based awards as if the fair-value-based approach of SFAS No. 123 had been applied.

The Company used the modified prospective transition method as permitted by SFAS No. 123(R) and, therefore, has not restated its financial results for prior periods. Under this transition method, the Company applied the provisions of SFAS No. 123(R) to new awards and to awards modified, repurchased or cancelled after January 29, 2006. In addition, the Company will recognize compensation cost for the portion of awards for which the requisite service has not been rendered (unvested awards) that are outstanding as of January 29, 2006, as the remaining service is rendered. The compensation cost recorded for these awards is based on their grant-date fair value as calculated for the pro forma disclosures required by SFAS No. 123.

Prior to fiscal 2007, the Company accounted for stock-based employee compensation under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "*Accounting for Stock Issued to Employees,*" and related Interpretations. No stock-based employee compensation cost for this plan is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and net income per common share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 148 ("SFAS 148") "Accounting for Stock-Based Compensation-Transaction and Disclosure – an Amendment of FASB Statement No. 123" to stock-based employee compensation:

(In thousands, except per share amounts)	**Fiscal Year Ended 1/28/06**
Net income, as reported	**$13,067**
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects	**541**
Pro forma net income	**$12,526**
Net income per common share:	
Basic – as reported	**$ 0.80**
Basic – pro forma	**$ 0.76**
Diluted – as reported	**$ 0.77**
Diluted – pro forma	**$ 0.74**

The Company's pre-tax compensation cost for stock-based employee compensation was $1,466,000 ($904,000 net of taxes), $1,559,000 ($982,000 net of taxes) and $448,000 ($270,000 net of taxes) for the years ended February 2, 2008, February 3, 2007 and January 28, 2006, respectively.

Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows in the Consolidated Statements of Cash Flows. SFAS No. 123(R) requires that cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) be classified as financing cash flows. For the year ended February 2, 2008, $1,638,000 of such excess tax benefits was classified as financing cash flows. Excess tax benefits for the years ended February 3, 2007 and January 28, 2006 were $2,567,000 and $613,000, respectively.

Accounting for Derivative Instruments and Hedging Activities
In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*," amended by SFAS No. 137, "*Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133,*" and SFAS No. 138, "*Accounting for Certain Derivatives and Certain Hedging Activities*," and SFAS No.149, "*Amendment of SFAS No. 133 on Derivatives and Hedging Activities*." SFAS No. 133 established accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. At February 2, 2008 and February 3, 2007, liabilities related to derivatives were classified as other long-term liabilities of $0 and $0, respectively.

Comprehensive Income (Loss)
Comprehensive income (loss) is net income or loss, plus certain other items that are recorded directly to stockholders' equity. The only such items currently applicable to the Company are the unrealized gains (losses) on the derivative instruments explained in Note 3.

Recent Accounting Pronouncements
In June 2006, the FASB issued FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes"* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *"Accounting for Income Taxes."* FIN 48 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted the provisions of FIN 48, effective February, 4, 2007. As a result of the adoption of FIN 48, the Company recorded an increase of $1,987,000 in other long-term liabilities in its consolidated balance sheet for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the February 4, 2007 balance of retained earnings.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS No. 157"). SFAS No. 157 was issued to provide increased consistency and comparability in fair value measurements. Specifically, SFAS No. 157 creates a significant definition of fair value emphasizing fair value as a market-based measurement. The Company is required to adopt SFAS No. 157 as of the beginning of its fiscal year that begins after November 15, 2007. The adoption of SFAS No. 157 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities: Including an amendment of FASB No. 115*" ("SFAS No. 159"). SFAS No. 159 permits all entities to elect to measure many financial instruments and certain other items at fair value with changes in fair value reported in earnings. The fair value option is generally applied on an instrument-by-instrument basis and may be elected for a single item without electing other identical items, even if issued in a single transaction. The Company is required to adopt SFAS No. 159 as of the beginning of its fiscal year that begins after November 15, 2007. The adoption of SFAS No. 159 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In May 2007, the FASB issued FASB Staff Position No. FIN 48-1, "*Definition of Settlement in FASB Interpretation No. 48*" ("FSP FIN 48-1"). FSP FIN 48-1 amends FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*," to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purposes of recognizing previously unrecognized tax benefits. The Company is required to apply the guidance provided in FSP FIN 48-1 upon its adoption of FIN 48 which was as of February 4, 2007. The application of FSP FIN 48-1 has not had a material effect on the Company's financial position, results of operations, or cash flows.

In June 2007, the Emerging Issues Task Force (EITF) of the FASB ratified their consensus position 06-11, "*Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*" ("EITF 06-11"). EITF 06-11 provides guidance on how a company should recognize the income tax benefit received on dividends that are paid to employees holding equity-classified nonvested shares, equity-classified nonvested share units, or equity-classified outstanding share options charged to retained earnings under FASB Statement 123(R), "*Share-Based Payment*." The Company is required to apply the guidance provided in EITF 06-11 prospectively to income tax benefits of dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning after September 15, 2007. Early adoption of EITF 06-11 is permitted for the income tax benefit of dividends on equity-classified employee share-based payment awards that are declared in periods for which financial statements have not yet been issued. The Company has elected early adoption of this pronouncement as of the fiscal quarter ending August 4, 2007. The early adoption of EITF 06-11 has not had a material effect on the Company's financial position, results of operation or cash flows.

In December 2007, the FASB issued *SFAS No. 141 revised, Business Combinations*. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141 revised is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

In December 2007, the FASB issued *SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*. The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the Noncontrolling interest in a subsidiary and for the decosolation of a subsidiary. SFAS 160 is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

In March, 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. Based on current conditions, the Company does not expect the adoption of SFAS 161 to have a significant impact on its results of operations or financial position.

2. Income Taxes

A summary of the components of the income tax provision is as follows *(in thousands)*:

	Fiscal Year Ended		
	2/2/08	2/3/07	1/28/06
Current:			
Federal	**$6,304**	$10,089	$6,495
State	**314**	553	899
	$6,618	$10,642	$7,394
Deferred:			
Federal	**$2,481**	$338	$1,000
State	**453**	127	162
	2,934	465	1,162
Provision for income taxes	**$9,552**	$11,107	$8,556

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	Fiscal Year Ended		
	2/2/08	2/3/07	1/28/06
Federal statutory income tax rate	**35.0%**	35.0%	35.0%
State income tax provision	**2.1%**	1.7%	3.5%
Nondeductible meals and entertainment expense	**0.3%**	0.2%	0.3%
Other	**0.1%**	0.1%	0.8%
Federal tax credits	**(0.9%)**	--	--
Effective income tax rate	**36.6%**	37.0%	39.6%

Temporary differences (in thousands) which created deferred tax assets (liabilities) at February 2, 2008 and February 3, 2007, are as follows:

	2/2/08		As of 2/3/07	
	Current	**Noncurrent**	Current	Noncurrent
Depreciation	$ --	$ (628)	$ --	$ (1,215)
Accruals	**2,261**	**--**	2,639	--
Inventory	**(8,672)**	**--**	(5,769)	--
State net operating loss carry forwards	**--**	**--**	--	204
Deferred Rent	**695**	**3,418**	822	3,680
Prepaids	**(1,435)**	**--**	(1,477)	--
Amortization	**--**	**(358)**	--	(303)
Allowance for bad debts	**305**	**--**	293	--
State tax	**--**	**19**	--	(139)
	(6,846)	**2,451**	(3,492)	2,227
Less: Valuation allowances	**--**	**--**	--	(196)
Deferred tax asset (liability)	**$(6,846)**	**$2,451**	$ (3,492)	$ 2,031

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"), which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. The Company adopted the provisions of FIN 48 on February 4, 2007. As a result of the implementation of FIN 48, the Company has recognized an increase of $2.0 million in the liability for unrecognized tax benefits, which was accounted for as a decrease to the balance of retained earnings. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $2.0 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at February 4, 2007	$ 2,227
Additions based on tax positions related to current year	350
Expiration of statute of limitation	(403)
Balance at February 2, 2008	$ 2,174

The Company and its subsidiaries are subject to United States federal income tax as well as income tax of multiple state jurisdictions. In many cases these uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The Company has operations in various state jurisdictions that are currently under audit for years ranging from 2001 through 2006. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-United States, income tax examinations for years prior to 2004.

It is reasonably possible that the amount of unrecognized tax benefits will increase or decrease in the next twelve months. These changes may be the result of settlement of ongoing state audits. It is expected that certain state audits will be completed in the next 12 months resulting in a reduction of the liability for unrecognized tax benefits of $0.1 million. Depending on the outcome of these audits, the reduction of the liability for unrecognized tax benefits discussed above may affect the effective tax rate.

The Company's policy is to record interest and penalties related to income tax matters in income tax expense. Accrued interest and penalties were $0.68 million and $0.68 million as of February 2, 2008 and February 3, 2007, respectively. During fiscal year 2008 the Company recognized interest and penalties of $0.03 million.

A valuation allowance was established at the end of the previous fiscal year for net deferred taxes for a wholly-owned subsidiary. As of February 2, 2008, that entity was merged out of existence into the parent company. As a result, the net operating losses of that subsidiary are no longer available, and a valuation allowance is deemed unnecessary, as the realization of the remaining net operating losses is considered more likely than not.

3. Debt and Lines of Credit

The Company's current credit facility allows for unsecured borrowings up to $100 million for which no principal payments are due until the facility expires in July 2011. Availability under the facility is reduced by outstanding letters of credit issued there under. Interest on borrowings under the credit facility is determined based upon applicable LIBOR rates and the Company's rate spread, which varies depending on the maintenance of certain covenants. The credit facility contains financial and non-financial covenants, the most restrictive of which is the maintenance of a minimum fixed charge coverage ratio. The Company was in compliance with all covenants for fiscal 2008 and as of February 2, 2008. The outstanding balance under this credit facility as of February 2, 2008 and February 3, 2007, was $28.0 million and $0, respectively, and the face amount of letters of credit issued under the facility was $2.4 million and $2.9 million, respectively. The maximum and average outstanding borrowings under the credit facility (excluding the face amount of letters of credit issued there under) during fiscal 2008 were $55.9 million and $20.7 million, respectively. The outstanding amount is considered short-term in the financial statements because all borrowings under the credit facility are due in 12 months or less.

The Company is subject to interest rate fluctuations on borrowings under its credit facility. To manage this exposure, the Company has used interest rate swaps in the past to fix the interest rate on variable debt. The Company entered into two separate $10.0 million swaps on July 24, 2002. Both expired in August 2005 and, prior to the payoff of the debt, effectively fixed the interest rate on $20.0 million of variable debt at 5.13%. The Company did not replace the swaps at expiration.

During fiscal 1996 and fiscal 1995, the Company acquired and constructed certain warehouse and distribution facilities with the proceeds of loans made pursuant to an industrial development revenue bond (the "Bond"), which was secured by a mortgage interest in these facilities. As of February 2, 2008 and February 3, 2007, there was $7.0 million and $7.1 million of borrowings outstanding, respectively, under these arrangements, which bear interest at variable rates (4.25% as of February 2, 2008). The Bond has a maturity date of December 1, 2019, with a purchase provision obligating the Company to repurchase the Bond, unless extended by the bondholder. In fiscal 2007, an unrelated bank purchased the Bond from the existing bondholder, and the new bondholder extended the date of the Company's purchase obligation of the Bond until July 1, 2011 and did not require a mortgage interest to secure the bond. Such an extension may be renewed annually by the bondholder, at the Company's request, to a date no more than five years from the renewal date. The Company entered into a $7.5 million interest rate swap in May 1996 that expired on June 7, 2006 and effectively fixed the interest rate on the Bond during that period at 8.73% (the "Bond Hedge"). The Company did not replace the Bond Hedge when it expired.

The Company's hedges were designated as cash flow hedges because they are interest rate swaps that convert variable payments to fixed payments. Cash flow hedges protect against the variability in future cash outflows of current or forecasted debt and related interest expense. The changes in the fair value of these hedges are reported on the balance sheet with a corresponding adjustment to accumulated other comprehensive income (loss) or in earnings, depending on the type of hedging relationship. Over time, the amounts held in accumulated other comprehensive income (loss) were reclassified to earnings if the hedge transaction became ineffective.

Prior to its expiration, the Bond Hedge was reported as a liability in the accompanying consolidated balance sheets at a fair value of $61,000 as of January 28, 2006. For the fiscal years ending February 3, 2007 and January 28, 2006, adjustments of $7,000, and $141,000 were recorded as unrealized gains in accumulated other comprehensive income (loss), after tax. During fiscal 2006, a portion of the bond hedge no longer qualified for hedge accounting under SFAS No. 133. Therefore, the Company de-designated a portion of the hedge resulting in an expense of $47,000 in fiscal 2006. During fiscal 2005, one of the $10 million interest rate swaps no longer qualified for hedge accounting under SFAS No. 133 and the Company de-designated the hedge resulting in an expense of $27,000 in fiscal 2005.

4. Leases

The Company leases the premises for its retail bookstores under operating leases, which expire in various years through the year 2022. Many of these leases contain renewal options and require the Company to pay executory costs (such as property taxes, maintenance, and insurance). In addition to fixed minimum rentals, some of the Company's leases require contingent rentals based on a percentage of sales. The Company also has minimal operating leases for equipment and trailer trucks.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of February 2, 2008 are as follows *(in thousands)*:

Fiscal Year	**Future Minimum Rent**
2009	$ 30,297
2010	24,752
2011	19,991
2012	14,730
2013	11,521
Subsequent years	31,810
Total	$133,101

Rental expense for all operating leases consisted of the following *(in thousands)*:

	Fiscal Year Ended		
	2/2/08	2/3/07	1/28/06
Minimum rentals	**$35,347**	$33,205	$30,944
Contingent rentals	**(25)**	53	249
Total	**$35,322**	$33,258	$31,193

5. Employee Benefit Plans

401(k) Profit-Sharing Plan

The Company and its subsidiaries maintain a 401(k) plan covering all employees who have completed six months of service and who are at least 21 years of age, and permit participants to contribute from 1% to 15% of compensation and participants over 50 years of age are allowed to make catch-up contributions. Limits to contributions by employees are established by the Internal Revenue Code. Company matching and supplemental contributions are made at management's discretion. Company matching contributions were 50%, 70% and 70% for fiscal 2008, 2007 and 2006, respectively. The employer contributions are made on employee contributions up to a maximum of 6% of the employee's salary. The expense under this plan was $744,000, $472,000 and $806,000 in fiscal 2008, 2007 and 2006, respectively.

2005 Incentive Award Plan
On June 1, 2005, the stockholders of the Company approved the adoption of the Books-A-Million, Inc. 2005 Incentive Award Plan (the "2005 Plan") for a total of 300,000 shares. On June 8, 2006, the stockholders of the Company approved an additional 300,000 shares to be awarded under the Plan. An aggregate of 600,000 shares of common stock may be awarded under the 2005 Plan. From June 1, 2005 through February 2, 2008, awards under the 2005 Plan consisted solely of awards of restricted stock. Each year the compensation committee makes awards to the Company's officers and key employees pursuant to the terms of the plan. In addition, directors who have served eleven consecutive months are eligible for awards as well as new directors appointed to the Board. Shares granted under the 2005 Plan (net of cancellations) were 81,475, 161,800 and 78,933 in fiscal 2008, 2007 and 2006, respectively. The compensation expense related to these grants is being expensed over the vesting period for the individual grants. The Company has recorded $1,425,000 and $643,000 of stock-based compensation for the restricted stock grants in fiscal 2008 and 2007, respectively.

There are two types of restricted stock awards to employees. The first type of restricted stock award is "career based shares." Career based shares are completely unvested until the last day of the fifth fiscal year after the date of the grant whereupon such career based shares vest in full if the employee who received the grant is then employed by the Company. The compensation expense for these shares is recognized ratably over the five-year requisite service period. The second type of restricted stock award is "performance based shares." Performance based shares are earned based on the achievement of certain performance goals for the fiscal year in which they are granted. If the performance goals are met, the performance based shares vest in 50% increments at the end of the first and second fiscal years after the fiscal year in which they were granted if the employee who received the grant is then employed by the Company. Compensation expense for these shares is recognized ratably over the period beginning on the date the Company determines that it is probable the performance goals will be achieved and ending on the last day of the vesting period.

Additionally, there are annual restricted stock grants to directors. Each director who has served at least eleven consecutive months as of the Company's annual meeting of stockholders receives a restricted stock grant, which shares of restricted stock vest in one-third increments on each of the first, second and third anniversaries of the grant date. The expense related to the directors' grants is recognized ratably over the three-year vesting period.

Executive Incentive Plan
The Company maintains an Executive Incentive Plan (the "Incentive Plan"). The Incentive Plan provides for awards to certain executive officers of either cash or shares of restricted stock. The Company has always issued awards in the form of restricted stock. Issuance of awards under the Incentive Plan is based on the Company achieving pre-established performance goals during a three consecutive fiscal year performance period. Awards issued under the Incentive Plan for a particular performance period vest on the third anniversary of the last day of such performance period if the recipient remains employed by the Company on such vesting date. Awards under the Incentive Plan are expensed ratably over the period from the date that the issuance of such awards becomes probable through the end of the restriction period. Awards granted under the Incentive Plan for the two year performance periods ended February 3, 2007 and January 28, 2006 totaled $100,000 (6,707 shares) and $592,000 (50,824 shares), respectively. The final grant for the Incentive Plan was awarded in March 2006 for the January 28, 2006 three year performance period. There will be no future awards under the Incentive Plan.

Restricted Stock Table
A combined summary of the status of restricted stock grants to employees and directors under the 2005 Incentive Award Plan and the Executive Incentive Plan is as follows *(shares in thousands):*

	Fiscal Year Ended			
	February 2, 2008		February 3, 2007	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Shares at beginning of period	**281**	**$11.56**	214	$ 9.70
Shares granted	**87**	**$14.16**	169	$12.29
Shares vested	**(92)**	**$11.35**	(66)	$ 7.82
Shares forfeited	**(5)**	**$13.14**	(36)	$10.72
Shares at end of period	**271**	**$12.44**	281	$11.56

Stock Option Plan
In April 1999, the Company adopted the Stock Option Plan which provided for option grants to executive officers, directors, and key employees. Upon the approval of the 2005 Incentive Award Plan by the Company's stockholders at the Company's annual meeting held in June 2005, the board determined that no more awards would be made under the Stock Option Plan. Options previously issued under the Stock Option Plan remain valid. All options granted prior to January 9, 2001 vested over a five-year period and expired on the sixth anniversary of the date of grant, and all options granted on and after January 9, 2001 vest over a three-year period and expire on the tenth anniversary of the date of grant. All options have exercise prices equal to the fair market value of the common stock on the date of grant. A summary of the status of the Company's stock option plan is as follows *(shares in thousands)*:

	Fiscal Year Ended					
	February 2, 2008		February 3, 2007		January 28, 2006	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**270**	**$5.09**	814	$3.77	1,506	$ 5.19
Granted	**--**	**--**	--	N/A	--	N/A
Exercised	**(226)**	**5.05**	(540)	3.11	(640)	6.82
Forfeited	**(1)**	**5.76**	(4)	4.80	(52)	7.13
Outstanding at end of year	**43**	**$5.31**	270	$5.09	814	$ 3.77
Exercisable at end of year	**43**	**$5.31**	268	$5.08	566	$ 3.30

During fiscal years 2008, 2007 and 2006, the Company recognized tax benefits related to the exercise of stock options in the amount of $1,638,000, $2,567,000 and $613,000, respectively. The tax benefits were credited to paid-in capital in the respective years.

The total intrinsic value of stock options exercised during the year ended February 2, 2008 was $2,159,725.

The following table summarizes information about stock options outstanding as of February 2, 2008 *(shares in thousands)*:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at February 2, 2008	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at February 2, 2008	Weighted Average Exercise Price
$1.69 - $ 2.37	11	4.81	$2.31	11	$2.31
$2.68 - $ 5.85	7	4.00	$3.04	7	$3.04
$6.13 - $9.62	25	6.21	$7.25	25	$7.25
Totals	43	5.50	$5.31	43	$5.31

The aggregate intrinsic values of outstanding options and exercisable options under the Stock Option Plan at February 2, 2008 were $399,000 and $399,000, respectively.

Other Information
As of February 2, 2008 the Company has $2,436,000 of total unrecognized compensation cost related to non-vested awards granted under our various share-based plans, which it expects to recognize over the following fiscal years:

Fiscal Year	Stock-based Compensation Expense
2009	$ 1,276,000
2010	$ 539,000
2011	$ 405,000
2012	$ 216,000
Total	$ 2,436,000

The Company received cash from options exercised during the fiscal years 2008, 2007 and 2006 of $1,139,000, $1,680,000, and $4,347,000 respectively. The impact of these cash receipts is included in financing activities in the accompanying Consolidated Statements of Cash Flows.

The number of shares of common stock currently reserved under the 2005 Plan for stock-based compensation programs as of February 2, 2008 is 271,852 shares.

Employee Stock Purchase Plan
The Company maintains an employee stock purchase plan under which 400,000 shares of the Company's common stock are reserved for purchase by employees at 85% of the fair market value of the common stock at the lower of the market value for the Company's stock as of the beginning of the fiscal year or the end of the fiscal year. Of the total reserved shares, 276,732, 268,167 and 258,902 shares have been purchased as of February 2, 2008, February 3, 2007 and January 28, 2006, respectively.

Executives' Deferred Compensation Plan
During fiscal 2006, the Board adopted the Books-A-Million, Inc. Executives' Deferred Compensation Plan (the "Executives' Deferred Compensation Plan"). The Executives' Deferred Compensation Plan provides a select group of management or highly compensated employees of the Company and certain of its subsidiaries (the "Participants") with the opportunity to defer the receipt of certain cash compensation. Each Participant may elect to defer under the Executives' Deferred Compensation Plan a portion of his or her cash compensation that may otherwise be payable in a calendar year. A Participant's compensation deferrals are credited to the Participant's bookkeeping account (the "Account") maintained under the Executives' Deferred Compensation Plan. Each Participant's Account is credited with a deemed rate of interest and/or earnings or losses depending upon the investment performance of the deemed investment option.

With certain exceptions, a Participant's Account will be paid after the earlier of: (1) a fixed payment date, as elected by the Participant (if any); or (2) the Participant's separation from service with Company or its subsidiaries. Participants may generally elect that payments be made in a single sum or installments in the year specified by the Participant or upon their separation from service with the Company. Additionally, a Participant may elect to receive payment upon a Change of Control, as defined in, and to the extent permitted by, Section 409A of the Internal Revenue Code of 1986, as amended.

Directors' Deferred Compensation Plan
During fiscal 2006, the Board adopted the Books-A-Million, Inc. Directors' Deferred Compensation Plan (the "Directors' Deferred Compensation Plan"). The Directors' Deferred Compensation Plan provides the Non-Employee Directors with the opportunity to defer the receipt of certain amounts payable for serving as a member of the Board (the "Fees"). A Non-Employee Director's Fee deferrals are credited to the Non-Employee Director's bookkeeping account (the "Account") maintained under the Directors' Deferred Compensation Plan. Each participating Non-Employee Director's Account is credited with a deemed rate of interest and/or earnings or losses depending upon the investment performance of the deemed investment option.

With certain exceptions, a participating Non-Employee Director's Account will be paid after the earlier of: (1) a fixed payment date, as elected by the participating Non-Employee Director (if any); or (2) the participating Non-Employee Director's separation from service on the Board. The participating Non-Employee Director may generally elect that payments be made in a single sum or installments in the year specified by the participating Non-Employee Director or upon the Non-Employee Director's separation from service on the Board. Additionally, a participating Non-Employee Director may elect to receive payment upon a Change of Control, as defined in, and to the extent permitted by, Section 409A of the Internal Revenue Code of 1986, as amended.

6. Related Party Transactions
Certain stockholders and directors (including certain officers) of the Company have controlling ownership interests in other entities with which the Company conducts business. Transactions between the Company and these various other entities ("related parties") are summarized in the following paragraphs:

The Company purchases a substantial portion of its magazines as well as certain seasonal music and newspapers from Anderson Media Corporation ("Anderson Media"), an affiliate through common ownership. During fiscal 2008, 2007 and 2006, purchases of these items from Anderson Media totaled $25,514,000, $24,702,000 and $30,746,000, respectively. The Company purchases certain of its collectibles, gifts and books from Anderson Press, Inc. ("Anderson Press"), an affiliate through common ownership. During fiscal 2008, 2007 and 2006, such purchases from Anderson Press totaled $2,284,000, $1,423,000 and $1,272,000, respectively. The Company purchases certain of its greeting cards and gift products from C.R. Gibson, Inc., an affiliate through common ownership. The purchases of these items in fiscal 2008, 2007 and 2006 were $346,000, $447,000 and $223,000, respectively. The Company utilizes import sourcing and consolidation services from Anco Far East Importers, LTD ("Anco Far East"), an affiliate through common ownership. The total paid to Anco Far East was $2,622,000, $2,391,000 and $2,113,000 for fiscal 2008, 2007 and 2006, respectively. These amounts paid to Anco Far East primarily included the actual cost of the product, as well as fees for sourcing and consolidation services. All other costs, other than the sourcing and consolidation service fees, were passed through from other vendors. Anco Far East fees, net of the passed-through costs, for fiscal years 2008, 2007 and 2006 were $184,000, $167,000 and $148,000, respectively.

The Company sold books to Anderson Media in the amounts of $3,653,000, $2,430,000 and $1,017,000 in fiscal 2008, 2007 and 2006, respectively.

The Company leases its principal executive offices from a trust, which was established for the benefit of the grandchildren of Mr. Charles C. Anderson, a former member of the Board of Directors. The lease term is month to month. During fiscal 2008, 2007 and 2006, the Company paid rent of $141,000, $137,000, and $137,000, respectively, to the trust under this lease. Anderson & Anderson LLC ("A&A"), which is an affiliate through common ownership, also leases three buildings to the Company. During fiscal 2008, 2007 and 2006, the Company paid A&A a total of $428,000, $448,000, and $445,000, respectively, in connection with such leases. There were no future minimum rental payments on any of the four leases at February 2, 2008. The Company subleases certain property to Hibbett Sports, Inc. ("Hibbett"), a sporting goods retailer in the southeastern United States. The Company's Executive Chairman, Clyde B. Anderson, is a member of Hibbett's board of directors. Effective March 14, 2008, Terry Finley, President Books-A-Million, Inc. Merchandising Group, was appointed to the board of directors of Hibbett. During fiscal 2008, 2007 and 2006, the Company received $236,000, $191,000, and $191,000, respectively, in rental payments from Hibbett.

The Company shares ownership of a plane, which the Company uses in the operations of its business, with an affiliated company. The Company rents the plane to affiliated companies at rates that cover all the variable costs and a portion of the fixed costs of operating the plane. The total amounts received from affiliated companies for use of the plane in fiscal 2008, 2007 and 2006 were $668,000, $388,000 and $146,000, respectively. The Company also occasionally rents a plane from A&A at rates that cover all of the variable costs and a portion of the fixed costs of operating the plane. The amounts paid to A&A for plane rental were $110,000, $47,000 and $70,000 for fiscal 2008, 2007 and 2006, respectively.

7. Income or (Loss) from Discontinued Operations

The Company closed one store in fiscal 2008 in a market located in Georgia and one store in a market located in Indiana where the Company does not expect another of its existing stores to absorb the closed store customers. The store sales and operating results for fiscal 2008 have not been included in discontinued operations because the impact on the financial statements was immaterial. The Company continues to report in discontinued operations stores closed in prior years where the Company does not expect to retain the closed stores' customers at another store. For fiscal 2008 the closed stores had sales of $1.5 million and pretax operating loss of $382,000.

The Company closed one store in fiscal 2007 in a market located in Georgia where the Company does not expect another of its existing stores to absorb the closed store customers. The store sales and operating results for fiscal 2007 have not been included in discontinued operations because the impact on the financial statements was immaterial. The Company continues to report in discontinued operations stores closed in prior years where the Company does not expect to retain the closed stores' customers at another store. For fiscal 2007 the closed store had sales of $139,000 and pretax operating loss of $90,000.

Discontinued operations represent the results for the closed stores for the years presented due to the fiscal 2006 closure of two retail stores in markets located in Tennessee and West Virginia where the Company does not expect another of its existing stores to absorb the closed store customers. For fiscal 2006 the closed stores had sales of $689,000 and pretax operating income of $27,000. Also included in the loss on discontinued operations are store closing costs of $20,000 for fiscal 2006.

8. Business Segments

The Company has two reportable segments: retail trade and electronic commerce trade. The retail trade segment is a strategic business segment that is engaged in the retail trade of mostly book merchandise and includes the Company's distribution center operations, which supplies merchandise predominantly to the Company's retail stores. The electronic commerce trade segment is a strategic business segment that transacts business over the Internet and is managed separately due to divergent technology and marketing requirements. The Company evaluates performance of the segments based on profit and loss from operations before interest and income taxes. Certain intersegment cost allocations have been made based upon consolidated and segment revenues. Shipping income related to internet sales is included in net sales, and shipping expense is included in cost of sales.

		Fiscal Year Ended	
Segment information *(in thousands)*	**2/2/08**	2/3/07	1/28/06
Net Sales			
Retail Trade	**$528,606**	$512,967	$496,609
Electronic Commerce Trade	**26,992**	26,048	27,605
Intersegment Sales Elimination	**(20,470)**	(18,599)	(20,463)
Net Sales	**$535,128**	$520,416	$503,751
Operating Profit			
Retail Trade	**$26,911**	$ 29,223	$ 22,431
Electronic Commerce Trade	**1,462**	1,400	1,027
Intersegment Elimination of Certain Costs	**(953)**	(524)	(421)
Total Operating Profit	**$27,420**	$ 30,099	$ 23,037
Assets			
Retail Trade	**$283,452**	$303,110	$310,447
Electronic Commerce Trade	**1,381**	927	1,286
Intersegment Sales Elimination	**--**	--	(74)
Total Assets	**$284,833**	$304,037	$311,659

9. Commitments and Contingencies

The Company is a party to various legal proceedings incidental to its business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to those proceedings is not presently expected to materially affect the financial position, results of operations or cash flows of the Company.

From time to time, the Company enters into certain types of agreements that require the Company to indemnify parties against third party claims. Generally, these agreements relate to: (a) agreements with vendors and suppliers, under which the Company may provide customary indemnification to its vendors and suppliers in respect of actions they take at the Company's request or otherwise on its behalf, (b) agreements with vendors who publish books or manufacture merchandise specifically for the Company to indemnify the vendors against trademark and copyright infringement claims concerning the books published or merchandise manufactured on behalf of the Company, (c) real estate leases, under which the Company may agree to indemnify the lessors for claims arising from the Company's use of the property, and (d) agreements with the Company's directors, officers and employees, under which the Company may agree to indemnify such persons for liabilities arising out of their relationship with the Company. The Company has Directors and Officers Liability Insurance, which, subject to the policy's conditions, provides coverage for indemnification amounts payable by the Company with respect to its directors and officers up to specified limits and subject to certain deductibles.

The nature and terms of these types of indemnities vary. The events or circumstances that would require the Company to perform under these indemnities are transaction and circumstance specific. The overall maximum amount of obligations cannot be reasonably estimated. Historically, the Company has not incurred significant costs related to performance under these types of indemnities. No liabilities have been recorded for these obligations on the Company's balance sheet at each of February 2, 2008 and February 3, 2007, as such liabilities are considered de minimis.

10. Gain on Insurance Recoveries

In fiscal 2006 the Company recognized an insurance gain of $754,000, net of taxes, related to insurance recoveries for hurricane damage suffered at certain stores in fiscal 2005. The insurance recovery amount was finalized with the insurance company during the third quarter of fiscal 2006 (for stores damaged by hurricanes in fiscal 2005), and therefore the gain was recorded in the respective period.

11. Cash Dividend

On March 26, 2008, the Board of Directors declared a quarterly dividend of $0.09 per share to be paid on April 23, 2008 to stockholders of record at the close of business on April 9, 2008. The Company intends to pay quarterly dividends in the future, subject to Board approval.

12. Accrued Expenses

Accrued expenses consist of the following (*in thousands*):

	As of 2/2/08	As of 2/3/07
Accrued expenses:		
Salaries, wages and employee benefits	**$7,756**	$ 7,548
Giftcard liabilities to customers	**10,273**	9,612
Deferred club card income	**6,623**	5,399
Taxes, other than income	**5,734**	4,992
Rent	**2,237**	2,754
Other	**8,916**	8,279
	$41,539	$38,584

13. Summary of Quarterly Results (Unaudited)

The following tables set forth certain unaudited financial data for the quarters indicated:

	Fiscal Year Ended February 2, 2008				
(In thousands, except per share amounts)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total Year**
Net revenue	**$116,318**	**$132,802**	**$117,696**	**$168,312**	**$535,128**
Gross profit	**33,759**	**37,692**	**32,095**	**55,002**	**158,548**
Operating profit (loss)	**3,454**	**4,865**	**(524)**	**19,625**	**27,420**
Net income (loss)	**2,111**	**3,100**	**(555)**	**11,866**	**16,522**
Net income (loss) per share – basic	**0.13**	**0.19**	**(0.03)**	**0.77**	**1.03**
Net income (loss) per share – diluted	**0.13**	**0.19**	**(0.03)**	**0.76**	**1.01**

	Fiscal Year Ended February 3, 2007				
(In thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth (2) Quarter	Total Year
Net revenue	$113,887	$121,209	$110,692	$174,628	$520,416
Gross profit	32,610	34,918	29,087	60,113	156,728
Operating profit (loss)	2,592	4,053	(314)	23,768	30,099
Net income (loss)	1,512	2,457	(201)	15,119	18,887
Net income (loss) per share – basic (1)	0.09	0.15	(0.01)	0.92	1.16
Net income (loss) per share – diluted	0.09	0.14	(0.01)	0.90	1.12

(1) The sum of the quarterly amounts are different from the annual per share amounts because of differences in the weighted average number of common and common equivalents shares used in the quarterly and annual computations.

(2) The Company changed its estimate of gift card liabilities which resulted in recognition of $2.3 million in gift card breakage income during the fourth quarter of fiscal 2007 as disclosed in note 1.

DIRECTORS AND CORPORATE OFFICERS

Board of Directors

Clyde B. Anderson
Executive Chairman of the Board

Sandra B. Cochran
President, Chief Executive Officer and Secretary

Terry C. Anderson
Chief Executive Officer and President,
American Promotional Events, Inc.

Ronald G. Bruno
President,
Bruno Capital Management Corporation

Albert C. Johnson
Independent Financial Consultant and
Retired Partner, Arthur Andersen LLP

Dr. J. Barry Mason*,*
Dean, Culverhouse College of Commerce
The University of Alabama

William H. Rogers, Jr.
Executive Vice President,
SunTrust Banks, Inc.

Corporate Officers

Clyde B. Anderson
Executive Chairman of the Board

Sandra B. Cochran
President and Chief Executive Officer

Terrance G. Finley
President, Books-A-Million, Inc. Merchandising Group

Douglas G. Markham
Chief Financial Officer and Secretary

CORPORATE INFORMATION

Corporate Office
Books-A-Million, Inc.
402 Industrial Lane
Birmingham, Alabama 35211
(205) 942-3737

Transfer Agent
Wells Fargo Shareowner Services
(800) 468-9716

Stockholder Inquiries Address:
161 North Concord Exchange
South St. Paul, Minnesota 55075
E-Mail address: stocktransfer@wellsfargo.com
Wells Fargo Stock Transfer Website: *www.wellsfargo.com/com/shareowner_services/index*

Certificates for Transfer and Address Changes to:
Shareowner Services
Post Office Box 64854
St Paul, Minnesota 55164-0854
Fax: (651) 450-4033

Independent Registered Public Accounting Firm
Grant Thornton LLP
Atlanta, Georgia

Form 10-K and Investor Contact
A copy of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008, as filed with the Securities and Exchange Commission, as well as key committee charters and code of conduct, are available without charge to stockholders upon written request. Such requests and other investor inquiries should be directed to Douglas G. Markham, the Company's Chief Financial Officer, or you can view those items at *www.booksamillioninc.com*.

Market and Dividend Information
Common Stock
The Common Stock of Books-A-Million, Inc., is traded in the NASDAQ Global Select Market under the symbol BAMM. The chart below sets forth the high and low stock prices for each quarter of the fiscal years ending February 2, 2008 and February 3, 2007.

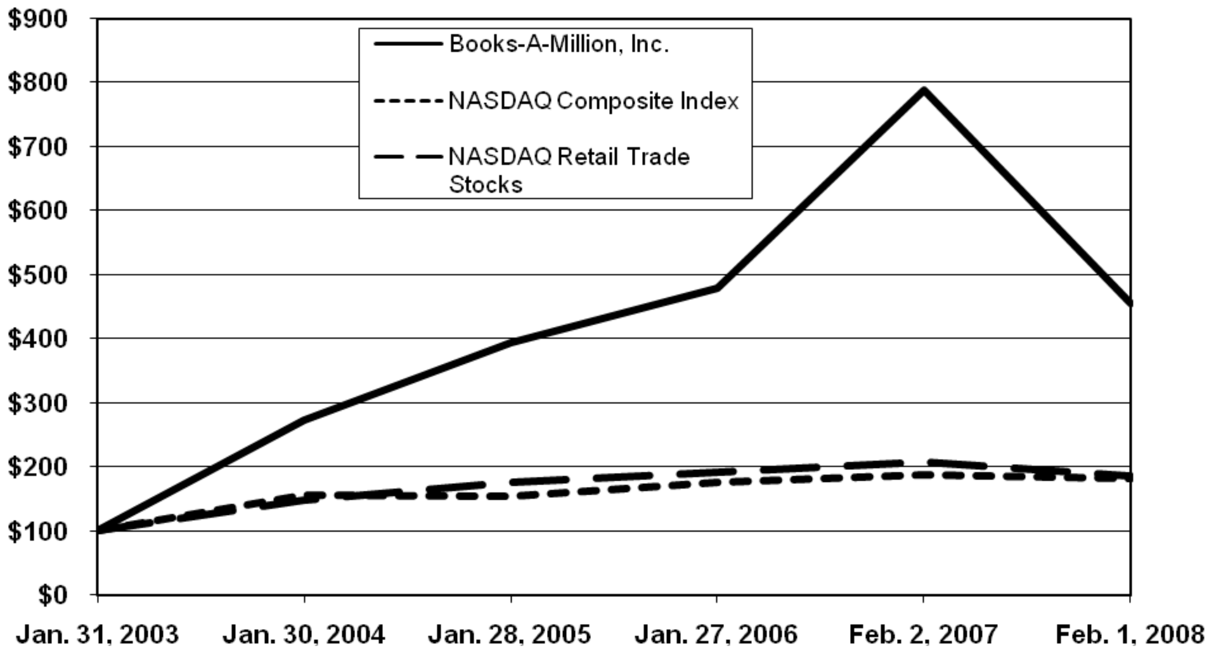
Quarter Ended	High	Low	Dividends Declared
January 2008	$13.72	$10.05	$0.09
October 2007	14.78	11.95	0.09
July 2007	20.37	15.03	3.09
April 2007	19.04	13.88	0.09
January 2007	22.69	18.65	0.09
October 2006	20.11	14.64	0.08
July 2006	18.49	14.00	0.08
April 2006	13.45	10.62	0.08

The closing price on March 28, 2008 was $9.05. As of that date Books-A-Million, Inc. had approximately 6,718 stockholders based on the number of individual participants represented by security position listings.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among Books-A-Million, Inc., The NASDAQ Composite Index and The NASDAQ Retail Trade Stock Index

The following indexed line graph indicates the Company's total return to stockholder's from January 31, 2003 to February 1, 2008, the last trading day prior to the Company's 2008 fiscal year end, as compared to the total return for the NASDAQ Composite Index and the NASDAQ Retail Trade Stock Index for the same period.



	Jan 31, 2003	Jan 30, 2004	Jan 28, 2005	Jan 27, 2006	Feb 2, 2007	Feb 1, 2008
Books-A-Million, Inc.	$100	$213	$306	$373	$613	$454
NASDAQ Composite Index	$100	$109	$107	$122	$131	$183
NASDAQ Retail Trade Stocks	$100	$119	$143	$155	$168	$185

This graph is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. This graph shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise noted in such filing.

ANNUAL MEETING OF STOCKHOLDERS

The annual meeting of stockholders will be held on May 29, 2008, at 10:00 a.m. central time, at the corporate offices of the company, 402 Industrial Lane, Birmingham, Alabama 35211. Stockholders of record as of March 28, 2008, are invited to attend this meeting.

BOOKS•A•MILLION

April 25, 2008

Dear Stockholder:You are cordially invited to attend the 2008 Annual Meeting of Stockholders of Books-A-Million, Inc., which will be held at 10:00 a.m. on Thursday, May 29, 2008, at our corporate offices, 402 Industrial Lane, Birmingham, Alabama 35211. Formal notice of the annual meeting, a proxy statement and a proxy card accompany this letter. Also enclosed is our Annual Report to Stockholders.

The principal business of the meeting will be to (i) elect a class of directors to serve a three-year term expiring in 2011; (ii) approve an amendment to increase the shares available under the 2005 Incentive Award Plan; (iii) ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for fiscal year 2009; and (iv) transact such other business as may properly come before the meeting. During the meeting, we will also review the results of the past fiscal year.

Regardless of whether you plan to attend the Annual Meeting, please complete, sign, date and return the enclosed proxy card in the postage-prepaid envelope provided so that your shares will be voted at the meeting. If you decide to attend the meeting, you may, of course, revoke your proxy and personally cast your votes.

Sincerely yours,

Clyde B. Anderson
Executive Chairman of the Board

BOOKS-A-MILLION, INC.
402 INDUSTRIAL LANE
BIRMINGHAM, ALABAMA 35211

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

You are cordially invited to attend the 2008 Annual Meeting of Stockholders of Books-A-Million, Inc. (the "Company"), which will be held at 10:00 a.m. on Thursday, May 29, 2008, at the corporate offices of the Company, 402 Industrial Lane, Birmingham, Alabama 35211. The meeting is called for the following purposes:

(1) To elect a class of directors for a three-year term expiring in 2011;

(2) To approve an amendment to increase the shares available under the 2005 Incentive Award Plan;

(3) To ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for fiscal year 2009; and

(4) To transact such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 30, 2008, as the record date for the purpose of determining the stockholders who are entitled to notice of and to vote at the meeting and any adjournment or postponement thereof.

By Order of the Board of Directors,

Sandra B. Cochran

Sandra B. Cochran
President and Chief Executive Officer

REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD SO THAT YOUR SHARES WILL BE REPRESENTED. IF YOU ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES PERSONALLY IF YOU DESIRE.

PROXY STATEMENT

TABLE OF CONTENTS

BOOKS-A-MILLION, INC.
402 Industrial Lane
Birmingham, Alabama 35211

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 29, 2008

INFORMATION ABOUT THE ANNUAL MEETING

This Proxy Statement is furnished by and on behalf of the Board of Directors of Books-A-Million, Inc. (the "Company") in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders of the Company to be held at 10:00 a.m. on Thursday, May 29, 2008, at the corporate offices of the Company, 402 Industrial Lane, Birmingham, Alabama 35211, and at any adjournments or postponements thereof (the "Annual Meeting"). This Proxy Statement and the enclosed proxy card will be first mailed on or about April 25, 2008 to the Company's stockholders of record on the close of business on March 30, 2008.

THE BOARD OF DIRECTORS URGES YOU TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PREPAID ENVELOPE PROVIDED.

SHARES ENTITLED TO VOTE

Proxies will be voted as specified by the stockholder or stockholders granting the proxy. Unless contrary instructions are specified, if the enclosed proxy card is executed and returned (and not revoked) prior to the Annual Meeting, the shares of common stock, $.01 par value per share (the "Common Stock"), of the Company represented thereby will be voted FOR the election as directors of the nominees listed in this Proxy Statement, FOR the approval of the second amendment to the 2005 Incentive Award Plan, and FOR the ratification of Grant Thornton LLP as the Company’s independent registered public accounting firm for fiscal year 2009. The submission of a signed proxy will not affect a stockholder's right to attend and to vote in person at the Annual Meeting. A stockholder who executes a proxy may revoke it at any time before it is voted by filing with the Secretary of the Company either a written revocation or an executed proxy bearing a later date or by attending and voting in person at the Annual Meeting.

Only holders of record of Common Stock as of the close of business on March 30, 2008 (the "Record Date") will be entitled to vote at the Annual Meeting. As of the close of business on the Record Date, there were 15,809,683 shares of Common Stock outstanding. Holders of shares authorized to vote are entitled to cast one vote per share on all matters. The holders of a majority of the shares entitled to vote must be present or represented by proxy at the Annual Meeting to constitute a quorum. Shares as to which authority to vote is withheld and abstentions are counted in determining whether a quorum exists.

Under Delaware law and the Company's by-laws, directors are elected by the affirmative vote, in person or by proxy, of a plurality of the shares entitled to vote in the election at a meeting at which a quorum is present. Only votes actually cast will be counted for the purpose of determining whether a particular nominee received more votes than the persons, if any, nominated for the same seat on the Board of Directors. The approval of the second amendment to the 2005 Incentive Award Plan and the ratification of the appointment of independent registered public accounting firm both require for adoption the affirmative vote of the holders of a majority of shares of common stock present in person or represented by proxy and entitled to vote on the proposal at the Annual Meeting.

Abstentions, votes withheld and, unless a broker's authority to vote on a particular matter is limited, shares held in street name that are not voted, are counted in determining the votes present at a meeting and entitled to vote, such as for quorum purposes. Abstentions will be counted as present for purposes of determining the existence of a quorum but will be counted as not voting on any proposal brought before the Annual Meeting. Since the election of directors (Proposal 1) is determined by a plurality of the votes cast at the Annual Meeting, abstentions will not affect the outcome of this matter. An abstention as to the approval of the second amendment to the 2005 Incentive Award Plan (Proposal 2) and as to the ratification of the appointment of the independent registered public accounting firm (Proposal 3) will have the same effect as voting against these proposals. However, a share that is held in street name that is not voted because the broker's authority to vote on that matter is limited and the broker did not receive direction on how to vote the share on that matter from the beneficial owner (a "broker non-vote") is not considered entitled to vote and is thus not calculated as a vote cast at a meeting (either for or against the proposal). Accordingly, broker non-votes, if any, will not have an effect on the approval of Proposals 1, 2 or 3.

With respect to any other matters that may come before the Annual Meeting, if proxies are executed and returned, such proxies will be voted in a manner deemed by the proxy representatives named therein to be in the best interests of the Company and its stockholders.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Board of Directors of the Company is divided into three classes of directors serving staggered terms of office. Upon the expiration of the term of office of a class of directors, the nominees for that class are elected for a term of three years to serve until the election and qualification of their successors. The current terms of Mr. Terry C. Anderson and Mr. Albert C. Johnson expire upon the election and qualification of the directors to be elected at this Annual Meeting. The Board of Directors has nominated Mr. Terry C. Anderson and Mr. Albert C. Johnson for re-election to the Board of Directors at the Annual Meeting, to serve until the 2011 annual meeting of stockholders and until their successors are duly elected and qualified.

All shares represented by properly executed proxies received in response to this solicitation will be voted for the election of the directors as specified therein by the stockholders. Unless otherwise specified in the proxy, it is the intention of the persons named on the enclosed proxy card to vote FOR the election of Mr. Terry C. Anderson and Mr. Albert C. Johnson to the Board of Directors. Mr. Anderson and Mr. Johnson have consented to serve as directors of the Company if elected. If at the time of the Annual Meeting, Mr. Anderson and Mr. Johnson are unable or decline to serve as a director, the discretionary authority provided in the enclosed proxy card will be exercised to vote for a substitute candidate designated by the Board of Directors. The Board of Directors has no reason to believe that Mr. Anderson and Mr. Johnson will be unable or will decline to serve as a director.

Stockholders may withhold their votes from a nominee by so indicating in the space provided on the enclosed proxy card.

Set forth below is certain information furnished to the Company by Mr. Anderson and Mr. Johnson and by each of the incumbent directors whose terms will continue following the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION AS DIRECTORS OF THE NOMINEES NAMED ABOVE.

NOMINEES FOR ELECTION - TERM EXPIRING 2011

TERRY C. ANDERSON
Age: 50

Terry C. Anderson has served as a director of the Company since April 1998. Mr. Anderson serves as the President and Chief Executive Officer of American Promotional Events, Inc., an importer and wholesaler of pyrotechnics, a position he has held since July 1988. Mr. Anderson is the brother of Clyde B. Anderson, the Executive Chairman of the Company's Board of Directors. Mr. Anderson is not an independent director.

ALBERT C. JOHNSON
Age: 63

Albert C. Johnson has served as director of the Company since August 2005. Mr. Johnson is an independent financial consultant and a retired CPA. He retired from Arthur Andersen LLP in 1994 after a 30-year career. Mr. Johnson most recently served as Senior Vice President and Chief Financial Officer of Dunn Investment Company from 1994 to 1998. He also is a director of Regions Morgan Keegan Mutual Funds. On March 14, 2008 Mr. Johnson was appointed to serve on the Board of Directors of Hibbett Sports, Inc., a sporting goods retailer. Mr. Johnson has been determined to be independent by the Board as defined by the listing standards of The NASDAQ Stock Market, Inc. (“NASDAQ”).

INCUMBENT DIRECTORS - TERM EXPIRING 2009

CLYDE B. ANDERSON
Age: 47

Clyde B. Anderson has served as Executive Chairman of the Board of Directors since February 2004 and has served as a director of the Company since August 1987. Mr. Anderson served as the Chairman of the Board of Directors from January 2000 until February 2004 and also served as the Chief Executive Officer of the Company from July 1992 until February 2004. Mr. Anderson also served as the President of the Company from November 1987 to August 1999. From November 1987 to March 1994, Mr. Anderson also served as the Company's Chief Operating Officer. Mr. Anderson has served on the Board of Directors of Hibbett Sports, Inc., a sporting goods retailer, since 1987 and has announced plans to retire from the Board of Hibbett Sports, Inc. at its 2008 Annual Shareholders meeting. Mr. Anderson is the brother of Terry C. Anderson, a member of the Company's Board of Directors. Mr. Anderson is not an independent director.

RONALD G. BRUNO
Age: 56

Ronald G. Bruno has served as the President of Bruno Capital Management Corporation, an investment company, since September 1995 and has served as a director of the Company since September 1992. Formerly, Mr. Bruno served as the Chairman and Chief Executive Officer of Bruno's Supermarkets, Inc., a supermarket retailing chain. Mr. Bruno has been determined to be independent by the Board as defined by NASDAQ listing standards.

SANDRA B. COCHRAN
Age: 49

Sandra B. Cochran has served as Chief Executive Officer of the Company since February 2004, and as President of the Company since August 1999. She served as Secretary from June 1998 until March 2008. Ms. Cochran served as the Company's Executive Vice President from February 1996 to August 1999 and as its Chief Financial Officer from September 1993 to August 1999. Ms. Cochran previously served as Vice President and Assistant Secretary of the Company from August 1992 to September 1993. Prior to joining the Company, Ms. Cochran served as a Vice President (as well as in other capacities) of SunTrust Securities, Inc., a subsidiary of SunTrust Banks, Inc. for more than five years. Sandra B. Cochran serves as an officer and a board member of certain affiliated companies. Ms. Cochran is not an independent director.

INCUMBENT DIRECTORS - TERM EXPIRING 2010

J. BARRY MASON
Age: 67

J. Barry Mason has served as a director of the Company since April 1998. Dr. Mason has held the positions of Dean and Thomas D. Russell Professor of Business Administration at the Culverhouse College of Commerce, The University of Alabama since 1988. Dr. Mason also served as the Interim President of The University of Alabama during 2002 and 2003. Dr. Mason has been determined to be independent by the Board as defined by NASDAQ listing standards.

WILLIAM H. ROGERS, JR.
Age: 50

William H. Rogers, Jr. has served as a director of the Company since November 2000. Mr. Rogers serves as Corporate Executive Vice President with responsibilities for the wealth and investment management, commercial, corporate and investment banking and mortgage lines of business, SunTrust Banks, Inc. He has held other positions with SunTrust since 1980. Mr. Rogers has been determined to be independent by the Board as defined by NASDAQ listing standards.

PROPOSAL 2 - APPROVAL OF THE SECOND AMENDMENT TO THE BOOKS-A-MILLION, INC. 2005 INCENTIVE AWARD PLAN TO INCREASE THE NUMBER OF SHARES AVAILABLE UNDER THE PLAN

Introduction

The purpose of the Books-A-Million, Inc. 2005 Incentive Award Plan, as amended prior to the date hereof (the "Plan"), is to promote the success and enhance the value of the Company by linking the personal interests of members of the Board of Directors, employees and consultants to those of Company stockholders and by providing individuals with an additional incentive for outstanding performance and to generate superior returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board of Directors, employees and consultants upon whose judgment, interest and special effort the successful conduct of the Company's operation is largely dependent. The Board of Directors feels that the Plan has proved to be of substantial value in stimulating the efforts of the members of the Board of Directors, employees and consultants by increasing their ownership stake in the Company.

In light of the Company's continued growth, the number of shares remaining for issuance under the Plan is insufficient to provide adequately for the continued participation of members of the Board of Directors, employees and consultants in the Plan in future years. On June 1, 2005, the stockholders of the Company approved the Books-A-Million 2005 Incentive Award Plan, and 300,000 shares were made available for grants under the plan at that time. On June 8, 2006, the stockholders approved the First Amendment to the 2005 Incentive Award Plan that increased the shares available under the Plan by 300,000 shares. The Plan currently provides for a total of 600,000 shares of Common Stock to be issued to members of the Board of Directors, employees and consultants. As of March 30, 2008, 503,831 restricted shares of the Company's Common Stock (net of forfeitures) had been granted under the Plan, leaving only 96,169 shares available for additional grants. Accordingly, on March 26, 2008, the Compensation Committee of the Board of Directors adopted a second amendment to the Plan, subject to stockholder approval, to increase the number of shares available for issuance under the Plan by an additional 600,000 shares of Common Stock, such that the Plan will provide for a total of 1,200,000 shares eligible for issuance, if such amendment is approved by the Company's stockholders. The text of the Plan, as proposed to be amended hereby, is attached as Exhibit A hereto. Other than for an increase in the number of shares available under the Plan, no other changes are proposed to be made to the terms of the Plan.

General

The Plan (as amended) provides for the grant of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, and/or performance-based cash awards to eligible individuals. A summary of the principal provisions of the Plan, as proposed to be amended hereby, is set forth below. The summary is qualified by reference to the full text of the Plan, as proposed to be amended, which is attached as Appendix A to this Proxy Statement.

Administration

The Plan is generally administered by the Compensation Committee of the Board. The Compensation Committee may delegate to a committee of one or more members of the Board the authority to grant or amend awards to participants (other than senior executives of the Company who are subject to Section 16 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or employees who are "covered employees" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code")). The Compensation Committee is required by the Plan to include at least two directors, each of whom qualifies as a non-employee director pursuant to Rule 16b-3 under the Exchange Act, and an "outside director" pursuant to Section 162(m) of the Code. The Compensation Committee has the exclusive authority to administer the Plan, including the power to determine eligibility, the types and sizes of awards, the price and timing of awards and the acceleration or waiver of any vesting restriction. However, the Compensation Committee does not have the authority to accelerate vesting or waive the forfeiture of any performance-based awards. Notwithstanding the foregoing, the full Board administers the Plan with respect to any awards made to independent directors. In its sole discretion, the Board may at any time and from time to time exercise any and all rights of the Compensation

Committee under the Plan except with respect to matters under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code, or any other regulations or rules issued thereunder, that are required to be determined by the Compensation Committee.

Eligibility

Persons eligible to participate in the Plan include all members of the Board (currently comprised of seven members), all employees of the Company and its subsidiaries (currently approximately 5,300 persons), and any and all consultants, as determined by the Compensation Committee.

Limitation on Awards and Shares Available

Currently an aggregate of 600,000 shares of Common Stock may be issued pursuant to awards granted under the Plan. If the amendment proposed hereby is approved by the stockholders of the Company, the amount of shares of Common Stock that may be issued will increase to a total of 1,200,000 shares. The shares of Common Stock covered by the Plan may be treasury shares, authorized but unissued shares, or shares purchased in the open market. To the extent that an award terminates, expires or lapses for any reason, any shares subject to the award may be used again for new grants under the Plan. In addition, shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation may be used for grants under the Plan. To the extent permitted by applicable law or any exchange rule, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any of its subsidiaries will not be counted against the shares available for issuance under the Plan.

The maximum number of shares of Common Stock that may be subject to one or more awards to a participant pursuant to the Plan during any fiscal year is 100,000. As of March 28, 2008, the closing price of the Common Stock on the NASDAQ Global Select Market was $9.05 per share.

Types of Awards

The Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, and performance-based cash awards. See the Summary Compensation Table on page 21, and "Compensation Discussion and Analysis – Elements of Compensation" beginning on page 16 for more information on awards of restricted stock to named executive officers.

Stock options, including incentive stock options, as defined under Section 422 of the Code, and nonqualified stock options may be granted pursuant to the Plan. The option exercise price of all stock options granted pursuant to the Plan may not be less than 100% of the fair market value per share of Common Stock on the date of grant. Stock options may be exercised as determined by the Compensation Committee, but in no event after the tenth anniversary date of grant, provided that a vested nonqualified stock option may be exercised up to 12 months after the optionee's death. The aggregate fair market value of the shares with respect to which options intended to be incentive stock options are exercisable for the first time by an employee in any calendar year may not exceed $100,000, or such other amount as the Code provides.

The Compensation Committee shall determine the methods by which the exercise price of a stock option may be paid and the form of payment, including, without limitation: (i) cash, (ii) shares of company common stock or (iii) other property acceptable to the Compensation Committee. However, no participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act will be permitted to pay the exercise price of an option in any method which would violate Section 13(k) of the Exchange Act.

Restricted stock may be granted pursuant to the Plan. A restricted stock award is the grant of shares of Common Stock at any price determined by the Compensation Committee (including no price), that is nontransferable and may be subject to substantial risk of forfeiture until specific conditions are met. Conditions to vesting may be based on continuing employment or achieving performance goals. During the period of restriction, participants holding shares of restricted stock may have full voting and dividend rights with respect to such shares. The restrictions will lapse in accordance with a schedule or other conditions determined by the Compensation Committee. The Company has issued restricted stock awards under the Plan to Company directors and employees. See the Summary Compensation Table on page 21, and "Compensation Discussion and Analysis – Elements of Compensation" beginning on page 16 for more information on awards of restricted stock to named executive officers.

A stock appreciation right (a "SAR") is the right to receive payment (either in the form of cash or shares of Common Stock) of an amount equal to the excess of the fair market value of a share of Common Stock on the date of exercise of the SAR over the fair market value of a share of Common Stock on the date of grant of the SAR. The other types of awards that may be granted under the Plan include performance awards, performance shares, performance stock units, dividend equivalents, deferred stock, and restricted stock units.

The Compensation Committee may grant awards to employees who are or may be "covered employees," as defined in Section 162(m) of the Code, that are intended to be performance-based awards within the meaning of Section 162(m) of the Code in order to preserve the deductibility of these awards for federal income tax. Participants are only entitled to receive payment for a performance-based award for any given performance period to the extent that pre-established performance goals set by the Compensation Committee for the period are satisfied. These pre-established performance goals must be based on one or more of the following performance criteria: net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added (as determined by the Compensation Committee), sales or revenue, net income (either before or after tax), operating earnings, cash flow (including, but not limited to, operating cash flow, and free cash flow), cash flow return on capital, return on net assets, return on shareholders' equity, return on assets, return on capital, return on invested capital, shareholder returns, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings per share, price per share, and market share. These performance criteria may be measured in absolute terms or as compared to any incremental increase or as compared to results of a peer group. With regard to a particular performance period, the Compensation Committee shall have the discretion to select the length of the performance period, the type of performance-based awards to be granted, and the goals that will be used to measure the performance for the period. In determining the actual size of an individual performance-based award for a performance period, the Compensation Committee may reduce or eliminate (but not increase) the award. Generally, a participant will have to be employed on the date the performance-based award is paid to be eligible for a performance-based award for any period.

Performance awards may be granted pursuant to the Plan. Performance awards are performance-based awards within the meaning of Section 162(m) of the Code that represent a right to receive a cash payment contingent upon achieving certain performance goals established by the Compensation Committee. The maximum amount of cash that may be paid to any participant pursuant to a performance award during any fiscal year is $1,000,000.

Amendment and Termination

The Compensation Committee, subject to approval of the Board, may terminate, amend, or modify the Plan at any time; provided, however, that stockholder approval must be obtained for any amendment to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, to increase the number of shares available under the Plan, to permit the Compensation Committee to grant options with a price below fair market value on the date of grant, or to extend the exercise period for an option beyond ten years from the date of grant. In addition, absent stockholder approval, no option may be amended to reduce the per share exercise price of the shares subject to such option below the per share exercise price as of the date the option was granted and, except to the extent permitted by the Plan in connection with certain changes in capital structure, no option may be granted in exchange for, or in connection with, the cancellation or surrender of an option having a higher per share exercise price. In no event may an award be granted pursuant to the Plan on or after the tenth anniversary of the date that the stockholders initially approved the Plan.

Federal Income Tax Consequences

With respect to nonqualified stock options, the Company is generally entitled to deduct and the optionee recognizes taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. A participant receiving incentive stock options will not recognize taxable income upon grant. Additionally, if applicable holding period requirements are met, the participant will not recognize taxable income at the time of exercise. However, the excess of the fair market value of the Common Stock received over the option price is an item of tax preference income potentially subject to the alternative minimum tax. If stock acquired upon exercise of an incentive stock option is held for a minimum of two years from the date of grant and one year from the date of exercise, the gain or loss (in an amount equal to the difference between the fair market value on the date of sale and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and the Company will not be entitled to any deduction. If the holding period requirements are not met, the incentive stock option will be treated as one which does not meet the requirements of the Code for incentive stock options and the tax consequences described for nonqualified stock options will apply.

The current federal income tax consequences of other awards authorized under the Plan generally follow certain basic patterns: stock-settled SARs are taxed and deductible in substantially the same manner as nonqualified stock options; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid, if any, only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); stock-based performance awards, dividend equivalents and other types of awards are generally subject to tax at the time of payment. Compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, the Company will generally have a corresponding deduction at the time the participant recognizes income, subject to Code Section 162(m) with respect to covered employees.

Certain types of awards under the Plan, including cash-settled SARs, restricted stock units and deferred stock may constitute, or provide for, a deferral of compensation subject to Section 409A of the Code. Unless certain requirements set forth in Section 409A of the Code are complied with, participants may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment) and may be subject to an additional 20% income tax (and, potentially, certain interest penalties). To the extent applicable, the Plan and awards granted under the Plan will be interpreted to comply with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance that may be issued under Section 409A of the Code. To the extent determined necessary or appropriate by the Compensation Committee, the Plan and applicable Award Agreements may be amended to comply with Section 409A of the Code or to exempt the applicable awards from Section 409A of the Code.

New Plan Benefits

Because payment of any award may be contingent on the attainment of performance objectives established for such year by the Committee, the amounts payable to eligible participants under the Plan (as proposed to be amended) for any fiscal year during which the Plan (as proposed to be amended) is in effect cannot currently be determined. The table set forth below illustrates the amounts that would have been payable for fiscal year 2008 under the Plan to each of the individuals and groups listed below had the second amendment to the Plan been in effect. These amounts are the actual amounts attributable to restricted stock awards that were awarded in fiscal year 2008 under the Plan.

NEW PLAN BENEFITS

Name and Position	Dollar Value ($)
Sandra B. Cochran *President, Chief Executive Officer*	$499,802
Clyde B. Anderson *Executive Chairman of the Board*	$314,246
Terrance G. Finley *President of Merchandising Group*	$245,343
Douglas G. Markham *Chief Financial Officer and Secretary*	$99,060
All Executive Officers as a group (four persons)	$1,158,451
Non-Executive Directors as a group (five persons)	$102,951
Non-Executive Officer Employees as a group (14 persons)	$193,267

Vote Required; Board Recommendation

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to approve the second amendment to the Plan. Unless instructed to the contrary, the shares represented by the proxies will be voted to approve the second amendment to the Plan.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE SECOND AMENDMENT TO THE COMPANY'S 2005 INCENTIVE AWARD PLAN

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes, as of February 2, 2008, the securities that have been authorized for issuance under the Company's equity compensation plans. The Company does not have any equity compensation plans which were not approved by its stockholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise prices of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders:	101,643 (1)	$5.31 (2)	399,211 (3)
Equity compensation plans not approved by stockholders:	-0-	N/A	-0-
Total	101,643	$5.31	399,211

(1) Represents (i) 42,893 shares of common stock issuable with respect to outstanding stock options granted under the Company's Amended and Restated Stock Option Plan and (ii) 58,750 shares of common stock that are issuable under the Company's 2005 Incentive Award Plan relating to performance based restricted stock awards made with respect to the 2008 fiscal year.

(2) Represents the exercise price of the options issued under the Amended and Restated Stock Option Plan.

(3) Includes (i) 271,852 shares of common stock available for future issuance under the Company's 2005 Incentive Award Plan and (ii) 127,359 shares of common stock available for future issuance under the Company's Employee Stock Purchase Plan. The Company's Amended and Restated Stock Option Plan has been terminated, and no shares of common stock are available for future issuance thereunder.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

The Company's Board of Directors held six meetings during the Company's fiscal year ended February 2, 2008 ("fiscal 2008"). The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each director attended at least 75% of the meetings of the Board and the committees of the Board on which he or she served. Directors are encouraged to attend annual meetings of Books-A-Million stockholders. All directors were present at the last annual meeting of stockholders.

Board Independence. NASDAQ listing standards require that the Company have a majority of independent directors. The Board of Directors currently has seven members, four of whom have been determined to be independent within the meaning of NASDAQ listing standards. Each year the Board makes a determination as to the independence of each Board member. During its determination of the independence of directors, the Board of Directors specifically considered relationships between the Company and its affiliates and each director and his immediately family and affiliated entities. The Board of Directors specifically considered the commercial lending/banking and 401(k) Plan relationship of SunTrust Banks, Inc. ("SunTrust"), of which Mr. Rogers serves as Corporate Executive Vice President, and the Company. The Board also specifically considered certain charitable contributions made by certain affiliates of the Company during fiscal 2008 to the College of Commerce and Business Administration of the University of Alabama, of which college Dr. Mason serves as Dean. Based on this review, the Board concluded that these relationships do not interfere with either Mr. Rogers's or Dr. Mason's independent judgment in carrying out the responsibilities of a director.

Committees of the Board of Directors. The Audit Committee consists of Messrs. Albert C. Johnson, Chairman of the Committee, J. Barry Mason and William H. Rogers. The responsibilities of the Audit Committee include, in addition to such other duties as the Board may specify, appointing the Company's independent auditors, reviewing with the independent auditors the scope and results of the audit engagement, reviewing related party activity, the Company's financial policies and internal control procedures and reviewing and approving the performance of all non-audit services by the Company's auditors. The Audit Committee held four meetings in fiscal 2008.

The Board of Directors has determined that all of the members of the Audit Committee are independent directors, as defined by the Company's Audit Committee Charter, NASDAQ's listing standards and the Securities and Exchange Commission's rules. The Audit Committee acts under a written charter first adopted in 1992 and last updated on March 29, 2007. The Audit Committee Charter is also available free of charge on the Company's website at www.booksamillioninc.com. The Board of Directors has determined that Mr. Albert C. Johnson is qualified as an audit committee financial expert under Securities and Exchange Commission rules. Mr. Johnson's business experience and description of positions are summarized in the section "Nominees for Election - Term Expiring 2011" on page 2 of this Proxy Statement.

The Compensation Committee consists of Messrs. William H. Rogers Jr., Chairman of the Committee, J. Barry Mason and Ronald G. Bruno. The responsibilities of the Compensation Committee include, in addition to such other duties as the Board may specify, establishing salaries, bonuses and other compensation for the Company's executive officers and administering the Employee Stock Purchase Plan, the 2005 Incentive Award Plan, the Executive Deferred Compensation Plan and the Director's Deferred Compensation Plan. The Compensation Committee held two meetings in fiscal 2008. The Board of Directors has determined that the members of the Compensation Committee are independent directors, as defined by NASDAQ listing standards. The Compensation Committee acts under a written charter adopted in 2007. The Compensation Committee charter is available free of charge on the Company's website at www.booksamillioninc.com.

The Nominating and Corporate Governance Committee consists of Messrs. Ronald G. Bruno, Chairman of the Committee, J. Barry Mason and William H. Rogers, Jr. The responsibilities of the Nominating and Corporate Governance Committee include, in addition to such other duties as the Board may specify, developing and reviewing background information for candidates for the Board of Directors, and making recommendations to the Board regarding such candidates. The Nominating and Corporate Governance Committee also has the responsibility to review the corporate governance of the Company and recommend changes to the Board, and to review and evaluate the performance of each director on the Company's Board of Directors. The Nominating and Corporate Governance Committee held two meetings in fiscal 2008.

The Board of Directors has determined that the members of the Nominating and Corporate Governance Committee are independent directors, as defined by the Nominating and Corporate Governance Committee Charter and the NASDAQ listing standards. The Nominating and Corporate Governance Committee acts under a written charter first adopted in 2004 and last updated on March 29, 2007. The Nominating and Corporate Governance Committee charter is available free of charge on the Company's website at www.booksamillioninc.com.

Identifying and Evaluating Nominees for Directors. The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating and Corporate Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current Board members, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year.

The Nominating and Corporate Governance Committee will consider suggestions from stockholders for nominees for election as directors. The by-laws of the Company provide that any stockholder entitled to vote on the election of directors at a meeting called for such purpose may nominate persons for election to the Board by following the procedures set forth in the section of the by-laws titled "Notice of Stockholder Nominees." Stockholders who wish to submit a proposed nominee to the Nominating and Corporate Governance Committee should send written notice to Mr. Ronald G. Bruno, Nominating and Corporate Governance Committee Chairman, Books-A-Million, Inc., 402 Industrial Lane, Birmingham, Alabama 35211.

Such notice should set forth all information relating to such nominee as is required to be disclosed in solicitations of proxies for elections of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including such person's written consent to being named in the Proxy Statement as a nominee and to serve as a director if elected, the name and address of such stockholder or beneficial owner on whose behalf the proposed nomination is being made, and the class and number of shares of the Company owned beneficially and of record by such stockholder or beneficial owner. The Nominating and Corporate Governance Committee will consider nominees suggested by stockholders on the same terms as nominees provided by search firms or other parties. The Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and believes that nominees for election to the Board must possess certain minimum qualifications and attributes. The nominee: 1) must exhibit strong personal integrity, character and ethics, and a commitment to ethical business and accounting practices, 2) must not be involved in on-going litigation with the Company or be employed by an entity which is engaged in such litigation, and 3) must not be the subject of any on-going criminal investigations, including investigations for fraud or financial misconduct.

Communication with Directors. Individuals may communicate with the Board by submitting the communication to the Company's executive offices at 402 Industrial Lane, Birmingham, Alabama 35211. The communication should be directed to: Internal Auditor. The Company's Internal Auditor reports directly to the Audit Committee of the Board of Directors, and will immediately communicate the information to the Audit Committee and / or all members of the Board.

REPORT OF THE AUDIT COMMITTEE

The members of the Audit Committee are Messrs. Albert C. Johnson (Chairman), J. Barry Mason and William H. Rogers. The Board has determined that Mr. Johnson is an audit committee financial expert as defined by the Securities and Exchange Commission.

The primary function of the Audit Committee is to provide advice with respect to the Company's financial matters and to assist the Board of Directors in fulfilling its oversight responsibilities regarding (i) the quality and integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications and independence of the independent registered public accounting firm serving as auditors of the Company and (iv) the performance of the Company's internal audit function and the independent registered public accounting firm. The Audit Committee's primary duties and responsibilities relate to:

- Managing the reliability and integrity of accounting policies and financial reporting and disclosure practices of the Company;
- Ensuring that an adequate system of internal controls is functioning within the Company; and
- Selecting and retaining the independent registered public accounting firm.

Management is responsible for the Company's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with U.S. generally accepted auditing standards and internal control over financial reporting and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes. It is not the duty of the Audit Committee to conduct auditing or accounting review procedures.

The Audit Committee held four meetings during fiscal 2008, including regular meetings in conjunction with the close of each fiscal quarter during which the Audit Committee reviewed and discussed the Company's financial statements with management and Grant Thornton LLP, its independent registered public accounting firm.

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended February 2, 2008 with the Company's management, and management represented to the Audit Committee that the Company's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee has discussed with Grant Thornton LLP matters required to be discussed by Statement on Auditing Standards ("SAS") No. 61 (Communication with Audit Committees) as amended by SAS No. 91.

The Audit Committee has received the written disclosures and the letter from Grant Thornton LLP required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and the Audit Committee has discussed with Grant Thornton LLP its independence from the Company. It considered the non-audit services provided by Grant Thornton LLP and determined that the services provided are compatible with maintaining Grant Thornton LLP's independence. The Audit Committee approved 100% of all audit, audit related and tax services provided by Grant Thornton LLP for the fiscal year ended February 2, 2008. The total fees paid to Grant Thornton LLP for the fiscal year 2008 is described on page 15 under "Auditor Fees and Services."

Based on the Audit Committee's discussions with management and the independent registered public accounting firm, and the Audit Committee's review of the audited financial statements and the written disclosures and letter from the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008 for filing with the Securities and Exchange Commission.

By the Audit Committee of the Board of Directors:
Albert C. Johnson, Chairman
J. Barry Mason
William H. Rogers, Jr.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics for all directors, officers (including the Company's principal executive officer, principal financial officer and controller) and employees. The Company's Code of Business Conduct and Ethics is available free of charge on the Company's website at www.booksamillioninc.com. Stockholders may also request a free copy of the Code of Business Conduct and Ethics by writing to the attention of Investor Relations at the Company's executive offices at 402 Industrial Lane, Birmingham, Alabama 35211.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth information concerning the beneficial ownership of Common Stock of the Company of (i) those persons known by management of the Company to own beneficially more than 5% of the Company's outstanding Common Stock, (ii) the directors of the Company, (iii) the executive officers named in the Summary Compensation Table on page 21 and (iv) all current directors and executive officers as a group. Such information is provided as of March 28, 2008. The outstanding Common Stock of the Company on March 28, 2008 was 15,809,683 shares. According to rules adopted by the SEC, a person is the "beneficial owner" of securities if he or she has or shares the power to vote them or to direct their investment or has the right to acquire beneficial ownership of such securities within 60 days through the exercise of an option, warrant, right of conversion of a security or otherwise. Except as otherwise noted, the indicated owners have sole voting and investment power with respect to shares beneficially owned. An asterisk in any of the below columns indicates a number amounting to less than 1% percent of the outstanding Common Stock. Unless otherwise indicated, the address for the following stockholders is c/o Books-A-Million, Inc., 402 Industrial Lane, Birmingham, Alabama 35211.

REPORTING PERSON	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF OUTSTANDING SHARES	REGISTERED SHARES	PERCENTAGE
Anderson BAMM Holdings, LLC[1]	8,175,241[2]	51.7%	1,533,302[3]	9.8%
Charles C. Anderson[4]	8,175,241[2]	51.7%	2,089,000[5]	13.4%
Hilda B. Anderson[6]	8,175,241[2]	51.7%	2,089,000[7]	13.4%
Joel R. Anderson[8]	8,175,241[2]	51.7%	1,582,440[9]	10.1%
Charles C. Anderson, Jr.[10]	8,175,241[2]	51.7%	273,284	1.8%
Charles C. Anderson III[11]	8,175,241[2]	51.7%	*	*
Terrence C. Anderson[12]	8,175,241[2]	51.7%	358,454[13]	2.3%
Clyde B. Anderson	8,175,241[2]	51.7%	1,467,656[14]	9.4%
Harold M. Anderson[15]	8,175,241[2]	51.7%	348,480	2.2%
Hayley Anderson Milam[16]	8,175,241[2]	51.7%	*	*
Sandra B. Cochran[17]	8,175,241[2]	51.7%	271,879[18]	1.7%
Ashley Anderson Billingsley[19][20]	8,175,241[2]	51.7%	*	*
The Ashley Anderson Trust[20][21]	8,175,241[2]	51.7%	*	*
Irrevocable Trust of Charles C. Anderson, Jr. for the Primary Benefit of Lauren Artis Anderson[22]	8,175,241[2]	51.7%	*	*
Olivia Barbour Anderson 1995 Trust[23]	8,175,241[2]	51.7%	*	*
Alexandra Ruth Anderson Irrevocable Trust[24]	8,175,241[2]	51.7%	*	*
First Anderson Grandchildren's Trust FBO Charles C. Anderson III[25]	8,175,241[2]	51.7%	*	*
First Anderson Grandchildren's Trust FBO Hayley E. Anderson[25]	8,175,241[2]	51.7%	*	*
First Anderson Grandchildren's Trust FBO Lauren A. Anderson[25]	8,175,241[2]	51.7%	*	*
Second Anderson Grandchildren's Trust FBO Alexandra R. Anderson[25]	8,175,241[2]	51.7%	*	*
Third Anderson Grandchildren's Trust FBO Taylor C. Anderson[25]	8,175,241[2]	51.7%	*	*
Fourth Anderson Grandchildren's Trust FBO Carson C. Anderson[25]	8,175,241[2]	51.7%	*	*
Fifth Anderson Grandchildren's Trust FBO Harold M. Anderson[25]	8,175,241[2]	51.7%	*	*
Sixth Anderson Grandchildren's Trust FBO Bentley B. Anderson[25]	8,175,241[2]	51.7%	*	*
The Charles C. Anderson Family Foundation[26]	8,175,241[2]	51.7%	*	*
The Joel R. Anderson Family Foundation[26]	8,175,241[2]	51.7%	*	*
The Clyde B. Anderson Family Foundation[26]	8,175,241[2]	51.7%	*	*
Terrance G. Finley	178,806[27]	1.1%	178,806[27]	1.1%
Ronald G. Bruno	68,000[28]	*	68,000[28]	*
Douglas G. Markham	57,777[29]	*	57,777[29]	*
William H. Rogers, Jr.	36,590[30]	*	36,590[30]	*
J. Barry Mason	19,000[31]	*	19,000[31]	*
Albert C. Johnson	8,333[32]	*	8,333[32]	*
All current directors and executive officers as a group (9 persons)[33]	8,543,747	54.0%	2,466,495	15.6%

(1) Anderson BAMM Holdings, LLC is an investment company with its business address at 201 South Court Street, Florence, Alabama 35630.

(2) 8,175,241 shares may be deemed to be beneficially held as a “group” as such term is defined in Section 13(d)(3) of the Exchange Act. Each of these persons has filed a joint Schedule 13D with the Securities and Exchange Commission to acknowledge that they may be deemed to constitute a “group” within the meaning of Section 13(d)(3) of the Exchange Act. Members of the group, each of which or whom is designated by this footnote (2), do not have (i) any direct or indirect pecuniary interest in or (ii) the power to vote or dispose of, or the power to direct the vote or disposition of, any Common Stock of the Company held by any other person outside of this group, including, without limitation, any other person who may be deemed to be a member of such group. Accordingly, members of the group disclaim beneficial ownership of any securities of the Company held by any other person, including, without limitation, any other person who may be deemed to be a member of such group, and this Proxy Statement shall not be deemed an admission that the reporting person is the beneficial owner of such securities for the purposes of Section 16 under the Exchange Act or otherwise.

(3) Anderson BAMM Holdings, LLC issued membership interests to certain of the beneficial owners of more than 5% of the Company’s outstanding Common Stock in exchange for shares of Common Stock of the Company held by such persons, as specified in the Limited Liability Company Agreement of Anderson BAMM Holdings, LLC attached as Exhibit 2 to the Schedule 13D filed with the Securities and Exchange Commission on April 9, 2007, as amended by Amendment No. 2 to Schedule 13D filed with the Securities and Exchange Commission on February 19, 2008.

(4) The business address of Mr. Charles C. Anderson is 202 North Court Street, Florence, Alabama 35630. Charles C. Anderson served on the Company's Board of Directors until June 3, 2004.

(5) Includes 83,000 shares held by The Charles C. Anderson Family Foundation. Charles C. Anderson is the Chairman of the Board of Directors of the foundation and has sole voting and dispositive power over these shares. Also includes 6,000 shares owned of record by his wife, Hilda B. Anderson.

(6) The business address of Mrs. Hilda B. Anderson is c/o Abroms & Associates, 201 South Court Street, Suite 610, Florence, Alabama 35630.

(7) Includes 2,000,000 shares owned of record by her husband, Charles C. Anderson, and 83,000 shares owned of record by The Charles C. Anderson Family Foundation, over which shares Charles C. Anderson has sole voting and dispositive power.

(8) The business address of Mr. Joel R. Anderson is 202 North Court Street, Florence, Alabama 35630. Joel R. Anderson does not serve as an officer or director of the Company.

(9) Includes 83,000 shares held by The Joel R. Anderson Family Foundation. Joel R. Anderson is the Chairman of the Board of Directors of the foundation and has sole voting and dispositive power over these shares.

(10) The business address of Mr. Charles C. Anderson, Jr. is 6016 Brookvale Lane, Suite 151, Knoxville, Tennessee 37919.

(11) The business address of Mr. Charles C. Anderson III is 5/F Lippon Leighton Tower, 103-109 Leighton Road, Causeway Bay, Hong Kong.

(12) The business address of Mr. Terrence C. Anderson is 4511 Helton Drive, Florence, Alabama 35630.

(13) Includes 5,501 shares of restricted stock, 667 shares of which vest on or before June 24, 2008, and 4,834 shares of which vest after June 24, 2008.

(14) Includes 46,000 shares held by The Clyde B. Anderson Family Foundation. Clyde B. Anderson is the Chairman of the Board of Directors of the foundation and has sole voting and dispositive power over these shares. Also 91,211 restricted shares all of which vest after June 24, 2008.

(15) The business address of Mr. Harold M. Anderson is 3101 Clairmont Road, Suite C, Atlanta, Georgia 30329.

(16) The business address of Ms. Hayley Anderson Milam is 202 North Court Street, Florence, Alabama 35630.

(17) The business address of Ms. Sandra B. Cochran is 402 Industrial Lane, Birmingham, Alabama 35211.

(18) Includes 163,716 shares of restricted stock all of which vest after June 24, 2008.

(19) The business address of Ms. Ashley Anderson Billingsley is 202 North Court Street, Florence, Alabama 35630.

(20) The shares over which Ashley Anderson Billingsley has shared voting power and shared dispositive power are held of record by The Ashley Anderson Trust.

(21) The trustee of the Ashley Anderson Trust is CitiCorp Trust South Dakota, and the co-trustee of such Trust Reporting Person is Ashley Anderson Billingsley. The business address of the Ashley Anderson Trust, and of Ashley Anderson Billingsley as co-trustee, is c/o Abroms & Associates, 201 South Court Street, Suite 610, Florence, Alabama 35630. The business address of CitiCorp Trust South Dakota is 1300 West 57th Street, Suite G100, Sioux Falls, South Dakota 57108.

(22) The trustee of the Irrevocable Trust of Charles C. Anderson, Jr. for the Primary Benefit of Lauren Artis Anderson is Carl M. Boley. The business address of the Irrevocable Trust of Charles C. Anderson, Jr. for the Primary Benefit of Lauren Artis Anderson is c/o Abroms & Associates, 201 South Court Street, Suite 610, Florence, Alabama 35630. The business address of Carl M. Boley is 6016 Brookvale Lane, Suite 151, Knoxville, Tennessee 37919.

(23) The business address of the Olivia Barbour Anderson Irrevocable Trust, and for Lisa S. Anderson as trustee of such trust, is c/o Abroms & Associates, 201 South Court Street, Suite 610, Florence, Alabama 35630.

(24) The business address of the Alexandra Ruth Anderson Irrevocable Trust, and for Lisa S. Anderson as trustee of such trust, is c/o Abroms & Associates, 201 South Court Street, Suite 610, Florence, Alabama 35630.

(25) The trustee for (i) First Anderson Grandchildren's Trust FBO Charles C. Anderson III, (ii) First Anderson Grandchildren's Trust FBO Hayley E. Anderson, (iii) First Anderson Grandchildren's Trust FBO Lauren A. Anderson, (iv) Second Anderson Grandchildren's Trust FBO Alexandra R. Anderson, (v) Third Anderson Grandchildren's Trust FBO Taylor C. Anderson, (vi) Fourth Anderson Grandchildren's Trust FBO Carson C. Anderson, (vii) Fifth Anderson Grandchildren's Trust FBO Harold M. Anderson and (viii) Sixth Anderson Grandchildren's Trust FBO Bentley B. Anderson, in each case, is SunTrust Bank Alabama. The business address of each trust is c/o Abroms & Associates, 201 South Court Street, Suite 610, Florence, Alabama 35630. The business address of SunTrust Bank Alabama is 201 South Court Street, Florence, Alabama 35630.

(26) The business address of (i) The Charles C. Anderson Family Foundation, (ii) The Joel R. Anderson Family Foundation and (iii) The Clyde B. Anderson Family Foundation is, in each case, c/o Abroms & Associates, 201 South Court Street, Suite 610, Florence, Alabama 35630.

(27) Includes 66,376 shares of restricted stock which vest after June 24, 2008.

(28) Includes 5,501 shares of restricted stock, 667 shares of which vest on or before June 24, 2008, and 4,834 shares of which vest after June 24, 2008.

(29) Includes 43,420 shares of restricted stock which vest after June 24, 2008.

(30) Includes 12,000 shares subject to options exercisable on or before June 24, 2008. Also includes 5,501 shares of restricted stock, 667 shares of which vest on or before June 24, 2008, and 4,834 shares of which vest after June 24, 2008.

(31) Includes 5,501 shares of restricted stock, 667 shares of which vest on or before June 24, 2008, and 4,834 shares of which vest after June 24, 2008.

(32) Includes 5,278 shares of restricted stock which vest after June 24, 2008.

(33) Includes 12,000 shares subject to options exercisable on or before June 24, 2008, and 392,005 shares of restricted stock, 2,664 of which vest on or before June 24, 2008, and 389,341 of which vest after June 24, 2008.

Compliance with Section 16(a) of the Securities Exchange Act of 1934. Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who own beneficially more than 10% of the Company's Common Stock to file reports of ownership and changes in ownership of such stock with the Securities and Exchange Commission (the "SEC") and NASDAQ. Directors, executive officers and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all such forms they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, its directors, executive officers and greater than 10% stockholders complied during fiscal 2008 with all applicable Section 16(a) filing requirements.

COMPENSATION DISCUSSION AND ANALYSIS

Pursuant to Securities and Exchange Commission rules for proxy statement disclosure of executive compensation, the Company has prepared the following Compensation Discussion and Analysis ("CD&A"). The CD&A addresses the objectives and implementation of the Company's executive compensation programs and focuses on the policies and decisions behind the programs. In addition, the Company intends that the CD&A clearly describe the current executive compensation program of the Company, including the underlying philosophy of the program and the specific performance criteria on which executive compensation is based.

Compensation Program Objectives

The Company's executive compensation policy is designed to provide levels of compensation that integrate compensation with the Company's annual and long-term performance goals and reward above-average corporate performance, thereby allowing the Company to attract and retain qualified executives. Specifically, the Company's executive compensation policy is intended to:

- Provide compensation levels that reflect the competitive marketplace so that the Company can attract, retain and motivate the most talented executives;
- Provide compensation levels that are consistent with the Company's business plan, financial objectives and operating performance;
- Reward performance that facilitates the achievement of specific results and goals in furtherance of the Company's business plan;
- Motivate executives to make greater personal contributions to the performance of the Company helping it to achieve its strategic operating objectives; and
- Provide proper motivation for enhancing stockholder value by providing long-term incentive compensation, in the form of stock options and shares of restricted stock, in order to align the interests of executives with those of stockholders and the long-term interest of the Company.

The compensation program is designed to reward officers for above average year-over-year Company and personal performance, the development of long term growth strategies, as well as longevity with the Company.

In light of the Company's compensation policy, the components of its executive compensation program for fiscal 2008 were base salaries, cash bonuses and restricted stock awards.

The Company believes that each of the elements of compensation are competitive and consistent with current market expectations for leaders with an organization of our size and in our industry.

Use of Compensation Consultant

The Committee directly retains a compensation consultant, who advises it regarding "best practices" in executive compensation and analyzes the Company's competitive position and the levels of compensation for the three components of the Company's executive compensation program, including base salaries, bonuses and long-term incentives, such as restricted stock awards. This consultant also advises the Committee with respect to specific executive compensation decisions. To assist the Compensation Committee in setting fiscal 2008 compensation for executive officers and certain other officers, the Compensation Committee consulted with Mercer Human Resources of Atlanta, Georgia. Mercer had been engaged by the Committee for several years prior to fiscal 2008 and had assisted the Compensation Committee in structuring the overall compensation program. Mercer provided a report to the Compensation Committee that compared the compensation of the named executive officers with the compensation of executive officers of comparable responsibility levels at comparably sized retailers. The comparable companies used by Mercer in this report were as follows:

Tween Brands, Inc.	Big 5 Sporting Good Corporation	Gymboree Corporation
Conn's Inc.	Hot Topic, Inc.	Charlotte Russe Holding, Inc.
Restoration Hardware, Inc.	Shoe Carnival, Inc.	Christopher & Banks Corporation
Kirkland's, Inc.	Rex Stores Corporation	Genesco, Inc
Select Comfort Corporation		

The Compensation Committee used the data compiled by Mercer in evaluating the competitiveness of the 2008 compensation packages set for the Company's executive officers. In November 2007, the Company elected to retain Mercer Human Resource Consulting to assist the Committee in setting compensation packages for the executive officers for fiscal 2009.

Elements of Compensation

Base Salary. Each executive officer's base salary is based upon a number of factors, including the responsibilities borne by the executive officer, his or her performance and his or her length of service to the Company. Each executive officer's base salary is reviewed annually and generally adjusted to account for inflation, the Company's financial performance, any change in the executive officer's responsibilities and the executive officer's overall performance. Factors considered in evaluating performance include financial results such as increases in sales, net income before taxes and earnings per share, as well as non-financial measures such as improvements in service and relationships with customers, suppliers and employees, employee safety and leadership and management development. These non-financial measures are subjective in nature. No particular weight is given by the Compensation Committee to any particular factor. Based on these considerations, the Compensation Committee established the fiscal 2008 base salaries for each of the named executive officers at its March 2007 meeting. The base salaries of the named executive officers for the 2008 fiscal year are set forth in Summary Compensation Table on page 21.

Cash Bonuses. Generally, the Company establishes a cash bonus program at the beginning of each fiscal year in connection with the preparation of the Company's annual operating budget for such year. The bonus program is structured pursuant to the terms of the Company's 2005 Incentive Award Plan. Under this bonus program, an executive officer is eligible to receive a bonus partially based upon the Company achieving certain pre-tax income goals established by the Compensation Committee of the Board of Directors. The other portion of bonus can be earned by the executive officer accomplishing certain individual performance goals such as return on equity, return on assets, new store openings and other goals related to his or her job functions. The actual amount of the cash bonus to be paid is determined by reference to the level of achievement with respect to the preset goals. For fiscal 2008, each executive officer was eligible to receive a cash bonus of up to 100% of his or her base salary. Additionally, for fiscal 2008, the portion of bonus attributable to an executive officer's individual performance goals was 25% of salary, while the portion of bonus attributable to pre-tax income goals was 75% of salary. The portion of bonus attributable to pre-tax income that can be earned is based on a sliding scale ranging from 40% to 110%. For example, an executive officer would earn 87% of his or her bonus potential attributable to pre-tax income if the Company achieved 100% of its pre-tax income goal. The bonuses earned by the named executive officers for fiscal 2008 under the 2005 Incentive Award Plan are set forth in the Summary Compensation Table on page 21.

Restricted Stock. Currently the Company only issues restricted stock from the 2005 Incentive Award Plan. During fiscal year 2008, the Company awarded both "Performance Based Shares" of restricted stock and "Career Based Shares" of restricted stock to the named executive officers. The Performance Based Shares are tied to the achievement of certain performance based objectives that were established for the fiscal year in which the award is made. After the end of the one-year performance period, the Compensation Committee determines the extent to which the preset goals were achieved and approves the issuance of the Performance Based Shares that are earned. The earned Performance Based Shares are restricted and vest over a two-year period following the fiscal year in which they were earned. During the period of restriction, the named executives have full voting and dividend rights with respect to the shares. The performance measures used for the Performance Based Shares are similar to the Company performance measurements maintained in connection with the cash bonus program. The Career Based Shares are not tied to the achievement of performance objectives, but serve as a retention incentive because they have a five-year cliff vesting period and therefore require longevity with the Company in order to earn these shares. During fiscal 2008, awards of Performance-Based Shares and Career-Based Shares were made under the 2005 Incentive Award Plan to our named executive officers. The awards were made in restricted stock according to the provisions of the plan. See the Summary Compensation Table on page 21 and Grants of Plan Based Awards in Fiscal 2008 on page 22 for more information on awards to named executive officers, and Proposal 2 – Second Amendment to the 2005 Incentive Award Plan beginning on page 4 for additional information about this Plan. In evaluating the proper annual award of restricted stock, the Committee is advised by an independent compensation consultant that makes recommendations on share award levels based on market data, taking into consideration such things as prior grants of awards and numbers of outstanding unvested awards.

Executives' Deferred Compensation Plan. During fiscal 2006, the Board adopted the Books-A-Million, Inc. Executives' Deferred Compensation Plan (the "Executives' Deferred Compensation Plan"). The Executives' Deferred Compensation Plan provides a select group of management or highly compensated employees of the Company and certain of its subsidiaries with the opportunity to defer the receipt of certain cash compensation. Under the Executives' Deferred Compensation Plan, each participant may elect to defer a portion of his or her cash compensation that may otherwise be payable in a calendar year. A participant's compensation deferrals are credited to the participant's bookkeeping account (the "Account") maintained under the Executives' Deferred Compensation Plan. Each participant's account is credited with a deemed rate of interest and/or earnings or losses depending upon the investment performance of the deemed investment option selected by the participant. With certain exceptions, a participant's account will be paid after the earlier of: (1) a fixed payment date, as elected by the participant (if any); or (2) the participant's separation from service with Company or its subsidiaries. Participants may generally elect that payments be made either in a single sum or in installments in the year specified by the participant or upon their separation from service with the Company. Additionally, a participant may elect to receive payment upon a Change of Control, as defined in, and to the extent permitted by, Section 409A of the Internal Revenue Code of 1986, as amended. None of the executive officers had deferred any compensation under this plan as of the date of this Proxy Statement.

Stock Options. In September 1992, the Company adopted a Stock Option Plan under which executive officers were eligible to receive stock options. Under the Stock Option Plan, all stock options were awarded at prices no less than the fair market value (the closing sale price of a share) of the Company's Common Stock on the date of grant. In fiscal 2006, the Company discontinued the issuance of any additional options under this plan. No options were granted to any officer during fiscal 2006, 2007 or 2008.

Executive Incentive Plan. During fiscal 1995, the Company adopted the Books-A-Million, Inc. Executive Incentive Plan. The Executive Incentive Plan provides for awards to certain executive officers of cash, shares of restricted stock or both, based on the achievement of specific pre-established performance goals during a three consecutive fiscal year performance period. No awards have been made under the Executive Incentive Plan since fiscal 2006.

Compensation Policies

Elements of Compensation. During fiscal 2008, the Company's executive officers earned compensation comprised of base salary, cash bonus and restricted stock, each as described above.

Mix of Compensation. The Company believes that maintaining a sound leadership team is fundamental to the Company’s success, and having the correct mix of compensation elements furthers this important objective. A combination of base salary plus performance based bonuses allows for stability and growth both personally and professionally and provides motivation and incentive during the near term. Restricted stock further encourages actual ownership of part of the Company and is a powerful motivating tool in aligning employees’ objectives with the Company's objectives. Equity ownership in general, and restricted stock in particular, also makes employees more focused on meeting long term goals and increasing overall stockholder value, as well as encouraging highly valued employees to remain with the Company.

Distribution between long term and currently paid out compensation. Having a balance between short and long term compensation is a fundamental part of the Company’s compensation package. Base salaries and cash bonuses provide for the immediate necessity of attracting and retaining a well qualified staff, with the bonus component rewarding high levels of performance by both the Company and the individual.

The restricted stock program addresses both short and long term objectives of the Company with the intention to reward individuals who are committed to the continued success of the Company. Although restricted stock awards are generally made on the basis of current year Company performance and current employment, the restricted stock awards vest over time such that only those holders who maintain employment with the Company for a period of two to five years recognize a benefit from the awards. Thus, the restricted stock awards are intended in part to provide longer term compensation opportunities that compliment other compensation paid in the short term.

Restricted stock encourages our employees to behave like owners and provides a clear link between the interests of the stockholder and the interests of the recipient. As employees have more impact on corporate performance, their main incentive should be profitably growing the Company, which aligns their interest with that of our stockholders. Accordingly, as the executives’ levels of responsibility increase, more of their compensation is provided in the form of restricted stock. This approach ties the executive’s level of responsibility for the Company’s performance to the amount of risk to such executive’s total pay.

Allocating between cash and non-cash compensation, and among different forms of non-cash compensation. The Company believes that a fair balance between cash and non-cash compensation has been established. The Committee continues to monitor the compensation programs with the assistance of input from outside advisors in order to ensure compliance with the changing landscape of executive pay. Generally, as an executive's level of responsibilities increases a greater percentage of his or her compensation is tied to Company performance and a greater percentage is therefore subject to the risk tied to the return to the Company's stockholders.

Award Determination. Base salary, cash bonuses and restricted stock awards are determined once a year, usually in March. Once the Company's financial statements have been audited by an independent audit firm, the Compensation Committee will determine base salaries, bonuses and awards of restricted stock, as well as the measurement goals for achieving the various awards. The Committee will also determine what portion of the restricted stock awards which were authorized the previous year have been earned and approve the issuance of those shares of restricted stock as they have been earned.

Compensation Policies and Corporate Performance. Compensation policies are primarily driven by desire and intent to link the fundamental characteristics of the retail sector to various objectives related to making the Company successful. By taking specific positive traits of thriving retail companies into account when reviewing compensation, the Compensation Committee keeps the Company continuously striving for continued success. These goals might include achieving certain earnings per share increases, new store growth, return on assets, return on equity and Sarbanes-Oxley compliance.

The Company maintains a policy seeking reimbursement from the officers and other key management positions of certain bonuses and other incentive-based or equity-based compensation to the extent deemed appropriate by the Compensation Committee and the Board of Directors. In particular, the Company is required by Securities and Exchange Commission rules to seek reimbursement of such compensation for the relevant period if the Company's financial results are required to be restated due to material noncompliance of the Company as a result of misconduct.

Company's Performance and the Executive's Individual Performance. Base salary is paid regardless of the individual's or Company's performance. However, for employment to be maintained, the executive is expected to maintain certain levels of responsibility, time commitments and performance levels. In addition, executives are unlikely to receive an increase in base salary if they have not demonstrated a commitment to individual and Company performance. Cash bonuses reward individual and Company performance. However, if the Company does not achieve certain minimum performance levels, no bonus will be awarded. For fiscal 2008, each executive officer was eligible to receive an annual cash bonus of up to 100% of his or her base salary at the time of the award. Restricted stock to some extent emulates the spirit of the cash bonus program. The "Performance Based Shares" measurements are similar to the Company performance measurements maintained in connection with the cash bonus program. These shares have a two-year vesting period once the shares are issued. While the "Career Based Shares" may be issued to current employees, these shares have a five-year cliff vest and therefore require longevity with the Company in order to earn these shares.

Material Changes to Compensation. Material changes in compensation are based on performance (both personal and Company performance), responsibility and time commitment.

Stock Ownership Requirements. Executive officers are required to maintain a certain level of ownership of Company stock as determined by the Compensation Committee. The level of ownership is determined on an individual basis and is based upon the level of responsibility of each executive. As levels of responsibilities increase, so may the required minimum level of ownership.

The Role of Executive Officers in the Compensation Process. Executive officers participate in the compensation process to the extent of developing and presenting ideas and concepts to the Committee, with the assistance of the independent compensation consultant. The independent compensation consultant prepares a report for the Compensation Committee with input from the executive officers. The Compensation Committee has the final authority to determine all components of compensation structure. The Chief Executive Officer does not have any role in determining her own compensation. Clyde B. Anderson, in his position as Executive Chairman of the Board, and Sandra B. Cochran, in her position as President and Chief Executive Officer, provided input to the Compensation Committee as to the compensation for the Company's other officers.

Deductibility of Executive Compensation. Section 162(m) of the Internal Revenue Code provides that a company may not deduct compensation of more than $1,000,000 that is paid to certain executives in a given year, unless certain performance-based conditions are met. The Company believes that compensation paid under its compensation plans should be fully deductible for federal income tax purposes. However, as part of its role, the Compensation Committee continues to review and consider the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code.

Accounting for Stock-Based Compensation. Beginning on January 29, 2006, the Company began accounting for stock-based compensation, including stock options and restricted stock, in accordance with the requirements of FASB Statement 123(R).

COMPENSATION COMMITTEE REPORT

The Compensation Committee, which consists of Messrs. William H. Rogers, Jr. (who served as Chairman throughout fiscal 2008), J. Barry Mason and Ronald G. Bruno, was responsible for establishing salaries, bonuses and other compensation for the Company's executive officers for fiscal 2008, as well as for administering the Company's 2005 Incentive Award Plan and Employee Stock Purchase Plan. Each member of the Compensation Committee is a non-employee director and is independent under NASDAQ listing standards.

The Committee continues to monitor the compensation programs with the assistance of input from outside advisors in order to ensure compliance with the changing landscape of executive pay. The Compensation Committee held two meetings during fiscal 2008. The Compensation Committee has reviewed and discussed the Company's CD&A with management; and based upon this review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in this Proxy Statement.

By the Compensation Committee of the Board of Directors:

Mr. William H. Rogers, Jr. (Chairman)
Dr. J. Barry Mason
Mr. Ronald G. Bruno

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Interlocks. As indicated above, the Compensation Committee of the Board of Directors consists of Messrs. William H. Rogers, Jr., J. Barry Mason and Ronald G. Bruno. None of these directors had interlock relationships during fiscal 2008 with any comparable committee of another company.

TRANSACTIONS WITH RELATED PERSONS

Procedures for Approval of Related Person Transactions. The Audit Committee pre-approves all related person transactions and approves any changes to existing contracts as well as approving new contracts. At the end of each year, the Audit Committee will review all related person transactions and determine if the Company is compliant with current contracts. This formal process approves and monitors all transactions of companies that could be considered related. Related persons are defined by the SEC in Regulation S-K and are further explained in the Company's Code of Business Conduct and Ethics and in the following paragraph. The Audit Committee has the authority to make waivers on conflicts of interest.

In accordance to the Company's Code of Business Conduct and Ethics, conflicts of interest are defined by outside employment, improper personal benefits, financial interests, loans or other financial transactions, service on outside Boards and Committees and actions of family members.

Related Person Transactions. As described below, during fiscal 2008 the Company entered into certain transactions in the ordinary course of business with certain entities affiliated with Messrs. Charles C. Anderson, Sr., Terry C. Anderson, Joel R. Anderson, Harold M. Anderson, Charles C. Anderson, Jr. and Clyde B. Anderson, who own 70% or more of these companies and serve as officers and or directors of these companies. The Board of Directors of the Company believes that all such transactions were on terms no less favorable to the Company than terms available from unrelated parties. All of the related person transactions described below were reviewed and approved by the Audit Committee in accordance with the Company's policy.

Significant activities with these entities are as follows. The Company purchases a substantial portion of its magazines as well as certain of its seasonal music and newspapers from Anderson Media Corporation ("Anderson Media"). Purchases in fiscal 2008 totaled $25,514,421. The Company sold books to Anderson Media in fiscal 2008 totaling $3,652,982. The Company purchases certain of its collectibles, gifts and books from Anderson Press, Inc. ("Anderson Press"). During fiscal 2008, purchases from Anderson Press totaled $2,283,957. The Company purchases gifts and cards from C.R. Gibson. Purchases from C.R. Gibson totaled $346,177 during fiscal 2008. The Company utilizes Anco Far East Importers, LTD ("Anco Far East") to assist in purchasing and importing certain gift items. The total cash paid to Anco Far East for fiscal 2008 was $2,622,059, which primarily consisted of the actual cost of product, but also included fees for sourcing and consolidation services. All of the costs other than the sourcing and consolidation services fees, which totaled $184,000 for fiscal 2008, were passed through from other vendors. The Company leases its principal executive offices from a trust established for the benefit of the grandchildren of Charles C. Anderson, Sr. The lease term is month to month. During fiscal 2008, the Company paid rent of $141,281 to the trust under this lease. Anderson & Anderson, LLC ("A&A") leases three buildings to the Company. During fiscal 2008, the Company paid A&A a total of $427,663 under such leases. In addition, the Company and A&A jointly own an airplane that is used by the Company in its business. The Company also rents the plane to other affiliated companies at rates that cover all the variable costs and a portion of the fixed costs of operating the plane. The total amount received from affiliated companies for use of the plane in fiscal 2008 was $668,190. In addition, the Company paid amounts to other affiliated companies for the Company's use of their planes in the amount of $110,254. The Company subleases certain property to Hibbett Sports, Inc. ("Hibbett"), a sporting goods retailer in the Southeastern United States. The Company's Executive Chairman, Clyde B. Anderson, was a member of the Board of Directors of Hibbett during fiscal 2008 and will continue to serve as a member of Hibbett's Board of Directors until his term expires at the 2008 annual meeting of Hibbett's shareholders. Additionally, one of our directors, Albert C. Johnson, and one of our executive officers, Terrance G. Finley, were appointed to the Board of Directors of Hibbett on March 14, 2008. During fiscal 2008, the Company received $236,414 in rent payments from Hibbett.

EXECUTIVE OFFICER COMPENSATION

This section of the Proxy Statement discloses the compensation awarded, paid to or earned by, each individual who served as the Company's principal executive officer or principal financial officer during fiscal 2008 and the next two most highly compensated executive officers other than the principal executive officer or principal financial officer during fiscal 2008.

Based on the compensation reflected in the table below, "Salary" accounted for the following percentages of each named executive officer's total compensation: 33.7% for Ms. Cochran, 34.4% for Mr. Anderson, 39.1% for Mr. Finley, and 47.4% for Mr. Markham.

SUMMARY COMPENSATION TABLE

Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards ($)** (2)	**Option Awards ($)** (3)	**Non-Equity Incentive Plan Compensation ($)** (4)	**All Other Compensation ($)**	**Total ($)**
Sandra B. Cochran	2008	455,000	-	499,802	-	378,364	17,491(5)	1,350,657
President and Chief Executive Officer	2007	430,000	-	236,080	107,835	430,000	27,151	1,231,066
(Principal Executive Officer)								
Clyde B. Anderson	2008	335,000	-	314,246	-	238,659	86,616(6)	974,521
Executive Chairman of the Board	2007	330,000	-	147,353	86,271	280,500	17,739	861,863
Terrance G. Finley	2008	305,000	-	245,343	-	216,974	12,045(7)	779,362
President of Merchandising Group	2007	290,000	-	176,019	53,921	246,500	16,949	783,389
Douglas G. Markham	2008	230,000	-	99,060	-	155,293	1,131(8)	485,484
Chief Financial Officer and Secretary	2007	125,415	25,000	15,445	-	107,500	457	273,817
(Principal Financial Officer) (1)								

(1) Mr. Markham joined the Company on July 5, 2006 as the Company's Principal Financial Officer. The fiscal 2007 bonus amount to Mr. Markham was paid in conjunction with sign on and relocation.

(2) The amounts included in the "Stock Awards" column represent the compensation cost that was recognized in fiscal 2007 and 2008 related to non-option stock awards in accordance with Statement of Financial Accounting Standards No. 123R. The valuation assumptions used in determining such amounts are described in Note 5 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2008. Please see "Grants of Plan Based Awards in Fiscal 2008" on the following page for more information regarding stock awards that were granted in fiscal 2008.

(3) There were no options granted in fiscal 2008. The amounts included in the "Option Awards" column represent the compensation cost the Company recognized in fiscal year 2007 related to options granted in prior fiscal years determined in accordance with Statement of Financial Accounting Standards No. 123R.

(4) Non-Equity Incentive Plan Compensation is composed entirely of performance based cash bonuses earned under the 2005 Incentive Award Plan and are reported in the table with respect to the fiscal year in which they were earned. All goals are predetermined and measurable and are paid at the determination of the Compensation Committee.

(5) All Other Compensation for fiscal 2008 includes (i) matching contributions by the Company to the Company's 401(k) savings plan of $1,714 and amounts paid in lieu of 401(k) savings plan match of $8,786 due to limits mandated for highly compensated executives (as defined by Section 401(k) of the Internal Revenue Code) on behalf of Sandra B. Cochran, (ii) life insurance premiums of $1,548 on behalf of Sandra B. Cochran, and (iii) transportation related benefits, which consist of Company owned and Company chartered aircraft for fiscal 2008. The estimated aggregate incremental cost to the Company of personal use of Company owned and Company chartered aircraft by Sandra B. Cochran was $5,443. The estimated aggregate incremental cost to the Company includes the actual cost paid by the Company for chartered aircraft and an estimate of the incremental cost to the Company of personal use of the Company owned aircraft based on the average variable operating costs to the Company. Variable operating costs include fuel, maintenance, weather-monitoring, on-board catering, landing/ramp fees and other miscellaneous variable costs. The total annual variable costs are divided by the annual number of hours the Company aircraft flew to derive an average variable cost per hour. This average variable cost is then multiplied by the hours flown for personal use to derive the estimated aggregate incremental cost. Since the Company owned aircraft is used primarily for business travel, the methodology excludes fixed costs that do not change based on usage, such as pilots' and other employees' salaries, purchase costs of the aircraft and non-trip related hangar expenses. On certain occasions, an executive's spouse or other family member or guest may accompany the executive on a flight. No additional direct operating cost is incurred in such situations under the foregoing methodology.

(6) All Other Compensation for fiscal 2008 includes (i) matching contributions by the Company to the Company's 401(k) savings plan of $1,528 and amounts paid in lieu of 401(k) savings plan match of $8,972 due to limits mandated for highly compensated executives on behalf of Clyde B. Anderson, (ii) life insurance premiums of $1,116 on behalf of Clyde B. Anderson and (iii) transportation related benefits, which consist of personal use of Company owned and Company chartered aircraft for fiscal 2008. The estimated aggregate incremental cost to the Company for fiscal 2008 for personal use of Company aircraft by Clyde B. Anderson was $75,000. The estimated aggregate incremental cost to the Company was calculated in the same manner as for Sandra B. Cochran.

(7) All Other Compensation for fiscal 2008 includes (i) matching contributions by the Company to the Company's 401(k) savings plan of $6,039 and amounts paid in lieu of 401(k) savings plan match of $4,461 due to limits mandated for highly compensated executives on behalf of Terrance G. Finley and (ii) life insurance premiums of $1,545 on behalf of Terrance G. Finley.

(8) All Other Compensation for fiscal 2008 includes life insurance premiums of $1,131 on behalf of Douglas G. Markham.

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2008

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards (2)
Sandra B. Cochran	March 29, 2007	182,000	409,500	455,000	30,000 (3)	424,200
	March 29, 2007				30,000 (4)	424,200
Clyde B. Anderson	March 29, 2007	113,900	256,272	284,750	15,000 (3)	212,100
	March 29, 2007				15,000 (4)	212,100
Terrance G. Finley	March 29, 2007	103,700	233,325	259,250	10,000 (3)	141,400
	March 29, 2007				10,000 (4)	141,400
Douglas G. Markham	March 29, 2007	69,000	155,250	172,500	7,500 (3)	106,050
	March 29, 2007				10,000 (4)	141,400

(1) Cash bonuses generally are paid pursuant to a program and goals established at the beginning of a fiscal year in connection with the preparation of the Company's annual operating budget for such year. Under this bonus program, an executive officer is eligible to receive a bonus upon the Company achieving certain pre-tax income goals and the executive officer accomplishing certain individual performance goals related to his or her job functions.

(2) The amounts set forth in the "Grant Date Fair Value of Stock Awards" column represent the full grant date fair value of our restricted stock awards as determined in accordance with Financial Accounting Standards No. 123R. The valuation assumptions used in determining such amounts are described in Note 5 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2008.

(3) Represents "Performance Based Shares" of restricted stock issued on March 29, 2007 upon a determination by the Compensation Committee of the satisfaction of performance objectives for the 2007 fiscal year to which the award relates. Such shares vest and all applicable restrictions lapse (i) with respect to 50% of the shares, on February 2, 2008, and (ii) with respect to the remaining 50% of the shares, on January 31, 2009, provided in each case that the executive remains continuously employed in active service by the Company through such date. The executives have all of the rights of a stockholder with respect to earned Performance Based Shares, including the right to vote the shares and to receive all dividends or other distributions paid or made with respect to the shares subject to the award.

(4) Represents discretionary "Career Based Shares" of restricted stock awarded by the Compensation Committee to executive officers on March 29, 2007. These Career Based Shares vest on January 30, 2012, provided that the executive remains continuously employed in active service by the Company through such date. The executives have all the rights of a stockholder with respect to shares subject to the award, including the right to vote the shares and to receive all dividends or other distributions paid or made with respect to the shares subject to the award.

OUTSTANDING EQUITY AWARDS AT FISCAL 2008 YEAR-END

The following table presents information regarding unvested restricted stock awards for each of the named executive officers under the Company's 2005 Incentive Award Plan and 1995 Executive Incentive Plan as of the end of the 2008 fiscal year, including the number of shares of common stock and the market value of such shares as of February 2, 2008. The table reflects the values of such awards based on the closing sale price of a share of Common Stock reported on the NASDAQ Global Select Market on February 1, 2008 (the last trading day prior to the end of the Company's fiscal year), which was $10.75.

	Stock Awards	
Name	**Number of Shares or Units of Stock That Have Not Vested (#) (1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**
Sandra B. Cochran	97,706	1,050,340
Clyde B. Anderson	58,206	625,715
Terrance G. Finley	44,206	475,215
Douglas G. Markham	21,250	228,438

(1) For Ms. Cochran, represents 15,000 Performance Based Shares and 70,000 Career Based Shares awarded under the 2005 Incentive Award Plan and 12,706 shares awarded under the 1995 Executive Incentive Plan. For Mr. Anderson, represents 7,500 Performance Based Shares and 38,000 Career Based Shares awarded under the 2005 Incentive Award Plan and 12,706 shares awarded under the 1995 Executive Incentive Plan. For Mr. Finley, represents 5,000 Performance Based Shares and 26,500 Career Based Shares awarded under the 2005 Incentive Award Plan and 12,706 shares awarded under the 1995 Executive Incentive Plan. For Mr. Markham, represents 3,750 Performance Based Shares and 17,500 Career Based Shares awarded under the 2005 Incentive Award Plan.

OPTION EXERCISES AND STOCK VESTED DURING FISCAL 2008

The following table shows the amounts received upon exercise of options and the vesting of restricted stock during fiscal year 2008. The table reflects the values of stock awards based on the closing sale price of a share of Common Stock reported on the NASDAQ Global Select Market on February 1, 2008 (the last trading day prior to the end of the Company's fiscal year), which was $10.75.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Sandra B. Cochran	16,667	280,172	29,779	320,124
Clyde B. Anderson	13,334	224,145	21,279	228,749
Terrance G. Finley	99,000	1,984,950	18,029	193,812
Douglas G. Markham	-	-	3,750	40,313

DIRECTOR COMPENSATION

The following table presents the total compensation of the Company's non-employee directors for fiscal 2008. The amounts included in the "Stock Awards" column represent the compensation cost that was recognized in fiscal 2008 related to non-option stock awards determined in accordance with FAS 123R. The valuation assumptions used in determining such amounts are described in Note 5 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2008.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Total ($)
Terrance Anderson	31,000	20,486	51,486
Ronald Bruno	37,000	20,486	57,486
Albert C. Johnson	45,625	21,007	66,632
J. Barry Mason	43,000	20,486	63,486
William Rogers	43,875	20,486	64,361

Compensation of Directors. The Board utilizes the services of Mercer Human Resources of Atlanta, Georgia an outside human resources consulting firm to periodically analyze the compensation of non-employee directors at various peer companies as compared with the compensation of the Directors. Directors who are not employees of the Company ("Non-Employee Directors") receive an annual retainer fee of $25,000 and an attendance fee of $1,000 for each Board, Compensation Committee and Nominating and Corporate Governance Committee meeting attended, as well as reimbursement of all out-of-pocket expenses incurred in attending all such meetings. Audit Committee members receive $2,000 per meeting as well as reimbursement of all out-of-pocket expenses incurred in attending such meetings. On March 29, 2007 the Compensation Committee approved changes in Non-Employee Director compensation effective fiscal 2008. Pursuant to these changes, the Chairman of the Audit Committee now receives an additional annual retainer fee of $7,500, and the Chairman of the Compensation Committee receives an additional annual retainer fee of $2,500.

In addition, the Company's Non-Employee Directors are eligible to receive formula grants of restricted stock under the Company's Outside Director Restricted Stock Plan, established pursuant to the Company's 2005 Incentive Award Plan. Under the Company's Outside Director Restricted Stock Plan, each director who is not an employee of the Company or one of its subsidiaries is, on the first day he serves as a director, granted an "Initial Award" of 3,750 shares of Common Stock from the Company at their fair market value (as defined in the Restricted Stock Plan) on such date. These shares vest in three equal installments on the first, second and third anniversaries of the effective date of the initial award. Further, each such director who is serving as a director on the date of the annual meeting and who has served as a director for more than eleven consecutive months is granted a "Continuing Award" of 2,500 shares of Common Stock from the Company at the fair market value of the Common Stock on such date. These shares vest in three equal installments on the first, second and third anniversaries of the effective date of the initial award. Any award which is not vested upon such Non-Employee Director's termination as a director is thereupon forfeited immediately and without any further action by the Company.

Director's Deferred Compensation Plan. During fiscal 2006, the Board adopted the Books-A-Million, Inc. Directors' Deferred Compensation Plan. The Directors' Deferred Compensation Plan provides the Non-Employee Directors with the opportunity to defer the receipt of certain amounts payable for serving as a member of the Board. A non-employee director's fee deferrals are credited to the non-employee director's bookkeeping account (the "Account") maintained under the Directors' Deferred Compensation Plan. Each participating non-employee director's account is credited with a deemed rate of interest and/or earnings or losses depending upon the investment performance of the deemed investment option selected by the participant.

With certain exceptions, a participating non-employee director's account will be paid after the earlier of: (1) a fixed payment date, as elected by the participating non-employee director (if any); or (2) the participating non-employee director's separation from service on the Board. The participating non-employee director may generally elect that payments be made in a single sum or installments in the year specified by the participating non-employee director or upon the non-employee director's separation from service on the Board. Additionally, a participating non-employee director may elect to receive payment upon a Change of Control, as defined in, and to the extent permitted by, Section 409A of the Internal Revenue Code of 1986, as amended. No directors have elected to defer compensation at this time.

PROPOSAL 3 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

At the direction of the Audit Committee, the ratification of the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm ("independent auditor") for the fiscal year ending January 31, 2009, is being presented to the stockholders for approval at the Annual Meeting. Although stockholder ratification is not required by our by-laws or otherwise, the Board is submitting the selection of Grant Thornton LLP to our stockholders for ratification as a matter of good corporate practice. If the appointment of Grant Thornton LLP as the independent auditor is not ratified, the Audit Committee will reconsider its appointment of the independent auditor.

General. The Audit Committee of the Board of Directors has selected Grant Thornton LLP to serve as the Company's independent auditor for the Company's 2009 fiscal year ending on January 31, 2009. Grant Thornton LLP has been engaged by the Company since April 29, 2005, and has audited the financial statements of the Company for its 2008, 2007 and 2006 fiscal years. Representatives of Grant Thornton LLP are expected to be present at the annual meeting. They will be provided an opportunity to make a statement if they desire to do so and they will be available to respond to appropriate questions.

Auditor Fees and Services. The following table shows the fees paid or accrued, including out-of-pocket expenses, by the Company for the audit and other services provided by Grant Thornton LLP for fiscal years 2008 and 2007:

Fees	Fiscal 2008	Fiscal 2007
Audit fees (1)	$1,019,200	$916,415
Audit-related fees (2)	0	38,066
Tax fees (3)	26,880	15,750
All other fees	0	0
Total	$1,046,080	$970,231

(1) Audit fees represent fees for professional services provided in connection with the audit of the Company's annual consolidated financial statements and internal control over financial reporting, review of quarterly consolidated financial statements and audit services provided in connection with other statutory or regulatory filings.

(2) Audit-related fees represent the aggregate fees billed during the past two years for assurance and related services by the principal accountants that are reasonably related to their performance of the audit or review of the Company's financial statements that are not covered by the prior item.

(3) Tax fees principally included tax compliance fees and tax advice and planning fees.

Pre-Approval Policies and Procedures; Non-Audit Services. The Audit Committee pre-approves all audit-related and non-audit services not prohibited by law to be performed by the Company's independent auditors. The Audit Committee has considered whether the provision of non-audit services by the Company's independent auditor is compatible with maintaining the independent auditor's independence and believes that the provision of such services is compatible.

Vote Required; Board Recommendation. The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of Grant Thornton LLP as the independent auditor. Unless instructed to the contrary, the shares represented by the proxies will be voted to approve the ratification of the appointment of Grant Thornton LLP as the independent auditor.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE IN FAVOR OF PROPOSAL 3.

OTHER MATTERS

The Board of Directors knows of no other matters to be brought before the Annual Meeting. However, if any other matters are properly brought before the Annual Meeting, the persons appointed in the accompanying proxy intend to vote the shares represented thereby in accordance with their best judgment.

SOLICITATION OF PROXIES

The cost of the solicitation of proxies on behalf of the Company will be borne by the Company. In addition, directors, officers and other employees of the Company may, without additional compensation except reimbursement for actual expenses, solicit proxies by mail, in person or by telecommunication. The Company will reimburse brokers, fiduciaries, custodians and other nominees for out-of-pocket expenses incurred in sending the Company's proxy materials to, and obtaining instructions relating to such materials from, beneficial owners.

STOCKHOLDER PROPOSALS FOR 2009 ANNUAL MEETING

Any proposal that a stockholder may desire to have included in the Company's proxy material for presentation at the 2009 Annual Meeting of stockholders pursuant to Rule 14a-8 under the Exchange Act must be received by the Company at its executive offices at 402 Industrial Lane, Birmingham, Alabama 35211, Attention: Ms. Sandra B. Cochran, on or prior to December 26, 2008. A stockholder must notify the Company before March 11, 2009 of a proposal for the 2009 Annual Meeting which the stockholder intends to present other than by inclusion in our proxy material. Any such proposal received after March 11, 2009 will be considered untimely for purposes of the 2009 Annual Meeting, and proxies delivered for the 2008 annual meeting will confer discretionary authority to vote on any such matters.

ANNUAL REPORT

The Company's Annual Report to Stockholders for fiscal 2008 is being mailed to the Company's stockholders with this Proxy Statement.

APPENDIX A

BOOKS-A-MILLION, INC.
2005 INCENTIVE AWARD PLAN
(As Amended on _____________, 2008)

ARTICLE 1

PURPOSE

The purpose of the Books-A-Million, Inc. 2005 Incentive Award Plan (the "Plan") is to promote the success and enhance the value of Books-A-Million, Inc., a Delaware corporation (the "Company") by linking the personal interests of the members of the Board, Employees, and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Award" means an Option, a Restricted Stock award, a Stock Appreciation Right award, a Performance Share award, a Performance Stock Unit award, a Performance Award, a Dividend Equivalents award, a Stock Payment award, a Deferred Stock award, a Restricted Stock Unit award, or a Performance-Based Award granted to a Participant pursuant to the Plan.

2.2 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Change of Control" means and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries, or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.4(a) or Section 2.4(c)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this Section 2.4(c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(d) The Company's stockholders approve a liquidation or dissolution of the Company.

The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change of Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change of Control and any incidental matters relating thereto.

2.5 "Code" means the Internal Revenue Code of 1986, as amended.

2.6 "Committee" means the committee of the Board described in Article 12.

2.7 "Consultant" means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to the Company; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Company to render such services.

2.8 "Covered Employee" means an Employee who is, or could be, a "covered employee" within the meaning of Section 162(m) of the Code.

2.9 "Deferred Stock" means a right to receive a specified number of shares of Stock during specified time periods pursuant to Article 8.

2.10 "Disability" means that the Participant qualifies to receive long-term disability payments under the Company's long-term disability insurance program, as it may be amended from time to time.

2.11 "Dividend Equivalents" means a right granted to a Participant pursuant to Article 8 to receive the equivalent value (in cash or Stock) of dividends paid on Stock.

2.12 "Effective Date" shall have the meaning set forth in Section 13.1.

2.13 "Employee" means any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Subsidiary.

2.14 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.15 "Fair Market Value" means, as of any given date, (a) if Stock is traded on an exchange, the closing price of a share of Stock as reported in the *Wall Street Journal* for the first trading date immediately prior to such date during which a sale occurred; or (b) if Stock is not traded on an exchange but is quoted on NASDAQ or a successor or other quotation system, (i) the last sales price (if the Stock is then listed as a Market Issue under the NASD Market System) or (ii) the mean between the closing representative bid and asked prices (in all other cases) for the Stock on the date immediately prior to such date on which sales prices or bid and asked prices, as applicable, are reported by NASDAQ or such successor quotation system; or (c) if such Stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the mean between the closing bid and asked prices for the Stock on the day previous to such date, as determined in good faith by the Committee; or (d) if the Stock is not publicly traded, the fair market value established by the Committee acting in good faith.

2.16 "Full Value Award" means any Award other than an Option, SAR or other Award for which the Participant pays the intrinsic value (whether directly or by forgoing a right to receive a cash payment from the Company).

2.17 "Incentive Stock Option" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.18 "Independent Director" means a member of the Board who is not an Employee of the Company.

2.19 "Non-Employee Director" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) under the Exchange Act, or any successor definition adopted by the Board.

2.20 "Non-Qualified Stock Option" means an Option that is not intended to be an Incentive Stock Option.

2.21 "Option" means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of shares of Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.22 "Participant" means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.23 "Performance Award" means a right granted to a Participant pursuant to Article 8 to receive a cash bonus payment contingent upon achieving certain performance goals established by the Committee.

2.24 "Performance-Based Award" means an Award granted to selected Covered Employees pursuant to Articles 6 and 8, but which is subject to the terms and conditions set forth in Article 9.

2.25 "Performance Criteria" means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals shall be limited to the following: net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added (as determined by the Committee), sales or revenue, net income (either before or after taxes), operating earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on capital, return on net assets, return on stockholders' equity, return on assets, return on capital, stockholder returns, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings per share, price per share of Stock, and market share, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The Committee shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

2.26 "Performance Goals" means, for a Performance Period, the goals established in writing by the Committee for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual. The Committee, in its discretion, may, within the time prescribed by Section 162(m) of the Code, adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

2.27 "Performance Period" means the one or more periods of time, which may be of varying and overlapping durations, 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-Based Award.

2.28 "Performance Share" means a right granted to a Participant pursuant to Article 8, to receive Stock, the payment of which is contingent upon achieving certain performance goals established by the Committee.

2.29 "Performance Stock Unit" means a right granted to a Participant pursuant to Article 8, to receive Stock, the payment of which is contingent upon achieving certain performance goals established by the Committee.

2.30 "Plan" means this Books-A-Million, Inc., 2005 Incentive Award Plan, as it may be amended from time to time.

2.31 "Prior Plan" means the Books-A-Million, Inc. Stock Option Plan.

2.32 "Qualified Performance-Based Compensation" means any compensation that is intended to qualify as "qualified performance-based compensation" as described in Section 162(m)(4)(C) of the Code.

2.33 "Restricted Stock" means Stock awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.34 "Restricted Stock Unit" means an Award granted pursuant to Article 8.

2.35 "Stock" means the common stock of the Company, par value $0.01 per share, and such other securities of the Company that may be substituted for Stock pursuant to Article 11.

2.36 "Stock Appreciation Right" or "SAR" means a right granted pursuant to Article 7 to receive a payment equal to the excess of the Fair Market Value of a specified number of shares of Stock on the date the SAR is exercised over the Fair Market Value on the date the SAR was granted as set forth in the applicable Award Agreement.

2.37 "Stock Payment" means (a) a payment in the form of shares of Stock, or (b) an option or other right to purchase shares of Stock, as part of any bonus, deferred compensation or other arrangement, made in lieu of all or any portion of the compensation, granted pursuant to Article 8.

2.38 "Subsidiary" means any corporation or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Article 11 and Section 3.1(b), the aggregate number of shares of Stock which may be issued or transferred pursuant to Awards (including, without limitation, Incentive Stock Options) under the Plan is 1,200,000.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any shares of Stock subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by applicable law or any exchange rule, shares of Stock issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Subsidiary shall not be counted against shares of Stock available for grant pursuant to this Plan. Shares of Stock which are delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any shares of Restricted Stock are forfeited by the Participant or repurchased by the Company, such shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no shares of Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 Stock Distributed. Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

3.3 Limitation on Number of Shares Subject to Awards and Limit on Performance Awards. Notwithstanding any provision in the Plan to the contrary, and subject to Article 11, the maximum number of shares of Stock with respect to one or more Awards that may be granted to any one Participant during any fiscal year shall be 100,000. The maximum amount that may be paid in cash during any fiscal year with respect to a Performance-Based Award that is intended to be a Performance Award shall be $1,000,000.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility.

(a) General. Persons eligible to participate in this Plan include Employees, Consultants, and all members of the Board, as determined by the Committee.

(b) Foreign Participants. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have Employees, Consultants or members of the Board, the Committee, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which Employees, Consultants or members of the Board outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to Employees, Consultants or members of the Board outside the United States to comply with applicable foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to this Plan as appendices); *provided, however*, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3.1 and 3.3 of the Plan; and (v) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law or governing statute or any other applicable law.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

ARTICLE 5

STOCK OPTIONS

5.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per share of Stock subject to an Option shall be determined by the Committee and set forth in the Award Agreement; *provided* that the exercise price for any Option shall not be less than 100% of the Fair Market Value on the date of grant.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part; *provided* that the term of any Option granted under the Plan shall not exceed ten years. The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid and the form of payment, including, without limitation: (i) cash (or its equivalent), (ii) shares of Stock held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof or (iii) other property acceptable to the Committee (including through the delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; provided that payment of such proceeds is then made to the Company upon settlement of such sale). The Committee shall also determine the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2 Incentive Stock Options. Incentive Stock Options shall be granted only to Employees and the terms of any Incentive Stock Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Expiration of Option. An Incentive Stock Option may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) Three months after the Participant's termination of employment as an Employee; and

(iii) One year after the date of the Participant's termination of employment or service on account of Disability or death. Upon the Participant's Disability or death, any Incentive Stock Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Incentive Stock Option or dies intestate, by the person or persons entitled to receive the Incentive Stock Option pursuant to the applicable laws of descent and distribution.

(b) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed $100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Stock Options.

(c) Ten Percent Owners. An Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of Stock of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of shares of Stock acquired by exercise of an Incentive Stock Option within (i) two years from the date of grant of such Incentive Stock Option or (ii) one year after the transfer of such shares of Stock to the Participant.

(e) Expiration of Incentive Stock Options. No Award of an Incentive Stock Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(f) Right to Exercise. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

ARTICLE 6

RESTRICTED STOCK AWARDS

6.1 Grant of Restricted Stock. The Committee is authorized to make Awards of Restricted Stock to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. All Awards of Restricted Stock shall be evidenced by an Award Agreement.

6.2 Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.3 Forfeiture. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited; *provided, however*, that, the Committee may (a) provide in any Restricted Stock Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

6.4 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

ARTICLE 7

STOCK APPRECIATION RIGHTS

7.1 Grant of Stock Appreciation Rights.

(a) A Stock Appreciation Right may be granted to any Participant selected by the Committee. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose and shall be evidenced by an Award Agreement.

(b) A Stock Appreciation Right shall entitle the Participant (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount equal to the product of (i) the excess of (A) the Fair Market Value of the Stock on the date the Stock Appreciation Right is exercised over (B) the Fair Market Value of the Stock on the date the Stock Appreciation Right was granted and (ii) the number of shares of Stock with respect to which the Stock Appreciation Right is exercised, subject to any limitations the Committee may impose.

7.2 Payment and Limitations on Exercise.

(a) Payment of the amounts determined under Section 7.1(b) above shall be in cash, in Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee in the Award Agreement.

(b) To the extent payment for a Stock Appreciation Right is to be made in cash, the Award Agreement shall, to the extent necessary to comply with the requirements to Section 409A of the Code, specify the date of payment which may be different than the date of exercise of the Stock Appreciation Right. If the date of payment for a Stock Appreciation Right is later than the date of exercise, the Award Agreement may specify that the Participant be entitled to earnings on such amount until paid.

(c) To the extent any payment under Section 7.1(b) is effected in Stock, it shall be made subject to satisfaction of all provisions of Article 5 above pertaining to Options.

ARTICLE 8

OTHER TYPES OF AWARDS

8.1 Performance Share Awards. Any Participant selected by the Committee may be granted one or more Performance Share awards which shall be denominated in a number of shares of Stock and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

8.2 Performance Stock Units. Any Participant selected by the Committee may be granted one or more Performance Stock Unit awards which shall be denominated in unit equivalent of shares of Stock and/or units of value including dollar value of shares of Stock and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

8.3 Performance Award. Any Participant selected by the Committee may be granted a Performance Award. The value of such Performance Awards may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any Performance Period determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the Participant.

8.4 Dividend Equivalents.

(a) Any Participant selected by the Committee may be granted Dividend Equivalents based on the dividends declared on the shares of Stock that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional shares of Stock by such formula and at such time and subject to such limitations as may be determined by the Committee.

(b) Dividend Equivalents granted with respect to Options or SARs that are intended to be Qualified Performance-Based Compensation shall be payable, with respect to pre-exercise periods, regardless of whether such Option or SAR is subsequently exercised.

8.5 Stock Payments. Any Participant selected by the Committee may receive Stock Payments in the manner determined from time to time by the Committee; *provided*, that unless otherwise determined by the Committee such Stock Payments shall be made in lieu of base salary, bonus, or other cash compensation otherwise payable to such Participant. The number of shares shall be determined by the Committee and may be based upon the Performance Criteria or other specific criteria determined appropriate by the Committee, determined on the date such Stock Payment is made or on any date thereafter.

8.6 Deferred Stock. Any Participant selected by the Committee may be granted an award of Deferred Stock in the manner determined from time to time by the Committee. The number of shares of Deferred Stock shall be determined by the Committee and may be linked to the Performance Criteria or other specific criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or criteria set by the Committee. Unless otherwise provided by the Committee, a Participant awarded Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Deferred Stock Award has vested and the Stock underlying the Deferred Stock Award has been issued.

8.7 Restricted Stock Units. The Committee is authorized to make Awards of Restricted Stock Units to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. At the time of grant, the Committee shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Committee shall specify the maturity date applicable to each grant of Restricted Stock Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall transfer to the Participant one unrestricted, fully transferable share of Stock for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited. The Committee shall specify the purchase price, if any, to be paid by the grantee to the Company for such shares of Stock.

8.8 Term. Except as otherwise provided herein, the term of any Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Stock Payments, Deferred Stock, or Restricted Stock Units shall be set by the Committee in its discretion.

8.9 Exercise or Purchase Price. The Committee may establish the exercise or purchase price, if any, of any Award of Performance Shares, Performance Stock Units, Deferred Stock, Stock Payments, or Restricted Stock Units; *provided, however*, that such price shall not be less than the par value of a share of Stock, unless otherwise permitted by applicable state law.

8.10 Exercise upon Termination of Employment or Service. An Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Deferred Stock, Stock Payments, and Restricted Stock Units shall only be exercisable or payable while the Participant is an Employee, Consultant or a member of the Board, as applicable; *provided, however*, that the Committee in its sole and absolute discretion may provide that an Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Stock Payments, Deferred Stock, or Restricted Stock Units may be exercised or paid subsequent to a termination of employment or service, as applicable, or following a Change of Control of the Company, or because of the Participant's retirement, death or disability, or otherwise.

8.11 Form of Payment. Payments with respect to any Awards granted under this Article 8 shall be made in cash, in Stock or a combination of both, as determined by the Committee.

8.12 Award Agreement. All Awards under this Article 8 shall be subject to such additional terms and conditions as determined by the Committee and shall be evidenced by an Award Agreement.

ARTICLE 9

PERFORMANCE-BASED AWARDS

9.1 Purpose. The purpose of this Article 9 is to provide the Committee the ability to qualify Awards other than Options and SARs and that are granted pursuant to Articles 6 and 8 as Qualified Performance-Based Compensation. If the Committee, in its discretion, decides to grant a Performance-Based Award to a Covered Employee, the provisions of this Article 9 shall control over any contrary provision contained in Articles 6 or 8;

provided, however, that the Committee may in its discretion grant Awards to Covered Employees or other Participants that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article 9.

9.2 Applicability. This Article 9 shall apply only to those Covered Employees selected by the Committee to receive Performance-Based Awards. The designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an Award for the period. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employees as a Participant in such period or in any other period.

9.3 Procedures with Respect to Performance-Based Awards. To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under Articles 6 and 8 which may be granted to one or more Covered Employees, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (a) designate one or more Covered Employees, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Committee shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by a Covered Employee, the Committee shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Period.

9.4 Payment of Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company or a Subsidiary on the day a Performance-Based Award for such Performance Period is paid to the Participant. Furthermore, a Participant shall be eligible to receive payment pursuant to a Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved. In determining the amount earned under a Performance-Based Award, the Committee may reduce or eliminate the amount of the Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

9.5 Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to a Covered Employee and is intended to constitute Qualified Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

ARTICLE 10

PROVISIONS APPLICABLE TO AWARDS

10.1 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Committee, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

10.2 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

10.3 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Stock Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

10.4 Beneficiaries. Notwithstanding Section 10.3, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

10.5 Stock Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed or traded. All Stock certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

10.6 Paperless Exercise. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless exercise of Awards by a Participant may be permitted through the use of such an automated system.

ARTICLE 11

CHANGES IN CAPITAL STRUCTURE

11.1 Adjustments. In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of Stock or the share price of the Stock, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3.1 and 3.3); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Qualified Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code.

11.2 Change of Control. In the event of any transaction or event described in Section 11.1 or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Committee, in its sole and absolute discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Committee determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 11.2 the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Committee in its sole discretion;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

11.3 Outstanding Awards – Certain Mergers. Subject to any required action by the stockholders of the Company, in the event that the Company shall be the surviving corporation in any merger or consolidation (except a merger or consolidation as a result of which the holders of shares of Stock receive securities of another corporation), each Award outstanding on the date of such merger or consolidation shall pertain to and apply to the securities that a holder of the number of shares of Stock subject to such Award would have received in such merger or consolidation.

11.4 Outstanding Awards – Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 11, the Committee may, in its absolute discretion, make such adjustments in the number and kind of shares or other securities subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

11.5 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to an Award or the grant or exercise price of any Award.

ARTICLE 12

ADMINISTRATION

12.1 Committee. The Plan shall be administered by the Compensation Committee of the Board; provided, however that the Compensation Committee may delegate to a committee of one or more members of the Board the authority to grant or amend Awards to Participants other than (a) senior executives of the Company who are subject to Section 16 of the Exchange Act or (b) Covered Employees. The Committee shall consist of at least two individuals, each of whom qualifies as (x) a Non-Employee Director, and (y) an "outside director" pursuant to Code Section 162(m) and the regulations issued thereunder. Reference to the Committee shall refer to the Board if the Compensation Committee ceases to exist and the Board does not appoint a successor Committee. Reference to the Committee shall refer to the Board if the Compensation Committee ceases to exist and the Board does not appoint a successor Committee. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. Notwithstanding the foregoing, the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Independent Directors and for purposes of such Awards the term "Committee" as used in this Plan shall be deemed to refer to the Board.

12.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

12.3 Authority of Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

(a) Designate Participants to receive Awards;

(b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines; *provided, however*, that the Committee shall not have the authority to accelerate the vesting or waive the forfeiture of any Performance-Based Awards;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

12.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 13

EFFECTIVE AND EXPIRATION DATE

13.1 Effective Date; Effect of Approval on Prior Plan. The Plan is effective as of the date the Plan is approved by the Company's stockholders (the "Effective Date"). The Plan will be deemed to be approved by the stockholders if it receives the affirmative vote of the holders of a majority of the shares of stock of the Company present or represented and entitled to vote at a meeting duly held in accordance with the applicable provisions of the Company's Bylaws. No additional awards will be made under the Prior Plan on or after the Effective Date.

13.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 14

AMENDMENT, MODIFICATION, AND TERMINATION

14.1 Amendment, Modification, And Termination. Subject to Section 15.14, with the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; provided, however, that (a) to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) stockholder approval is required for any amendment to the Plan that (i) increases the number of shares available under the Plan (other than any adjustment as provided by Article 11), (ii) permits the Committee to grant Options with an exercise price that is below Fair Market Value on the date of grant, (iii) permits the Committee to extend the exercise period for an Option beyond ten years from the date of grant, or (iv) results in a material increase in benefits or a change in eligibility requirements. Notwithstanding any provision in this Plan to the contrary, absent approval of the stockholders of the Company, no Option may be amended to reduce the per share exercise price of the shares subject to such Option below the per share exercise price as of the date the Option is granted and, except as permitted by Article 11, no Option may be granted in exchange for, or in connection with, the cancellation or surrender of an Option having a higher per share exercise price.

14.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 15.14, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 15

GENERAL PROVISIONS

15.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

15.2 No Stockholders Rights. No Award gives the Participant any of the rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such person in connection with such Award.

15.3 Withholding. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Participant's employment tax obligations) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold shares of Stock otherwise issuable under an Award (or allow the return of shares of Stock) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of shares of Stock which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award within six months after such shares of Stock were acquired by the Participant from the Company) in order to satisfy the Participant's federal, state, local and foreign income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

15.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of the Company or any Subsidiary.

15.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

15.6 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

15.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

15.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

15.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

15.10 Fractional Shares. No fractional shares of Stock shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

15.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 under the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

15.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register pursuant to the Securities Act of 1933, as amended, any of the shares of Stock paid pursuant to the Plan. If the shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act of 1933, as amended, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

15.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Delaware.

15.14 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Books-A-Million, Inc. on ____________ __, 2008.

* * * * *

I hereby certify that the foregoing Plan was approved by the stockholders of Books-A-Million, Inc. on ____________ __, 2008.

Executed on this ____ day of _______________, 2008.

____

Corporate Secretary

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