09 ANNUAL REPORT

Notice of 2009 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 220 stores in 21 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

(In thousands, except per share amounts, ratios and operational data)	For the Fiscal Year Ended:				
	1/31/09	2/2/08	2/3/07[1]	1/28/06	1/29/05
Statement of Income Data	**52 weeks**	52 weeks	53 weeks	52 weeks	52 weeks
Net revenue	**$513,271**	$535,128	$520,416	$503,751	$474,099
Net income	**10,574**	16,522	18,887	13,067	10,199
Earnings per share - diluted	**0.68**	1.01	1.12	0.77	0.59
Weighted average shares - diluted	**15,609**	16,302	16,805	16,888	17,178
Capital investment	**19,806**	16,878	14,907	11,297	14,923
Dividends per share - declared	**0.28**	3.36	0.33	0.23	0.23
Balance Sheet Data					
Property and equipment, net	**$ 58,038**	$ 53,514	$ 51,471	$ 51,001	$ 55,946
Total assets	**279,292**	284,833	304,037	311,659	300,812
Long-term debt	**6,720**	6,975	7,100	7,200	7,500
Stockholders' equity	**104,494**	99,051	157,034	145,009	134,859
Other Data					
Working capital	**$ 62,145**	$ 58,785	$117,737	$ 106,637	$ 95,382
Debt to total capital ratio	**0.18**	0.26	0.04	0.05	0.05
Operational Data					
Total number of stores	**220**	208	206	205	206
Number of superstores	**200**	184	179	173	168
Number of traditional stores	**20**	24	27	32	38

(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 2009 brought extraordinary challenges. The economic downturn that began developing in the fourth quarter of fiscal 2008 gained momentum and dramatically affected our sales in the second half of the year. The downturn was most pronounced in the third quarter. We did manage a modest improvement during the holiday season, outperforming our key competitors in comparable store sales.

The sales challenge was felt broadly across most departments of our stores as low consumer confidence led to decreased traffic. The core book business, while down, did have some bright spots as Teen and the phenomenal success of Stephanie Meyer's ***Twilight*** saga drove customers to the stores in December. Books related to the election season, faith based titles such as William Young's ***The Shack*** and media driven bestsellers like Glenn Beck's ***The Christmas Sweater*** also performed well. A price conscious consumer contributed to strong growth in our bargain book category and we aggressively expanded and promoted our assortment to take advantage of this trend.

Another positive trend was the growth of sales of general merchandise. Gifts, toys, games and book accessories all had solid increases as our investment in inventory delivered results, particularly in the fourth quarter.

We closed Fiscal Year 2009 with an improved balance sheet and a focus on expense control. During the fiscal year, we reduced our inventory balance by $2.5 million and reduced debt by $12.5 million.

We opened 16 new stores during the year. We expect to open three to five new stores in the coming year. This anticipated reduction in new stores is the result of a severe economic climate and the lack of quality real estate opportunities.

We will undoubtedly continue to face an unsettled economic climate in the year ahead. However, we are determined to maintain our disciplined approach to the fundamentals of our business both to deliver the best possible results in the short term and to position our company for the opportunities to come in a recovering economy.

Clyde B. Anderson
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts)	Fiscal Year Ended **1/31/09**	2/2/08
Net revenue	**$513,271**	$535,128
Operating profit	**18,890**	27,420
Net income	**10,574**	16,522
Net income per share – diluted	**0.68**	1.01
Dividends per share – declared	**0.28**	3.36

(In thousands)	As of **1/31/09**	2/2/08
Working capital	**$ 62,145**	$ 58,785
Total assets	**279,292**	284,833
Stockholders' equity	**104,494**	99,051

SELECTED CONSOLIDATED FINANCIAL DATA

	Fiscal Year Ended				
(In thousands, except per share data)	**1/31/09**	2/2/08	2/3/07	1/28/06	1/29/05
Statement of Operations Data:	**52 weeks**	52 weeks	53 weeks	52 weeks	52 weeks
Net revenue	**$513,271**	$535,128	$520,416	$503,751	$474,099
Cost of products sold, including warehouse distribution and store occupancy costs	**361,934**	376,580	363,688	357,166	339,012
Gross profit	**151,337**	158,548	156,728	146,585	135,087
Operating, selling and administrative expenses	**116,648**	117,079	112,227	108,945	98,870
Impairment Charges	**1.351**	60	333	215	337
Gain on insurance recovery	**--**	--	--	1,248	--
Depreciation and amortization	**14,448**	13,989	14,069	15,636	17,788
Operating profit	**18,890**	27,420	30,099	23,037	18,092
Interest expense, net	**1,920**	1,346	105	1,441	1,874
Income from continuing operations before income taxes	**16,970**	26,074	29,994	21,596	16,218
Provision for income taxes	**6,396**	9,552	11,107	8,545	6,001
Income from continuing operations	**10,574**	16,522	18,887	13,051	10,217
Discontinued operations:					
Income (Loss) from discontinued operations (including impairment charge)	**--**	--	--	27	(29)
Income tax provision (benefit)	**--**	--	--	11	(11)
Income (Loss) from discontinued operations	**--**	--	--	16	(18)
Net income	**$ 10,574**	$ 16,522	$ 18,887	$ 13,067	$ 10,199
Net income per common share:					
Basic:					
Net income per share	**$ 0.70**	$ 1.03	$ 1.16	$ 0.80	$ 0.62
Weighted average number of shares outstanding - basic	**15,219**	16,089	16,352	16,275	16,453
Diluted:					
Net income per share	**$ 0.68**	$ 1.01	$ 1.12	$ 0.77	$ 0.59
Weighted average number of shares outstanding - diluted	**15,609**	16,302	16,805	16,888	17,178
Dividends per share – declared	**$ 0.28**	$ 3.36	$ 0.33	$ 0.23	$ 0.23
Balance Sheet Data:					
Property and equipment, net	**$ 58,038**	$ 53,514	$ 51,471	$ 51,001	$ 55,946
Total assets	**279,292**	284,833	304,037	311,659	300,812
Long-term debt	**6,720**	6,975	7,100	7,200	7,500
Deferred Rent	**8,554**	8.079	8,706	8,637	12,622
Liability for uncertain tax positions	**2,032**	2.174	--	--	--
Stockholders' investment	**104,494**	99,051	157,034	145,009	134,859
Other Data:					
Working capital	**$ 62,145**	$ 58,785	$117,737	$106,637	$ 95,382

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

General

The Company was founded in 1917 and currently operates 220 retail bookstores concentrated primarily in the southeastern United States. Of the 220 stores, 200 are superstores that operate under the names Books-A-Million and Books & Co., and 20 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 January 31, 2009, the Company employed approximately 5,300 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 2009, the Company opened sixteen stores, closed four stores and relocated seven 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 period. Any stores closed during a fiscal period are excluded from comparable store sales as of the first day of the fiscal period in which they close. Remodeled and relocated stores are also included as comparable stores. 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.

Current Economic Environment

The United States and global economies are presently experiencing extremely challenging times and it is possible that general economic conditions could deteriorate further. The Company believes that these conditions have had and will continue to have an adverse impact on spending by the Company's current retail customer base and potential new customers. Because of these significant challenges, we are continuously reviewing and adjusting our business activities to address the changing economic environment. We are carefully managing our inventory and liquidity and enforcing expense controls while working diligently and prudently to grow our business. Despite overall store number growth in fiscal 2009, the Company reduced its year-end inventory balance by $2.5 million as of January 31, 2009 to $204.3 million, as compared to the fiscal year-end 2008 balance of $206.8 million. In addition, we reduced our outstanding loan balance at fiscal year-end 2009 under the Company's revolving credit facility, that allows for borrowings up to $100.0 million, to $15.8 million. This credit facility had a balance of $28.0 million at February 2, 2008. The Company was also able to reduce its selling and administrative expenses during fiscal 2009 by $0.4 million as compared to fiscal 2008. The Company opened 16 new stores in fiscal 2009. Due to current economic conditions, we will not open as many new stores in fiscal 2010 as were opened in fiscal 2009. Because of the uncertainty in the overall economic environment, the unpredictability of consumer behavior and the concern as to whether current conditions will improve, it is very difficult for us to predict how our business may be affected in the future. Our business and financial performance may be adversely affected by current and future economic conditions that cause a further decline in business and consumer spending, including a reduction in the availability of credit, increased unemployment levels, higher energy and fuel costs, rising interest rates, financial market volatility and long-term recession. These conditions could have a negative impact on the earnings, liquidity and capital resources of the Company.

Executive Summary

The purpose of this section is to provide a brief summary overview of the 52-week period ended January 31, 2009. 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 January 31, 2009, Books-A-Million reported net income of $10.6 million. This represents a 36.0% decrease from the 52-week period ended February 2, 2008. The decrease is attributable to severe macro-economic conditions in fiscal 2009 and the impact of the release of *Harry Potter and the Deathly Hallows*, the final book in the Harry Potter series, in the prior year. *Harry Potter and the Deathly Hallows* contributed $7.3 million in sales during the 52-week period ended February 2, 2008.

Consolidated net revenue decreased $21.9 million, or 4.0%, in the 52-week period ended January 31, 2009, compared to the 52-week period ended February 2, 2008. Comparable store sales decreased 7.2% in fiscal year 2009 compared to the 52-week period ended February 2, 2008. The decrease is due to severe macro-economic conditions in fiscal 2009 and the impact of the release of *Harry Potter and the Deathly Hallows* in the prior year as detailed above.

Gross profit, which includes cost of sales, distribution costs and occupancy costs, decreased $7.2 million, or 4.5%, in the 52-week period ended January 31, 2009, compared to the 52-week period ended February 2, 2008. Gross profit as a percentage of sales decreased from 29.6% to 29.5% over the same period. The decrease is attributable to higher occupancy costs offset by improved sales of higher margin items, lower promotional discounts and lower markdowns.

Operating, selling and administrative expenses decreased $0.4 million, or 0.04%, in the 52-week period ended January 31, 2009, compared to the 52-week period ended February 2, 2008. The decrease was attributable to reduced salary, bonus, 401(k) and payroll tax expense, reduced advertising expenses and reduced bad debt expense, partially offset by increased credit card fees, travel, insurance and new store expenses.

Impairment charges increased $1.3 million in the 52-week period ended January 31, 2009, compared to the 52-week period ended February 2, 2008. The increase was attributable to $0.7 million in impairment charges taken on leasehold improvements at various stores and a $0.7 million impairment of goodwill.

Consolidated operating profit was $18.9 million for the 52-week period ended January 31, 2009, compared to $27.4 million for the 52-week period ended February 2, 2008, a decrease of $8.5 million. This decrease was attributable to decreased sales and gross margin, along with an increase in operating selling and administrative expenses.

Balance Sheet
Current assets decreased $7.7 million, or 3.4%, in fiscal year 2009 compared to fiscal year 2008. The decrease is attributable to a $2.5 million decrease in inventory, a $1.4 million decrease in prepaid expenses and a $3.7 million decrease in accounts and related party receivables. The reduction in inventory is attributable to a tight focus on inventory reduction and control in both our stores and our warehouses in response to difficult macro-economic conditions. This reduction was accomplished despite the addition of sixteen new stores. The decrease in prepaid expenses is attributable to reduced prepayments of rent, supplies and import duties. The decrease in accounts and related party receivables is the result of reduced sales.

Current liabilities decreased $11.0 million, or 6.8%, in fiscal year 2009 compared to fiscal year 2008. The decrease is attributable to a $12.2 million decrease in short-term borrowings and a $6.0 million decrease in accrued expenses, partially offset by a $5.5 million increase in accounts payable. The decrease in short-term borrowings is the result of cost control, a reduction in inventory and an increase in accounts payable leverage. The reduction in accrued expenses is the result of reduced accruals for bonuses, insurance, returns and capital expenditures. Accounts payable increased due to more effective management of payment terms.

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 include leasehold improvements. At January 31, 2009, the Company had $58.0 million of property and equipment, net of accumulated depreciation, accounting for approximately 20.8% 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, excluding goodwill impairment, totaled $0.7 million, $0.1 million and $0.3 million in fiscal 2009, 2008 and 2007, respectively. For all years presented, the impairment losses related to the retail trade business segment.

Goodwill
At January 31, 2009, the Company had $0.7 million of goodwill, accounting for approximately 0.3% of the Company's total assets. SFAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill and other unamortizable intangible assets 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 2009 and determined that an impairment charge was required. As a result, impairment charges of $0.7 million were recorded the fourth quarter of fiscal 2009, which are the direct result of declining market conditions.

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 $0.4 million, $0.6 million and $0.4 million during fiscal 2009, 2008 and 2007, 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 estimates and accrues shrinkage for the period between the last physical count of inventory and the balance sheet date. The accrual is calculated based on historical results. As this estimate is based on historical experience, the variances between the estimate of shrinkage and the adjustment resulting from physical inventories are traditionally not significant.

Reserves for markdowns are estimated based upon the Company's history of liquidating non-returnable inventory.

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 $2.9 million as of January 31, 2009 and $2.5 million as of February 2, 2008. The estimated replacement cost of inventory at January 31, 2009 is the current first-in, first out (FIFO) value of $207.2 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		
	1/31/09	2/2/08	2/3/07
	52 weeks	52 weeks	53 weeks
Net revenue	**100.0%**	100.0%	100.0%
Gross profit	**29.5%**	29.6%	30.1%
Operating, selling, and administrative expenses	**23.0%**	21.9%	21.6%
Impairment charges	**0.3%**	0.0%	0.1%
Depreciation and amortization	**2.8%**	2.6%	2.7%
Operating profit	**3.7%**	5.1%	5.8%
Interest expense, net	**0.4%**	0.3%	0.0%
Income from continuing operations before income taxes	**3.3%**	4.9%	5.8%
Provision for income taxes	**1.2%**	1.8%	2.2%
Income from continuing operations	**2.1%**	3.1%	3.6%
Net income	**2.1%**	3.1%	3.6%

Fiscal 2009 Compared to Fiscal 2008
Consolidated net revenue decreased $21.8 million, or 4.0%, to $513.3 million for the 52-week period ended January 31, 2009 from $535.1 million for the 52-week period ended February 2, 2008.

Comparable store sales for the 52-week period ended January 31, 2009 decreased 7.2% when compared to the same 52-week period in the prior fiscal year. The decrease in comparable store sales was attributable to severe macro-economic conditions and the positive impact of the release of *Harry Potter and the Deathly Hallows* on sales in the prior year.

Our core book department business was down for the year. However, several categories performed well. Teen, faith based titles and election related titles demonstrated strength. The teen category was positively impacted by the success of Stephanie Meyer's *Twilight* series. Titles such as William Young's *The Shack* and Glenn Beck's *The Christmas Sweater* also had a positive impact. Bargain books and gifts continue to increase year over year driven by the broader economic climate and better assortments.

The Company opened sixteen new stores during fiscal 2009 resulting in partial year sales of $13.9 million and closed four stores during fiscal 2009 with partial year sales of $1.4 million. The Company also converted one traditional store to a superstore during fiscal 2009 with partial year sales of $1.3 million.

Net sales for the retail trade segment decreased $20.4 million, or 3.9%, to $508.3 million in the 52-week period ended January 31, 2009, from $528.6 million in the 52-week period ended February 2, 2008. The decrease is due to the 7.2% decrease in comparable store sales as described above, partially offset by the impact of sales from new stores opened in fiscal 2008 and fiscal 2009.

Net sales for the electronic commerce segment decreased $1.8 million, or 6.8%, to $25.2 million in the 52-week period ended January 31, 2009, from $27.0 million in the 52-week period ended February 2, 2008. The decrease in net sales for the electronic commerce segment was due to severe macro-economic conditions and decreased 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), decreased $7.2 million, or 4.5%, to $151.3 million in the 52-week period ended January 31, 2009, from $158.5 million in the 52-week period ended February 2, 2008. Gross profit as a percentage of net sales decreased to 29.5% in the 52-week period ended January 31, 2009, from 29.6% in the 52-week period ended February 2, 2008. The decrease is attributable to higher occupancy costs offset by higher club card membership income and lower markdowns.

Operating, selling and administrative expenses decreased $0.4 million, or 0.04%, to $116.6 million in the 52-week period ended January 31, 2009, from $117.1 million in the 52-week period ended February 2, 2008. Operating, selling and administrative expenses as a percentage of net sales increased to 22.7% in the 52-week period ending January 31, 2009 from 21.9% in the 52-week period ended February 2, 2008. The decrease was attributable to reduced salary, bonus, 401(k) and payroll tax expense, reduced advertising expenses and reduced bad debt expense, partially offset by increased credit card fees, travel, insurance and new store expenses.

Impairment charges increased $1.3 million to $1.4 million in the 52-week period ended January 31, 2009, compared to the 52-week period ended February 2, 2008. The increase was attributable to $0.7 million in impairment charges taken on leasehold improvements at various stores and a $0.7 million impairment of goodwill.

Depreciation and amortization increased $0.5 million, or 3.3%, to $14.5 million in fiscal 2009, from $14.0 million in fiscal 2008. Depreciation and amortization as a percentage of net sales increased to 2.8% in fiscal 2009, from 2.6% in fiscal 2008, due to new store growth in fiscal years 2009 and 2008.

Consolidated operating profit was $18.9 million for the 52-week period ended January 31, 2009, compared to $27.4 million for the 52-week period ended February 2, 2008. This 31.1% decrease was attributable to decreased store sales for the reasons set forth above, which resulted in lower gross profit for fiscal 2009. Operating profit as a percentage of sales was 3.7% for fiscal 2009. Operating profit was 5.1% of sales for fiscal 2008. The decrease as a percentage of sales from fiscal 2008 is attributable to the decrease in gross margin as a percent of sales plus the increase in operating, selling and administrative expenses and depreciation as outlined above. Operating profit for the electronic commerce segment was $1.5 million in each of fiscal 2009 and 2008. Operating profit for the electronic commerce segment was flat from last year in spite of a $1.8 million decrease in net sales. This was caused by improved gross margin through less discounting and greater sales of higher margin items such as gifts and bargain books.

Net interest expense increased $0.6 million, or 42.6%, to $1.9 million in fiscal 2009, from $1.3 million in fiscal 2008, due to higher average debt in fiscal 2009 partially offset by lower average interest rates. Average debt for the 52-week period ended January 31, 2009 was $41.3 million compared to $27.8 million for the 52-week period ended February 2, 2008. The increase in average debt is attributable to reduced sales, additional share repurchases in fiscal 2009 and the impact of the special dividend paid on July 5, 2007.

The effective rate for income tax purposes was 37.7% for fiscal 2009 and 36.6% for fiscal 2008. The increase in the effective tax rate was due to a higher effective state tax rate in the current fiscal year, as well as the impact of more favorable federal tax credits in fiscal 2008.

The Company did not close any stores in fiscal 2009 in a market where the Company does not expect to retain the closed stores' customers at another store in the same market. Two such stores were closed in fiscal 2008. The financial impact of these closings was not reported as discontinued operations in the financial statements as the impact was immaterial.

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 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, sales of fiction titles were very strong, driven by sales of commercial fiction titles and the January publication of John Grisham's *The Appeal* and Stephen King's *Duma Key*. Biography titles experienced the success of Elizabeth Gilbert's memoir, *Eat, Pray Love*. We also built on the positive sales trends in teen titles, graphic novels and our Faithpoint inspirational titles. Sales of 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 children's titles generally. 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 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 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 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 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 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 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, due to borrowing from our revolving credit facility 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 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

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 January 31, 2009 and February 2, 2008, was $15.8 million and $28.0 million, respectively, and the face amount of letters of credit issued under the facility as of such dates was $2.2 million and $2.4 million, respectively. The maximum and average outstanding borrowings under the credit facility (excluding the face amount of letters of credit issued thereunder) during fiscal 2009 were $58.5 million and $41.3 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 January 31, 2009 and February 2, 2008, there was $6.7 million and $7.0 million of borrowings outstanding, respectively, under these arrangements, which bear interest at variable rates.

The Company's capital expenditures totaled $19.8 million in fiscal 2009. These expenditures were 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 2009, the Company opened sixteen stores, closed four stores and relocated seven other stores. Despite severe macro-economic conditions and overall store growth in fiscal 2009, inventory balances decreased $2.5 million to $204.3 million at January 31, 2009, as compared to $206.8 million at February 2, 2008. The reduction in inventory is attributable to a more disciplined and focused approach to managing our average inventory balances in our stores and at our warehouses in response to difficult macro-economic conditions. This was accomplished by lower receipts and an acceleration of returns to our publishers for returnable product.

Net property and equipment increased $4.5 million due to higher capital expenditures for sixteen new stores opened and seven other stores re-opened in fiscal 2009. Additionally, accounts and related party receivables decreased by $3.7 million as of January 31, 2009 as compared with the balance as of February 2, 2008, due to reduced sales. Accounts payable increased $5.4 million due to more effective management of payment terms. Accrued expenses and short-term borrowing decreased $6.0 million and $12.2 million, respectively. The decrease in short-term borrowings is the result of cost control, a reduction in inventory and an increase in accounts payable leverage. The reduction in accrued expenses is the result of reduced accruals for bonuses, insurance, returns and capital expenditures.

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 January 31, 2009:

	Payments Due Under Contractual Obligations[2]						
(in thousands)	Total	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Thereafter
Short-term borrowings[1]	$15,760	$15,760	$ --	$ --	$ --	$ --	$ --
Long-term debt-industrial revenue bond	6,720	--	--	6,720	--	--	--
Subtotal of debt	22,480	15,760	--	6,720	--	--	--
Interest	597	167	200	230	--	--	--
Operating leases	186,846	39,633	33,310	26,151	20,857	16,990	49,905
Total of obligations	$209,923	$55,560	$33,510	$33,101	$20,857	$16,990	$49,905

(1) Short term borrowings represent borrowings under the $100 million credit facility that are due in 12 months or less.
(2) This table excludes any amounts related to the payment of the $2.0 million of income tax uncertainties, as the Company cannot make a reasonably reliable estimate of the periods of cash settlements with the respective taxing authorities.

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. 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 January 31, 2009 or February 2, 2008, as such liabilities are considered de minimis.

Cash Flows
Operating activities provided cash of $39.2 million, $34.5 million and $21.3 million in fiscal 2009, 2008 and 2007, respectively, and included the following effects:

- Cash provided by inventories in fiscal 2009 of $2.5 million was the result of tighter controls over receipts and returns in light of the economic environment. Cash used by inventories in fiscal 2008 was $6.6 million. This was the result of the sales shortfall in the fourth quarter of fiscal 2008. Cash provided by inventories in fiscal 2007 was $4.5 million. This was the result of increased sales and improved inventory management during the respective year.

- Cash provided by accounts payable (including related party payables) in fiscal 2009 of $5.5 million was the result of improved accounts payable leveraging with vendors. Cash provided by accounts payable (including related party payables) in fiscal 2008 of $4.8 million was due to a deliberate change in our payment practices to more effectively meet vendor payment guidelines. Cash used by accounts payable (including related party payables) in fiscal 2007 of $14.5 million was due to the timing of vendor payments for fourth quarter merchandise versus the prior year end and lower inventory levels for fiscal 2007.

- Depreciation and amortization expenses were $14.4 million, $14.0 million and $14.1 million in fiscal 2009, 2008 and 2007, respectively. The increase in fiscal 2009 was due to the timing of store openings. The decrease in fiscal 2008 was due to the impact of certain assets becoming fully depreciated during the prior year.

- Cash used by accrued expenses was $5.6 million in fiscal 2009 and was due to a reduction in the annual bonus accrual, lower capital expenditure accruals and lower sales tax audit accruals. Cash provided by accrued expenses was $4.5 million in fiscal 2008 and was 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 $3.1 million in fiscal 2007 and was 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 used in investing activities in fiscal 2009, 2008 and 2007 reflected a net use of cash of $19.8 million, $16.9 million and $16.2 million, 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 $19.5 million in fiscal 2009 to repay debt ($12.5 million), to purchase stock ($1.8 million), for dividend payments ($5.0 million) and for excess tax benefit from stock based compensation ($0.3 million), offset by proceeds from the issuance of stock options ($0.1 million). Financing activities used cash of $46.1 million in fiscal 2008 to purchase stock ($20.1 million) and for dividend payments ($56.8 million), offset by borrowings under the credit facility ($27.8 million), proceeds from the issuance of stock upon the exercise of stock options ($1.3 million) and related tax benefits ($1.6 million). Financing activities used cash of $8.5 million in fiscal 2007 to purchase stock ($7.5 million), repay debt ($0.1 million) and for dividend payments ($5.3 million), offset by proceeds from the issuance of stock upon the exercise of stock options ($1.8 million) and the tax benefit from stock based compensation ($2.6).

Dividends
The Company paid $5.0 million in dividends in fiscal 2009 and $56.8 million in dividends in fiscal 2008. See the table below for a 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 2009	Fiscal 2008
First quarter	$0.09	$0.09
Second quarter	$0.09	$3.09
Third quarter	$0.05	$0.09
Fourth quarter	$0.05	$0.09
Annual Total	$0.28	$3.36

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.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles in the United States ("GAAP") and expands disclosures about fair value measurements. For financial assets and liabilities, this statement is effective for fiscal periods beginning after November 15, 2007 and does not require any new fair value measurements. In February 2008, FASB Staff Position No. 157-2 was issued which delayed the effective date of SFAS No. 157 to fiscal years ending after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company adopted SFAS No. 157 effective February 3, 2008. The adoption of SFAS No. 157 did not have a material effect on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, including interim periods within that fiscal year. The Company did not elect the fair value option for any of its existing financial instruments as of February 3, 2008 and the Company has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2007, the FASB issued SFAS No. 141 (revised), Business Combinations ("SFAS No. 141R"). 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 No. 141R is effective for the Company on February 1, 2009 and its adoption 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 ("SFAS No. 160"). 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 deconsolidation of a subsidiary. SFAS No. 160 is effective for the Company on February 1, 2009 and its adoption is not expected to have a significant impact on the Company's financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, and FSP FAS 157-2, Effective Date of FASB Statement No. 157. These FSPs:

- Exclude certain leasing transactions accounted for under FASB Statement No. 13, Accounting for Leases, from the scope of FASB Statement No. 157, "Fair Value Measurements" (Statement 157). The exclusion does not apply to fair value measurements of assets and liabilities recorded as a result of a lease transaction but measured pursuant to other pronouncements within the scope of Statement 157.
- Defer the effective date in Statement 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

FSP FAS 157-1 is effective upon the initial adoption of Statement 157. FSP FAS 157-2 is effective February 12, 2008. The Company adopted the provisions of FSP 157-1 and 157-2 in the first quarter of 2008. See Note 8 for details regarding the impact of adoption on the Company.

In March 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS No. 161"). 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 No. 161 to have a significant impact on its results of operations or financial position.

In May 2008, the FASB issued FASB Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This Statement became effective on November 15, 2008. The Company adopted SFAS No. 162 in the fourth quarter of 2008 and has concluded that it does not have a material effect on its consolidated financial statements.

In June 2008, the FASB ratified EITF Issue No. 08-3, Accounting for Lessees for Maintenance Deposits Under Lease Arrangements ("EITF No. 08-3"). EITF No. 08-3 requires that all nonrefundable maintenance deposits be accounted for as a deposit with the deposit expensed or capitalized in accordance with the lessee's maintenance accounting policy when the underlying maintenance is performed. Once it is determined that an amount on deposit is not probable of being used to fund future maintenance expense, it is to be recognized as additional expense at the time such determination is made. EITF No. 08-3 is effective for the Company as of the beginning of its fiscal year that begins on February 1, 2009. The adoption of EITF No. 08-3 will not have a material effect on the Company's consolidated financial statements.

In September 2008, the FASB issued FSP No. FAS 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees – An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161. This FSP amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. This FSP also amends FASB Interpretation No. (FIN) 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, to require an additional disclosure about the current status of the payment/performance risk of a guarantee. Further this FSP clarifies the FASB's intent about the effective date of SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. The provisions of this FSP that amend SFAS No. 161 and FIN 45 are effective for reporting periods ending after November 15, 2008 and the clarification of the effective date of SFAS No. 161 is effective upon issuance of this FSP. The Company adopted FSP FAS 133-1 and FIN 45-4 in the fourth quarter of 2008 and has concluded that it does not have a material effect on its consolidated financial statements.

In October 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active. FSP 157-3 clarifies the application of SFAS No. 157, Fair Value Measurements , in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP stipulates that determining fair value in a dislocated market depends on the facts and circumstances and may require the use of significant judgment when evaluating individual transactions or broker quotes which are some of the sources of the fair value measurement. In addition, FSP FAS 157-3 states that if an entity uses its own assumptions to determine fair value, it must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks. FSP FAS 157-3 is effective upon issuance, including prior periods for which financial statements have not been issued. The Company adopted FSP FAS 157-3 in the third quarter of 2008 and has concluded that it does not have a material effect on its consolidated financial statements.

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 decreased by $4.5 million, or 14.6%, to $26.3 million in fiscal 2009, compared to fiscal 2008 purchases of $30.8 million. The decrease in related party purchases was due to reduced magazine, music and collectibles purchases versus fiscal 2008. Related party sales transactions decreased in fiscal 2009 to $1.3 million, a decrease of $2.3 million, as a result of decreased 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. The Company co-owns with three related parties two airplanes that are used by the Company in its business. The Company owns a 26% interest in each of these airplanes. Prior to July 1, 2008, the Company owned 49.9% in one airplane co-owned by the Company and one of the related parties. In an effort to reduce operating and administrative expenses, on July 1, 2008 the Company entered into a like-kind exchange transaction whereby it transferred 23.9% of its interest in the one airplane in exchange for a 26% interest in another airplane co-owned by the three related parties and certain other parties. The value of the airplane interests transferred and received by the Company in this exchange was approximately $1.6 million. No cash traded hands in this exchange.

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 or deflation; economic conditions in general and in the Company's specific market areas, including the length of time that the U.S. economy remains in the current recession; 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 and in the Company's Annual Report and Form 10-K for the fiscal year ended January 31, 2009. 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

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

We have audited the accompanying consolidated balance sheets of Books-A-Million, Inc. and subsidiaries (the "Company") as of January 31, 2009 and February 2, 2008 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2009. 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 January 31, 2009 and February 2, 2008, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

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 January 31, 2009, 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 14, 2009 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
April 14, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 January 31, 2009, 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 the Company'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 January 31, 2009, 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 balance sheets of the Company as of January 31, 2009 and February 2, 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2009 and our report dated April 14, 2009 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
April 14, 2009

Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)	As of **1/31/09**	As of 2/2/08
Assets		
Current Assets:		
Cash and cash equivalents	**$ 5,529**	$ 5,595
Accounts receivable, net of allowance for doubtful accounts of $354 and $741, respectively	**5,431**	6,450
Related party receivables	**1,133**	3,780
Inventories	**204,305**	206,836
Prepayments and other	**3,239**	4,678
Total Current Assets	**219,637**	227,339
Property and Equipment:		
Land	**628**	628
Buildings	**6,915**	6,915
Equipment	**79,003**	76,653
Furniture and fixtures	**88,999**	84,843
Leasehold improvements	**58,086**	53,071
Construction in process	**536**	398
Gross Property and Equipment	**234,167**	222,508
Less accumulated depreciation and amortization	**176,129**	168,994
Net Property and Equipment	**58,038**	53,514
Deferred Income Taxes	**463**	2,452
Other Assets:		
Goodwill	**653**	1,368
Other	**501**	160
Total Other Assets	**1,154**	1,528
Total Assets	**$279,292**	$284,833
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable:		
Trade	**$ 94,418**	$ 88,994
Related party	**2,321**	2,213
Accrued expenses	**35,554**	41,539
Accrued income taxes	**848**	995
Deferred income taxes	**8,591**	6,846
Short-term borrowings	**15,760**	27,967
Total Current Liabilities	**157,492**	168,554
Long-term Debt	**6,720**	6,975
Deferred Rent	**8,554**	8,079
Liability for Uncertain Tax Positions	**2,032**	2,174
Total Non-current Liabilities	**17,306**	17,228
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, 21,236,218 and 20,850,611 shares outstanding at January 31, 2009 and February 2, 2008, respectively	**212**	209
Additional paid-in capital	**91,432**	89,752
Treasury stock at cost (5,455,720 shares at January 31, 2009 and 5,216,951 shares at February 2, 2008, respectively)	**(46,258)**	(44,468)
Retained earnings	**59,108**	53,558
Total Stockholders' Equity	**104,494**	99,051
Total Liabilities and Stockholders' Equity	**$279,292**	$284,833

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

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	Fiscal Year Ended		
	1/31/09	2/2/08	2/3/07
	52 weeks	52 weeks	53 weeks
Net revenue	**$513,271**	$535,128	$520,416
Cost of products sold, including warehouse distribution and store occupancy costs	**361,934**	376,580	363,688
Gross profit	**151,337**	158,548	156,728
Operating, selling and administrative expenses	**116,648**	117,079	112,227
Impairment charges	**1,351**	60	333
Depreciation and amortization	**14,448**	13,989	14,069
Operating profit	**18,890**	27,420	30,099
Interest expense, net	**1,920**	1,346	105
Income before income taxes	**16,970**	26,074	29,994
Provision for income taxes	**6,396**	9,552	11,107
Net Income	**$ 10,574**	$ 16,522	$ 18,887
Net income per common share:			
Basic			
Net income per share	**$ 0.70**	$ 1.03	$ 1.16
Weighted average number of shares outstanding – basic	**15,219**	16,089	16,352
Diluted			
Net income per share	**$ 0.68**	$ 1.01	$ 1.12
Weighted average number of shares outstanding – diluted	**15,609**	16,302	16,805
Dividends per share – declared	**$ 0.28**	$ 3.36	$ 0.33

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 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
Net income						$10,574		$10,574
Subtotal comprehensive income								$10,574
Purchase of treasury stock, at cost				239	$(1,790)			(1,790)
Dividends paid						(5,024)		(5,024)
Issuance of restricted stock	374	$3	$1,887					1,890
Issuance of stock for employee stock purchase plan	12		132					132
Tax decrement from stock based compensation			(339)					(339)
Balance, January 31, 2009	21,236	$212	$91,432	5,456	$(46,258)	$59,108	$ --	$104,494

The accompanying notes are an integral part of these consolidated statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal Year Ended		
	1/31/09	2/2/08	2/3/07
	52 Weeks	52 Weeks	53 Weeks
Cash Flows from Operating Activities:			
Net income	**$10,574**	$16,522	$18,887
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**14,448**	13,989	14,069
Stock-based compensation	**1,890**	1,466	1,559
Loss on impairment of assets	**1,351**	60	336
Loss on sale of property and equipment	**271**	479	228
Deferred income tax provision	**3,734**	2,933	465
Excess tax benefit of stock based compensation	**339**	(1,638)	(2,567)
Bad debt expense	**93**	430	254
(Increase) decrease in assets:			
Accounts receivable	**926**	644	1,890
Related party receivables	**2,647**	(1,133)	(1,513)
Inventories	**2,531**	(6,559)	4,512
Prepayments and other	**1,439**	(315)	(25)
Noncurrent assets (excluding amortization)	**(412)**	(3)	(124)
Increase (decrease) in liabilities:			
Accounts payable	**5,424**	5,575	(14,752)
Related party payables	**108**	(775)	297
Accrued income taxes	**(486)**	(1,719)	880
Accrued expenses	**(5,654)**	4,537	(3,090)
Total adjustments	**28,649**	17,971	2,419
Net cash provided by operating activities	**39,223**	34,493	21,306
Cash Flows from Investing Activities:			
Capital expenditures	**(19,819)**	(16,878)	(16,191)
Proceeds from sale of property and equipment	**13**	--	15
Net cash used in investing activities	**(19,806)**	(16,878)	(16,176)
Cash Flows from Financing Activities:			
Borrowings under credit facilities	**236,125**	174,212	2,850
Repayments under credit facilities	**(248,587)**	(146,370)	(2,950)
Proceeds from exercise of stock options and issuance of common stock under employee stock purchase plan	**132**	1,257	1,768
Purchase of treasury stock	**(1,790)**	(20,054)	(7,460)
Payment of dividends	**(5,024)**	(56,824)	(5,303)
Excess tax benefit from stock based compensation	**(339)**	1,638	2,567
Net cash used in financing activities	**(19,483)**	(46,141)	(8,528)
Net Decrease in Cash and Cash Equivalents	**(66)**	(28,526)	(3,398)
Cash and Cash Equivalents at Beginning of Year	**5,595**	34,121	37,519
Cash and Cash Equivalents at End of Year	**$5,529**	$5,595	$34,121
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	**$2,013**	$1,907	$ 910
Income taxes, net of refunds	**$3,319**	$6,666	$ 7,199
Supplemental Disclosures of Non Cash Investing Activities:			
Capital expenditures in accrued expenses	**$ (833)**	$ (368)	$(1,284)
Like-kind exchange of assets	**$1,600**	--	--

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 220 bookstores in 21 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., Booksamillion.com, Inc. and BAM Card Services, LLC. 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 2009 and fiscal year 2008 were each 52-week periods. Fiscal year 2007 was a 53-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 for 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, now known as BAM Card Services, LLC ("Card Services"), to administer the Company's gift card program and to provide a more advantageous legal structure. During fiscal 2009, the Company recognized $1.7 million of gift card breakage income. Breakage income for fiscal 2008 was $1.4 million. 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. 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 since the right to offset does not exist as of January 31, 2009 as described in the provisions of FASB Interpretation No. 39, *Offset Amounts Related to Certain Contracts*. Checks are only written once approved by management. Amounts included in Accounts Payable representing checks written but not yet cleared as of January 31, 2009 and February 2, 2008 were $19.5 million and $25.0 million, 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 was $2.9 million as of January 31, 2009 and $2.5 million as of February 2, 2008. The estimated replacement cost of inventory is the current first-in, first-out (FIFO) value of $207.2 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)	**January 31, 2009**	February 2, 2008
Inventories (at FIFO)	**$207,217**	$209,314
LIFO reserve	**(2,912)**	(2,478)
Net inventories	**$204,305**	$206,836

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 January 31, 2009, the Company had $58.0 million of property and equipment, net of accumulated depreciation, accounting for approximately 20.8% 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 on long-lived assets, excluding goodwill impairment, totaled $0.7 million, $0.1 million and $0.3 million in fiscal 2009, 2008 and 2007, respectively, and were recorded in impairment charges. For all years presented, the impairment losses related to the retail trade business segment.

Goodwill
At January 31, 2009, the Company had $0.7 million of goodwill, accounting for approximately 0.2% of the Company's total assets. SFAS No. 142, "*Goodwill and Other Intangible Assets*," requires that goodwill and other indefinite life intangible assets 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 valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital ("WACC"), and comparable company market multiples. When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the fair value of the reporting unit. However, estimates are inherently uncertain and represent only management's reasonable expectations regarding future developments.

The Company completed its latest annual impairment test on goodwill during the fourth quarter of fiscal 2009 and determined that an impairment charge was required. As a result, an impairment charge of $0.7 million was recorded in the fourth quarter of fiscal 2009, which was the direct result of declining market conditions.

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. As of January 31, 2009, deferred rent totaled $8.6 million compared to $8.1 million as of February 2, 2008.

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.

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 expensed as incurred and are included in selling, general and administrative costs. During fiscal 2009, 2008 and 2007, the Company recognized store closing costs of $0.4 million, $0.6 million and $0.4 million, respectively.

Advertising Costs
The costs of advertising are expensed as incurred. Advertising costs, net of applicable vendor reimbursements of $1.8 million, $1.8 million and $1.4 million, are charged to operating, selling and administrative expenses, and totaled $3.3 million, $3.8 million and $3.6 million for fiscal years 2009, 2008 and 2007, 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 basis 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 $6.6 million and $10.2 million for January 31, 2009 and February 2, 2008, 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 common 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)	**1/31/09**	2/2/08	2/3/07
Weighted average shares outstanding:			
Basic	**15,219**	16,089	16,352
Dilutive effect of unvested restricted stock outstanding	**390**	213	453
Diluted	**15,609**	16,302	16,805

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 $13.7 million. 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 following twelve months, but no specific number of shares was approved. Under the June 2006 Plan, the Company repurchased a total of 300,000 shares at a cost of $4.4 million. 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 an additional $25 million in shares of the Company's common stock over the following 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 shares at a cost of $20.1 million during the fiscal year ended February 2, 2008. This plan expired on February 23, 2008.

On March 26, 2008, the Board of Directors authorized a new common stock repurchase program (the "March 2008 Plan") for up to $5 million in shares of common stock through the expiration of this plan on April 30, 2009. Under the March 2008 Plan, the Company repurchased 239,000 shares at a cost of $1.8 million during the fiscal year ended January 31, 2009.

On March 26, 2009, the Board of Directors authorized a new common stock repurchase program for up to $5 million in shares of common stock through the expiration of this plan on April 30, 2010.

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. Based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities at January 31, 2009 and February 2, 2008, 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, did not restate 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 was rendered. The compensation cost recorded for these awards was based on their grant-date fair value as calculated for the pro forma disclosures required by SFAS No. 123.

The Company's pre-tax compensation cost for stock-based employee compensation was $1.9 million ($1.2 million net of taxes), $1.5 million ($0.9 million net of taxes) and $1.6 million ($1.0 million net of taxes) for the years ended January 31, 2009, February 2, 2008 and February 3, 2007, respectively, and were recorded in operating, selling and administrative expenses.

Under the 2005 Incentive Award Plan, employees are entitled to receive dividends on non-vested restricted stock. Pursuant to Emerging Issues Task Force ("EITF") No 06-11, Accounting for Income Tax Benefits of Dividends on share based payment awards, the Company has recorded a tax benefit on these dividends of $48,000, $463,000 and $32,000 for fiscal 2009, 2008 and 2007, 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.

Recently Adopted Accounting Pronouncements
In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles in the United States ("GAAP") and expands disclosures about fair value measurements. For financial assets and liabilities, this statement is effective for fiscal periods beginning after November 15, 2007 and does not require any new fair value measurements. In February 2008, FASB Staff Position No. 157-2 was issued which delayed the effective date of SFAS No. 157 to fiscal years ending after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157, effective February 3, 2008, did not have a material effect on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities —* including an amendment of FASB Statement No. 115." This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, including interim periods within that fiscal year. The Company did not elect the fair value option for any of its existing financial instruments as of February 3, 2008 and the Company has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

Recently Issued Accounting Pronouncements Not Yet Adopted
In December 2007, the FASB issued SFAS No. 141 (revised), "*Business Combinations*" ("SFAS No. 141R"). 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 No. 141R is effective for the Company on February 1, 2009 and its adoption 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" ("SFAS No. 160"). 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 deconsolidation of a subsidiary. SFAS No. 160 is effective for the Company on February 1, 2009 and its adoption is not expected to have a significant impact on the Company's financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-1, "*Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*," and FSP FAS 157-2, "*Effective Date of FASB Statement No. 157*." *These FSPs:*

- Exclude certain leasing transactions accounted for under FASB Statement No. 13, Accounting for Leases, from the scope of FASB Statement No. 157, "Fair Value Measurements" (Statement 157). The exclusion does not apply to fair value measurements of assets and liabilities recorded as a result of a lease transaction but measured pursuant to other pronouncements within the scope of Statement 157.
- Defer the effective date in Statement 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

FSP FAS 157-1 is effective upon the initial adoption of Statement 157. FSP FAS 157-2 is effective February 12, 2008. The Company adopted the provisions of FSP 157-1 and 157-2 in the first quarter of 2008. See Note 8 for details regarding the impact of adoption on the Company.

In March 2008, the FASB issued FASB Statement No. 161, "*Disclosures about Derivative Instruments and Hedging Activities*" ("SFAS No. 161"). 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 No. 161 to have a significant impact on its results of operations or financial position.

In May 2008, the FASB issued FASB Statement No. 162, "*The Hierarchy of Generally Accepted Accounting Principles*" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS No. 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board's amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company does not expect the adoption of SFAS No. 162 to have a significant impact on its results of operations or financial position.

In June 2008, the FASB ratified EITF Issue No. 08-3, "*Accounting for Lessees for Maintenance Deposits Under Lease Arrangements*" ("EITF No. 08-3"). EITF No. 08-3 requires that all nonrefundable maintenance deposits be accounted for as a deposit with the deposit expensed or capitalized in accordance with the lessee's maintenance accounting policy when the underlying maintenance is performed. Once it is determined that an amount on deposit is not probable of being used to fund future maintenance expense, it is to be recognized as additional expense at the time such determination is made. EITF No. 08-3 is effective for the Company as of the beginning of its fiscal year that begins on February 1, 2009. The adoption of EITF No. 08-3 will not have a material effect on the Company's consolidated financial statements.

In September 2008, the FASB issued FSP No. FAS 133-1 and FIN 45-4, "*Disclosures about Credit Derivatives and Certain Guarantees – An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*." This FSP amends SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*," to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. This FSP also amends FASB Interpretation No. (FIN) 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*," to require an additional disclosure about the current status of the payment/performance risk of a guarantee. Further this FSP clarifies the FASB's intent about the effective date of SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." The provisions of this FSP that amend SFAS No. 161 and FIN 45 are effective for reporting periods ending after November 15, 2008 and the clarification of the effective date of SFAS No. 161 is effective upon issuance of this FSP. The Company adopted FSP FAS 133-1 and FIN 45-4 in the fourth quarter of 2008 and has concluded that it does not have a material effect on its consolidated financial statements.

In October 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-3, "*Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*." FSP 157-3 clarifies the application of SFAS No. 157, "*Fair Value Measurements* ," in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP stipulates that determining fair value in a dislocated market depends on the facts and circumstances and may require the use of significant judgment when evaluating individual transactions or broker quotes which are some of the sources of the fair value measurement. In addition, FSP FAS 157-3 states that if an entity uses its own assumptions to determine fair value, it must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks. FSP FAS 157-3 is effective upon issuance, including prior periods for which financial statements have not been issued. The Company adopted FSP FAS 157-3 in the third quarter of 2008 and has concluded that it does not have a material effect on its consolidated financial statements.

2. Income Taxes

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

	Fiscal Year Ended		
	1/31/09	2/2/08	2/3/07
Current:			
Federal	**$2,398**	$6,304	$10,089
State	**264**	314	553
	$2,662	$6,618	$10,642
Deferred:			
Federal	**$3,388**	$2,481	$ 338
State	**347**	453	127
	$3,734	$2,934	$ 465
Provision for income taxes	**$6,396**	$9,552	$11,107

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

	Fiscal Year Ended		
	1/31/09	2/2/08	2/3/07
Federal statutory income tax rate	**35.0%**	35.0%	35.0%
State income tax provision	**3.2%**	2.1%	1.7%
Nondeductible meals and entertainment expense	**0.5%**	0.3%	0.2%
Other	**--**	0.1%	0.1%
FIN 48 unrecorded tax benefit adjustment	**(0.8%)**	--	--
Federal tax credits	**(0.2%)**	(0.9%)	--
Effective income tax rate	**37.7%**	36.6%	37.0%

Temporary differences (in thousands) which created deferred tax assets (liabilities) at January 31, 2009 and February 2, 2008, are as follows:

	As of 1/31/09		As of 2/2/08	
	Current	**Noncurrent**	Current	Noncurrent
Depreciation	**$ --**	**$ (2,175)**	$ --	$ (628)
Accruals	**1,507**	**--**	1,646	-
Inventory	**(10,494)**	**--**	(8,672)	--
State net operating loss carry forwards	**--**	**28**	--	--
Deferred Rent	**631**	**2,547**	695	3,418
Prepaids	**(1,196)**	**--**	(1,435)	--
Amortization	**--**	**(77)**	--	(358)
Allowance for bad debts	**143**	**--**	305	--
State tax	**--**	**140**	--	20
Stock Compensation	**818**	**--**	615	--
	(8,591)	**463**	(6,846)	2,452
Less: Valuation allowances	**--**	**--**	--	--
Deferred tax asset (liability)	**$(8,591)**	**$463**	$(6,846)	$2,452

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 Company evaluates these unrecognized tax benefits each reporting period. As of January 31, 2009, 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:

	1/31/09	**2/2/08**
Balance at Beginning of Year	2,174	2,227
Additions based on tax positions related to current year	120	350
Reductions for tax positions of previous year	(262)	(403)
Balance at End of Year	2,032	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 or local, or non-United States, income tax examinations for years prior to 2005.

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 $60,000. It is also expected that the statute of limitations for certain unrecognized tax benefits will expire in the next 12 months resulting in a reduction of the liability for unrecognized tax benefits of $345,000. 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 $0.83 million and $0.68 million as of January 31, 2009 and February 2, 2008, respectively. During fiscal year 2009 the Company recognized no interest or penalties.

A valuation allowance was established at the end of fiscal 2007 for net deferred taxes for a wholly-owned subsidiary. As of January 31, 2009, that entity was merged 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. All remaining net operating losses relate to entities that were not merged.

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. Additionally, the covenants restrict the amount of dividends that can be paid if a certain amount of equity is not maintained. The Company was in compliance with all covenants during fiscal 2009 and as of January 31, 2009. The outstanding balance under this credit facility as of January 31, 2009 and February 2, 2008, was $15.8 million and $28.0 million, respectively, and the face amount of letters of credit issued under the facility was $2.2 million and $2.4 million, respectively. The maximum and average outstanding borrowings under the credit facility (excluding the face amount of letters of credit issued thereunder) during fiscal 2009 were $58.5 million and $41.3 million, respectively. The outstanding amount is considered short-term in the financial statements because all borrowings under the credit facility are completed under tranches that are due in 12 months or less, as allowed under the facility.

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 January 31, 2009 and February 2, 2008, there were $6.7 million and $7.0 million of borrowings outstanding, respectively, under these arrangements, which bear interest at variable rates (1.50% as of January 31, 2009). 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 February 3, 2007. For the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007, adjustments of $0, $0, and $7,000 were recorded as unrealized gains in accumulated other comprehensive income (loss), after tax.

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 January 31, 2009 are as follows *(in thousands)*:

Fiscal Year	**Future Minimum Rent**
2010	$ 39,633
2011	33,310
2012	26,151
2013	20,857
2014	16,990
Subsequent years	49,905
Total	$186,846

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

	Fiscal Year Ended		
	1/31/09	2/2/08	2/3/07
Minimum rentals	**$37,483**	$35,347	$33,205
Contingent rentals	**90**	(25)	53
Total	**$37,573**	$35,322	$33,258

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%, 50% and 70% for fiscal 2009, 2008 and 2007, 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 $389,000, $744,000 and $472,000 in fiscal 2009, 2008 and 2007, 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, and on May 29, 2008, the stockholders of the Company approved an additional 600,000 shares to be awarded under the Plan. An aggregate of 1,200,000 shares of common stock may be awarded under the 2005 Plan. From June 1, 2005 through January 31, 2009, 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 309,583, 81,475 and 161,800 in fiscal 2009, 2008 and 2007, respectively. The compensation expense related to these grants is being expensed over the vesting period for the individual grants. The Company has recorded $1,890,000, $1,425,000 and $643,000 of stock-based compensation for the restricted stock grants in fiscal 2009, 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 third or fifth fiscal year after the date of the grant (as applicable based on the service period specified) 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 three-year or 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 historically issued awards only 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 performance period ended February 3, 2007 totaled $100,000 (6,707 shares). 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			
	January 31, 2009		February 2, 2008	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Shares at beginning of period	**271**	**$12.44**	281	$11.56
Shares granted	**377**	**$ 6.82**	87	$14.16
Shares vested	**(114)**	**$11.04**	(92)	$11.35
Shares forfeited	**(3)**	**$11.67**	(5)	$13.14
Shares at end of period	**531**	**$ 8.49**	271	$12.44

Stock Option Plan
In April 1999, the Company adopted the 1999 Amended and Restated Employee Stock Option Plan (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					
	January 31, 2009		February 2, 2008		February 3, 2007	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**43**	**$5.31**	270	$5.09	814	$3.77
Granted	**--**	**--**	--	--	--	N/A
Exercised	**--**	**--**	(226)	5.05	(540)	3.11
Forfeited	**--**	**--**	(1)	5.76	(4)	4.80
Outstanding at end of year	**43**	**$5.31**	43	$5.31	270	$5.09
Exercisable at end of year	**43**	**$5.31**	43	$5.31	268	$5.08

During fiscal years 2009, 2008 and 2007, the Company recognized tax benefits related to the exercise of stock options in the amount of $(339,000), $1,638,000 and $2,567,000, 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 January 31, 2009 was $0.

The following table summarizes information about stock options outstanding as of January 31, 2009 *(shares in thousands)*:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at January 31, 2009	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at January 31, 2009	Weighted Average Exercise Price
$1.69 - $ 2.37	11	3.82	$2.31	11	$2.31
$2.68 - $ 5.85	7	3.00	$3.04	7	$3.04
$6.13 - $9.62	25	5.21	$7.25	25	$7.25
Totals	43	4.51	$5.31	43	$5.31

The aggregate intrinsic values of outstanding options and exercisable options under the Stock Option Plan at January 31, 2009 were $0 and $0, respectively because the exercise price of the options outstanding was higher than the Company's stock price on January 31, 2009.

Other Information
As of January 31, 2009 the Company has $4,780,000 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
2010	$1,809,000
2011	$1,857,000
2012	$1,112,000
2013	$ 2,000
Total	$4,780,000

The Company received cash from options exercised during the fiscal years 2009, 2008 and 2007 of $0, $1,139,000, and $1,680,000 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 January 31, 2009 is 498,544 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, 289,031, 276,732 and 268,167 shares have been purchased as of January 31, 2009, February 2, 2008 and February 3, 2007, 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 a subsidiary of Anderson Media Corporation ("Anderson Media"), an affiliate through common ownership. During fiscal 2009, 2008 and 2007, purchases of these items from Anderson Media totaled $22,674,000, $25,514,000 and $24,702,000, respectively. The Company purchases certain of its collectibles, gifts and books from Anderson Press, Inc. ("Anderson Press"), an affiliate through common ownership. During fiscal 2009, 2008 and 2007, such purchases from Anderson Press totaled $1,577,000, $2,284,000 and $1,423,000, respectively. The Company purchases certain of its greeting cards and gift products from C.R. Gibson, Inc., which was an affiliate through common ownership until November 7, 2007. C.R. Gibson, Inc was sold on November 7, 2007, ending its relationship with the Company as a related party. The purchases of these items in fiscal 2008 and 2007 were $346,000 and $447,000, respectively. The Company utilizes import sourcing and consolidation services from Anco Far East Importers Limited ("Anco Far East"), an affiliate through common ownership. The total paid to Anco Far East was $1,863,000, $2,622,000 and $2,391,000 for fiscal 2009, 2008 and 2007, respectively. These amounts paid to Anco Far East 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 2009, 2008 and 2007 were $130,000, $184,000 and $167,000, respectively.

The Company sold books to Anderson Media in the amounts of $1,347,000, $3,653,000 and $2,430,000 in fiscal 2009, 2008 and 2007, 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 2009, 2008 and 2007, the Company paid rent of $151,000, $141,000, 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 2009, 2008 and 2007, the Company paid A&A a total of $455,000, $428,000, and $448,000, respectively, in connection with such leases. There were no future minimum rental payments on any of the four leases at January 31, 2009. The Company subleases certain property to Hibbett Sports, Inc. ("Hibbett"), a sporting goods retailer in the southeastern United States. One of the Company's directors, Albert C. Johnson, and Terry Finley, President of Books-A-Million, Inc.'s Merchandising Group, are members of Hibbett's board of directors. Additionally, the Company's Executive Chairman, Clyde B. Anderson, served on Hibbett's board of directors until June 2, 2008. During fiscal 2009, 2008 and 2007, the Company received $208,000, $236,000, and $191,000, respectively, in rental payments from Hibbett.

The Company, A&A, Anderson Promotional Events, Inc. and Anderson Press co-own two airplanes that are used by the Company in its business. The Company owns a 26% interest in each of these airplanes. Prior to July 1, 2008, the Company held a 49.9% interest in one airplane co-owned by the Company and A&A. In an effort to reduce operating and administrative expenses, on July 1, 2008 the Company entered into a like-kind exchange transaction whereby it transferred 23.9% of its interest in the one airplane in exchange for a 26% interest in another airplane co-owned by A&A, Anderson Promotional Events, Inc., Anderson Press and certain other parties (the "Co-Ownership Group"). The value of the airplane interests transferred and received by the Company in this exchange was approximately $1.6 million. No cash traded hands in this exchange. Through June 30, 2008, the Company maintained administrative control and rented the original airplane to other affiliated companies at rates that covered all variable costs and a portion of the fixed costs of operating the airplane. The total amount received from affiliated companies for use of the plane during fiscal 2009 through June 30, 2008 was $486,000. Of that amount, $128,000 was received from Anderson Growth Partners, of which Ms. Sandra Cochran and Mr. Clyde Anderson are partners. From July 1, 2008 to January 31, 2009, the Company was billed $407,000 by the Co-Ownership Group under the new cost sharing arrangement for the Company's use of the two airplanes. The expenses the Company pays for airplane use covers all of the variable costs attributable to the Company's use of the plane and a portion of the fixed costs. In addition, the Company paid amounts to other affiliated companies for the Company's use of their planes in the amount of $233,000.

7. Income or (Loss) from Discontinued Operations

The Company did not close any stores in a market where the Company does not expect another of its existing stores to absorb the closed store customers during fiscal 2009. 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.

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. 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. For fiscal 2007 the closed store had sales of $139,000 and pretax operating loss of $90,000.

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.

8. Business Segments

The Company has two reportable operating segments, as defined by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information: retail trade and electronic commerce trade. These reportable operating segments reflect the manner in which the business is managed and how the Company allocates resources and assesses performance internally.

Our chief operating decision maker is our Chairman and Chief Executive Officer. The Company is primarily a retailer of book merchandise. The Company's two reportable segments are two distinct businesses units, one a traditional retailer of book merchandise and the other a seller of book merchandise primarily over the Internet. The electronic commerce trade segment is managed separately due to divergent technology and marketing requirements. The retail trade reportable segment also includes the Company's distribution center operations, which predominantly supplies merchandise to our retail stores. Through the distribution center operations the Company sells books to outside parties on a wholesale basis. These sales are not material.

The Company evaluates the performance of the retail trade and electronic commerce trade 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.

Both the retail trade and electronic commerce trade reportable segments derive revenues primarily from the sale of book merchandise through sales in our retail stores and over the Internet, respectively.

		Fiscal Year Ended	
Segment information *(in thousands)*	**1/31/09**	2/2/08	2/3/07
Net Sales			
Retail Trade	**$508,253**	$528,606	$512,967
Electronic Commerce Trade	**25,166**	26,992	26,048
Intersegment Sales Elimination	**(20,148)**	(20,470)	(18,599)
Net Sales	**$513,271**	$535,128	$520,416
Operating Profit			
Retail Trade	**$ 18,276**	$ 26,911	$ 29,223
Electronic Commerce Trade	**1,541**	1,462	1,400
Intersegment Elimination of Certain Costs	**(927)**	(953)	(524)
Total Operating Profit	**$ 18,890**	$ 27,420	$ 30,099
Assets			
Retail Trade	**$277,896**	$283,452	$303,110
Electronic Commerce Trade	**1,396**	1,381	927
Intersegment Sales Elimination	**--**	--	--
Total Assets	**$279,292**	$284,833	$304,037

Sales as a percentage of net sales by merchandise category is as follows:

	1/31/09	2/2/08	2/3/07
Books and Magazines	**83.0%**	83.9%	83.7%
General Merchandise	**8.1%**	7.8%	7.6%
Other	**8.9%**	8.3%	8.7%
Total	**100%**	100%	100%

General merchandise consists of gifts, cards, collectibles and similar types of products. Other products include café, music, DVD, E-Book and other products.

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 January 31, 2009 and February 2, 2008, as such liabilities are considered de minimis.

10. Cash Dividend

On March 19, 2009, the Board of Directors declared a quarterly dividend of $0.05 per share to be paid on April 16, 2009 to stockholders of record at the close of business on April 2, 2009. The Company intends to pay quarterly dividends in the future, subject to availability of funds and Board approval.

11. Accrued Expenses

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

	As of 1/31/09	As of 2/2/08
Accrued expenses:		
Salaries, wages and employee benefits	**$5,705**	$7,756
Giftcard liabilities to customers	**9,730**	10,273
Deferred club card income	**6,550**	6,623
Taxes, other than income	**4,698**	5,734
Rent	**2,263**	2,237
Other	**6,608**	8,916
	$35,554	$41,539

12. Summary of Quarterly Results (Unaudited)

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

	Fiscal Year Ended January 31, 2009				
(In thousands, except per share amounts)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total Year**
Net revenue	**$115,481**	**$122,803**	**$110,952**	**$164,035**	**$513,271**
Gross profit	**33,924**	**35,089**	**29,075**	**53,249**	**151,337**
Operating profit (loss)	**2,018**	**1,580**	**(2,858)**	**18,150**	**18,890**
Net income (loss)	**907**	**645**	**(2,187)**	**11,209**	**10,574**
Net income (loss) per share – basic	**0.06**	**0.04**	**(0.14)**	**0.74**	**0.70**
Net income (loss) per share – diluted	**0.05**	**0.04**	**(0.14)**	**0.73**	**0.68**

	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

13. Fair Value Measurements

Effective February 3, 2008, the Company adopted SFAS No. 157, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. As of January 31, 2009 the Company had no assets or liabilities which are required to be disclosed under the provisions of SFAS No. 157.

Therefore, there was no cumulative effect of adoption related to SFAS No. 157, and the adoption did not have an impact on the Company's financial position, results of operations, or cash flows.

The carrying amounts of other financial instruments reported in the balance sheet for current assets and current liabilities approximate their fair values because of the short maturity of these instruments.

At January 31, 2009, there was $15,760,000 outstanding under our revolving line of credit agreement and $6,720,000 outstanding under our long-term debt agreement. The borrowings under our revolving line of credit agreement and our long-term debt agreement bear interest at the variable rate described in Note 3 and therefore approximate fair value at January 31, 2009.

DIRECTORS AND CORPORATE OFFICERS

Board of Directors

Clyde B. Anderson
Chairman and Chief Executive Officer

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.
President,
SunTrust Banks, Inc.

Corporate Officers

Clyde B. Anderson
Chairman and Chief Executive Officer

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

Brian W. White
*Interim Chief Financial Officer**

** Mr. White is serving as the Company's Interim Chief Financial Officer during the military deployment of Douglas G. Markham. Mr. Markham will resume the duties of Chief Financial Officer upon his return to Birmingham, Alabama from his military deployment.*

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 January 31, 2009, 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 Brian White, the Company's Interim 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 January 31, 2009 and February 2, 2008.

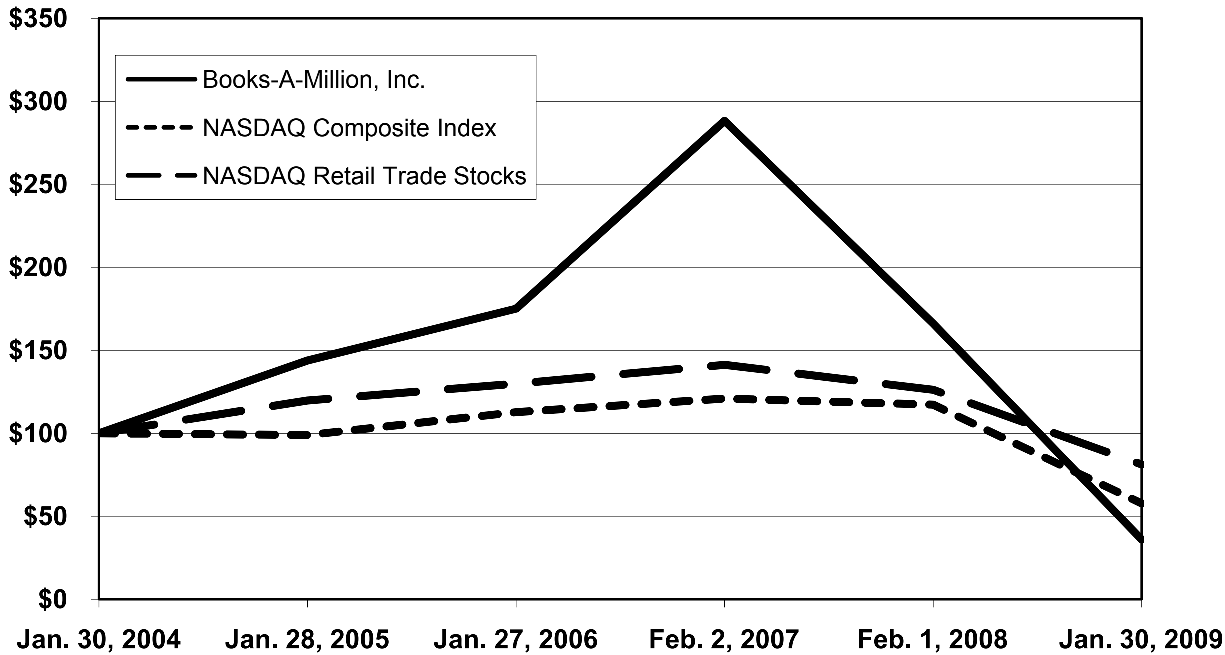
Quarter Ended	High	Low	Dividends Declared
January 2009	$3.16	$1.70	$0.05
October 2008	7.37	2.64	0.05
July 2008	8.80	5.05	0.09
April 2008	10.76	7.55	0.09
January 2008	13.72	10.05	0.09
October 2007	14.78	11.95	0.09
July 2007	20.37	15.03	3.09
April 2007	19.04	13.88	0.09

The closing price on March 27, 2009 was $4.55. As of that date Books-A-Million, Inc. had approximately 6,737 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 30, 2004 to January 30, 2009, the last trading day prior to the Company's 2009 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 30, 2004	Jan 28, 2005	Jan 27, 2006	Feb 2, 2007	Feb 1, 2008	Jan 30, 2009
Books-A-Million, Inc.	$100	$144	$175	$288	$166	$36
NASDAQ Composite Index	$100	$99	$113	$121	$117	$58
NASDAQ Retail Trade Stocks	$100	$120	$130	$141	$126	$81

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 21, 2009, 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 27, 2009, are invited to attend this meeting.

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BOOKS•A•MILLION

April 24, 2009

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Books-A-Million, Inc., which will be held at 10:00 a.m. on Thursday, May 21, 2009, at our corporate offices located at 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 2012; (ii) ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for fiscal year 2010; and (iii) 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
Chairman and Chief Executive Officer

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Books-A-Million, Inc. (the "Company"), which will be held at 10:00 a.m. on Thursday, May 21, 2009, at the corporate offices of the Company located at 402 Industrial Lane, Birmingham, Alabama 35211. Directions to attend the annual meeting where you may vote in person can be found on our website: www.booksamillioninc.com. The meeting is called for the following purposes:

(1) To elect a class of directors for a three-year term expiring in 2012;

(2) To ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for fiscal year 2010; and

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

The Board of Directors has fixed the close of business on March 27, 2009, 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,

Clyde B. Anderson
Chairman 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.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on May 21, 2009: The Company's Proxy Statement and Annual Report are available at http://www.booksamillioninc.com/report.

PROXY STATEMENT

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

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 21, 2009

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 21, 2009, at the corporate offices of the Company located at 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 24, 2009 to the Company's stockholders of record on the close of business on March 27, 2009.

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 and FOR the ratification of Grant Thornton LLP as the Company's independent registered public accounting firm for fiscal year 2010. 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 27, 2009 (the "Record Date") will be entitled to vote at the Annual Meeting. As of the close of business on the Record Date, there were 15,810,249 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 ratification of the appointment of the Company's independent registered public accounting firm requires 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 ratification of the appointment of the independent registered public accounting firm (Proposal 2) will have the same effect as voting against the proposal. 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 Proposal 1 or 2.

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 Clyde B. Anderson and Ronald G. Bruno expire upon the election and qualification of the directors to be elected at this Annual Meeting. The Board of Directors has nominated Mr. Anderson and Mr. Bruno for re-election to the Board of Directors at the Annual Meeting, to serve until the 2012 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. Anderson and Mr. Bruno to the Board of Directors. Mr. Anderson and Mr. Bruno have consented to serve as directors of the Company if elected. If at the time of the Annual Meeting, Mr. Anderson or Mr. Bruno 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 or Mr. Bruno 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. Bruno 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 TO EXPIRE IN 2012

CLYDE B. ANDERSON
Age: 48

Clyde B. Anderson has served as the Chairman and Chief Executive Officer of the Company since March 2009. Mr. Anderson was re-elected to the position of Chief Executive Officer upon the resignation of Sandra B. Cochran from that position in March 2009. He served as the Executive Chairman of the Board of Directors from February 2004 to March 2009. He has served as a director of the Company since August 1987. Mr. Anderson has served as the Chairman of the Board of Directors since January 2000 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 served as the Company's Chief Operating Officer. Mr. Anderson served on the Board of Directors of Hibbett Sports, Inc., a sporting goods retailer, from 1987 to June 2008. 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: 57
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 the listing standards of The NASDAQ Stock Market, Inc. (“NASDAQ”).

INCUMBENT DIRECTORS - TERM EXPIRING 2010

J. BARRY MASON
Age: 68

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: 51

William H. Rogers, Jr. has served as a director of the Company since November 2000. Mr. Rogers serves as President of SunTrust Banks, Inc., a position he has held since December 2008. In this role, he has responsibility for SunTrust's geographic banking organization; the Retail, Commercial (including Treasury & Payments Solutions), Commercial Real Estate, Mortgage, and Wealth & Investment Management lines of business; and Corporate Marketing. Prior to being appointed President of SunTrust Banks, Inc. he served as Corporate-Executive Vice President and 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.

INCUMBENT DIRECTORS - TERM EXPIRING 2011

TERRY C. ANDERSON
Age: 51

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: 64

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. Mr. Johnson has served as a director of Hibbett Sports, Inc., a sporting goods retailer, since March 2008. He also is a director of Regions Morgan Keegan Mutual Funds. Mr. Johnson has been determined to be independent by the Board as defined by NASDAQ listing standards.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

The Company's Board of Directors held nine meetings during the Company's fiscal year ended January 31, 2009 ("fiscal 2009"). 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. Six of the Company's seven 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 six 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 or her immediate 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 President, and the Company. Total payments from the Company to SunTrust under these arrangements on a combined basis have been less than 1% of

annual revenues of SunTrust in each of the past three annual periods. The Board also specifically considered the lease payments under a real estate sublease made by Hibbett Sports, Inc. ("Hibbett"), of which Mr. Johnson serves as a director, to the Company. Total payments to the Company from Hibbett under the lease have been less than 1% of annual revenues of the Company in each of the past three annual periods. Additionally, the Board specifically considered certain charitable contributions made by certain affiliates of the Company during 2007 to the College of Commerce and Business Administration of the University of Alabama, of which college Dr. Mason serves as Dean. The total amount of these contributions represented less than 1% of the annual revenues of the University of Alabama during the 2007 annual period. Based on this review, the Board concluded that these relationships do not interfere with Mr. Rogers's, Mr. Johnson'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, Jr. 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 and approving related party activity, reviewing 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 2009.

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 reviewed and approved on August 21, 2008. 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 3 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 2009. 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 and last reviewed and approved on November 21, 2008. 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 2009.

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 reviewed and approved on August 21, 2008. 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, Jr. 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.

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 2009, 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 January 31, 2009 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 No. 61, *Communication with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from Grant Thornton LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, 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 all services provided by Grant Thornton LLP for the fiscal year ended January 31, 2009. The total fees paid to Grant Thornton LLP for the fiscal year 2009 is described on page 24 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 January 31, 2009 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 19 and (iv) all current directors and executive officers as a group. Such information is provided as of March 27, 2009. The outstanding Common Stock of the Company on March 27, 2009 was 15,810,249 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[1]	PERCENTAGE OF OUTSTANDING SHARES
Anderson BAMM Holdings, LLC[2]	8,347,212[3]	52.8%	1,533,302[4]	9.7%
Charles C. Anderson[5]	8,347,212[3]	52.8%	2,164,076[6]	13.7%
Hilda B. Anderson[7]	8,347,212[3]	52.8%	14,111	*
Joel R. Anderson[8]	8,347,212[3]	52.8%	1,614,874[9]	10.2%
Charles C. Anderson, Jr.[10]	8,347,212[3]	52.8%	273,284	1.7%
Charles C. Anderson, III[11]	8,347,212[3]	52.8%	23,794	*
Terrence C. Anderson[12]	8,347,212[3]	52.8%	374,741[13]	2.4%
Clyde B. Anderson	8,347,212[3]	52.8%	1,589,819[14]	10.1%
Harold M. Anderson[15]	8,347,212[3]	52.8%	377,197	2.4%
Kayrita M. Anderson[16]	8,347,212[3]	52.8%	20,611	*
Hayley Anderson Milam[17]	8,347,212[3]	52.8%	25,380	*
Sandra B. Cochran[18][19]	8,347,212[3]	52.8%	134,451	*
Ashley Anderson Billingsley[20][21]	8,347,212[3]	52.8%	84,000	*
The Ashley Anderson Trust[21][22]	8,347,212[3]	52.8%	84,000	*
Irrevocable Trust of Charles C. Anderson, Jr. FBO Lauren Artis Anderson[23]	8,347,212[3]	52.8%	25,380	*
Olivia Barbour Anderson 1995 Trust[24]	8,347,212[3]	52.8%	1,200	*
Alexandra Ruth Anderson Irrevocable Trust[25]	8,347,212[3]	52.8%	1,200	*
First Anderson Grandchildren's Trust FBO Charles C. Anderson, III[26]	8,347,212[3]	52.8%	11,224	*
First Anderson Grandchildren's Trust FBO Hayley E. Anderson[27]	8,347,212[3]	52.8%	11,224	*
First Anderson Grandchildren's Trust FBO Lauren A. Anderson[26]	8,347,212[3]	52.8%	11,224	*
Second Anderson Grandchildren's Trust FBO Alexandra R. Anderson[26]	8,347,212[3]	52.8%	11,224	*
Third Anderson Grandchildren's Trust FBO Taylor C. Anderson[26]	8,347,212[3]	52.8%	11,224	*
Fourth Anderson Grandchildren's Trust FBO Carson C. Anderson[26]	8,347,212[3]	52.8%	11,224	*
Fifth Anderson Grandchildren's Trust FBO Harold M. Anderson[26]	8,347,212[3]	52.8%	11,224	*
Sixth Anderson Grandchildren's Trust FBO Bentley B. Anderson[26]	8,347,212[3]	52.8%	11,224	*
The Charles C. Anderson Family Foundation[27]	8,347,212[3]	52.8%	83,000	*
The Joel R. Anderson Family Foundation[27]	8,347,212[3]	52.8%	83,000	*
The Clyde B. Anderson Family Foundation[27]	8,347,212[3]	52.8%	46,000	*
Terrance G. Finley	130,794[28]	*	130,794[28]	*
Ronald G. Bruno	80,500[29]	*	80,500[29]	*
Douglas G. Markham	135,945[30]	*	135,945[30]	*
William H. Rogers, Jr.	39,090[31]	*	39,090[31]	*
J. Barry Mason	27,500[32]	*	27,500[32]	*
Albert C. Johnson	15,833[33]	*	15,833[33]	*
Brian W. White	19,847[34]	*	19,847[34]	*
All current directors and executive officers as a group (9 persons)[35]	8,796,721	55.6%	2,414,069	15.3%

(1) "Registered Shares" includes only those shares as to which the reporting person claims beneficial ownership, as determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act"), notwithstanding the reporting person's inclusion in the "group" described in footnote (3) below.

(2) Anderson BAMM Holdings, LLC ("ABH") is an investment company with its business address at 201 South Court Street, Suite 601, Florence, Alabama 35630. ABH, a limited liability company organized under the laws of the State of Delaware, is managed by a board of directors, which has the ultimate voting and investment control over the shares of the Company's common stock contributed to ABH by its members. The current board of directors of ABH consists of Charles C. Anderson, Joel R. Anderson, Charles C. Anderson, Jr., Terry C. Anderson, Clyde B. Anderson and Sandra B. Cochran. Harold M. Anderson has the right to nominate and elect himself to the board at any time at which he owns a membership interest in ABH. Otherwise, the directors are elected by the members of ABH at its annual meeting.

(3) 8,347,212 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 and entities has filed a joint Schedule 13D with the Securities and Exchange Commission to acknowledge that they collectively 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 whom or which is designated by this footnote (3), do not have the power to vote or invest or dispose of, or the power to direct the vote or investment or disposition of, any Common Stock of the Company held by any other person or entity outside of this group, including, without limitation, any other person or entity who or which may be deemed to be a member of such group, unless otherwise indicated in the footnote description for the

group member. Accordingly, members of the group disclaim beneficial ownership of any securities of the Company held by any other person or entity, including, without limitation, any other person or entity who or which 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, unless otherwise indicated in the footnote description for the group member.

(4) Anderson BAMM Holdings, LLC issued membership interests to certain of the beneficial owners of the Company's 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, Amendment No. 3 to Schedule 13D filed with the Securities and Exchange Commission on September 5, 2008 and Amendment No. 4 to Schedule 13D filed with Securities and Exchange Commission on March 9, 2009.

(5) 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.

(6) 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.

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

(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 6,502 shares of restricted stock, 833 shares of which vest within sixty (60) days of March 27, 2009. Terrance C. Anderson currently has the power to vote all of the shares of restricted stock.

(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 includes 164,503 shares of restricted stock, none of which vest within sixty (60) days of March 27, 2009. Clyde B. Anderson currently has the power to vote all of the shares of restricted stock.

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

(16) The business address of Mrs. Kayrita M. Anderson is 3101 Clairmont Road, Suite C, Atlanta, Georgia 30329.

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

(18) The business address of Ms. Sandra B. Cochran is 307 Hartmann Drive, Lebanon, Tennessee 37087.

(19) Ms. Cochran resigned from her positions as President and Chief Executive Officer and as a director of the Company on March 11, 2009.

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

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

(22) 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.

(23) The trustee of the Irrevocable Trust of Charles C. Anderson, Jr. FBO Lauren Artis Anderson is Carl M. Boley. The business address of the Irrevocable Trust of Charles C. Anderson, Jr. FBO 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.

(24) The business address of the Olivia Barbour Anderson 1995 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 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.

(26) The trustee for the (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.

(27) 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.

(28) Includes 89,335 shares of restricted stock. Mr. Finley currently has the power to vote all of the shares of restricted stock.

(29) Includes 6,502 shares of restricted stock, 833 shares of which vest within sixty (60) days of March 27, 2009. Mr. Bruno currently has the power to vote all of the shares of restricted stock.

(30) Includes 80,335 shares of restricted stock. Mr. Markham currently has the power to vote all of the shares of restricted stock. Also includes 10,000 shares held in an IRA account of Mr. Markham's spouse.

(31) Includes 12,000 shares subject to options that are currently exercisable. Also includes 6,502 shares of restricted stock, 833 shares of which vest within sixty (60) days of March 27, 2009. Mr. Rogers currently has the power to vote all of the shares of restricted stock.

(32) Includes 6,502 shares of restricted stock, 833 shares of which vest within sixty (60) days of March 27, 2009. Dr. Mason currently has the power to vote all of the shares of restricted stock.

(33) Includes 5,834 shares of restricted stock, 833 shares of which vest within sixty (60) days of March 27, 2009. Mr. Johnson currently has the power to vote all of the shares of restricted stock.

(34) Includes 19,521 shares of restricted stock. Mr. White currently has the power to vote all of the shares of restricted stock.

(35) Includes 12,000 shares subject to options that are currently exercisable. Also includes 385,536 shares of restricted stock, which the individuals included currently have the power to vote.

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 2009 with all applicable Section 16(a) filing requirements, except that Mr. White filed his initial Form 3 late.

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 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 2009 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.

No Employment and Severance Agreements

Our named executive officers do not have employment, severance or change-in-control agreements. Our named executive officers serve at the will of the Board, which enables the Company to terminate their employment with discretion as to the terms of any severance agreement. This is consistent with the Company's employment and compensation philosophy.

Use of Compensation Consultant

To assist the Compensation Committee in setting fiscal 2009 and fiscal 2010 compensation for the executive officers and certain other officers of the Company, the Compensation Committee retained and consulted with Mercer Human Resources of Atlanta, Georgia. Mercer had been engaged by the Committee for several years prior to fiscal 2009 and had assisted the Compensation Committee in structuring the Company's overall executive compensation program. Mercer advised the Committee regarding "best practices" in executive compensation and analyzed 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. Mercer also advised the Committee with respect to specific executive compensation decisions.

Mercer provided a report to the Compensation Committee in March 2008 that compared the compensation of the named executive officers with the compensation of executive officers of comparable responsibility levels at comparably sized retailers. The Compensation Committee used the data compiled by Mercer in evaluating the competitiveness of the fiscal 2008 compensation packages set for the Company's executive officers and in establishing their fiscal 2009 compensation packages. The comparable companies reviewed by Mercer and included 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
A. C. Moor Arts & Crafts, Inc.	Rex Stores Corporation	Casual Male Retail Group, Inc
Hibbett Sports, Inc.	Lumber Liquidators, Inc.	Cache, Inc.
Build-A-Bear Workshop, Inc.		

Mercer provided an update of its March 2008 report to the Compensation Committee prior to the Committee's March 19, 2009 meeting. The Compensation Committee used the data compiled by Mercer to assist it in establishing the fiscal 2010 compensation packages for the Company's executive officers.

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 2009 base salaries for each of the named executive officers at its March 26, 2008 meeting. The base salaries of the named executive officers for the 2009 fiscal year are set forth in the Summary Compensation Table on page 19. Also based on these considerations, the Compensation Committee, at its March 26, 2009 meeting, concluded that for fiscal year 2010, a base salary of $425,000 was appropriate for Mr. Anderson, a base salary of $315,000 was appropriate for Mr. Finley, a base salary of $250,000 was appropriate for Mr. Markham, and a base salary at an annual rate of $180,000 was appropriate for Mr. White (while serving in the Interim CFO role). Mr. Anderson's base salary was increased because of his additional duties as Chief Executive Officer of the Company due to his appointment to that office in March 2009. Mr. Markham's base salary is being reduced during fiscal 2010 because he is also receiving military pay during his deployment with the U.S. Navy Reserves.

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 2009, the Compensation Committee established a target bonus amount, expressed as a percentage of each executive officer's base salary. For fiscal 2009, the target bonus percentages (as a percentage of base salary) were established as follows: Ms. Cochran – 100%, Mr. Anderson – 85%, Mr. Finley – 85%, Mr. Markham – 75% and Mr. White – 50% (75% during Interim CFO term). The actual bonus that could be earned would vary based on a comparison of actual performance against the pre-established performance criteria, and could reach a maximum bonus amount of 200% of the target bonus. For fiscal 2009, the portion of bonus attributable to an executive officer's individual performance goals was 20% of salary, while the portion of bonus attributable to pre-tax income goals was 80% of salary. The portion of bonus attributable to pre-tax income that could be earned was based on a sliding scale ranging from 80% to 130% of the targeted pre-tax income goal of the Company. 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. No bonuses would be earned if less than 80% of the pre-tax income goal was achieved, and 200% of the target bonus would be earned if 130% or greater of the pre-tax income goal was achieved. During fiscal 2009, the Company did not achieve 80% of its pre-tax income goal of $27,083,981, resulting in the executive officers receiving no bonus amounts relating to the pre-tax income component of the 2009 cash bonus program.

The following table provides the computation of the cash bonus amounts paid to the executive officers relating to fiscal year 2009 based on the results of the pre-tax income of the Company and personal goal achievements, as compared to the targeted goals set by the Compensation Committee for fiscal year 2009:

Name	Bonus Attributable to Pre-Tax Income	Bonus Attributable to Personal Goals[1]	Total Cash Bonus
Clyde B. Anderson	$-0-	$11,000[2]	$11,000
Terrance G. Finley	-0-	7,097[3]	7,097
Douglas G. Markham	-0-	17,813[4]	17,813
Brian W. White	-0-	10,828[5]	10,828
Sandra B. Cochran	-0-	-0-[6]	-0-

[1] The goals established by the Compensation Committee for fiscal 2009 included: (a) opening of 15 new stores with a total of $18.4 million of budgeted sales – goal was not achieved, (b) return on equity of 24.5% - goal was not achieved, (c) introduce redesigned Internet site with sales increase of 15% run rate - goal was not achieved, (d) development of merchandise strategy with annualized sales totaling $3.0 million – goal was not achieved, (e) achieve shareholder return of 15% - goal was not achieved, (f) achieve expense goal of $121.2 million – exceeded goal by 3%, (g) reduction of retail inventory shrinkage to 1.90% – goal achieved by achieving shrinkage level of 1.85%, (h) complete strategic planning and budget process – goal achieved, (i) section 404 compliance – goal achieved, (j) implement new accounts receivable information system – achieved 66.6% of goal, (k) credit processing and e-purchasing system implementation – achieved 50% of goal, (l) lease and fixed asset audit objectives – 50% of goal achieved, and (m) expense reduction initiatives for operating supplies, credit processing and e-purchasing – 100% of goal achieved.

[2] Mr. Anderson's personal goal categories consisted of: new store openings, return on equity, internet site redesign and performance; implement merchandise strategy, shareholder return, and management of expenses ($11,000 bonus level achieved).

[3] Mr. Finley's personal goal categories consisted of: new store openings, return on equity, lead and direct effort to reduce inventory shrinkage, strategic design and budget process, and expense reduction initiatives ($7,097 bonus level achieved).

[4] Mr. Markham's personal goal categories consisted of: new store openings, return on equity, lead and direct effort to reduce inventory shrinkage ($2,813 bonus level achieved), strategic design and budget process ($7,500 bonus level achieved), and expense reduction initiatives ($7,500 bonus level achieved).

[5] Mr. White's personal goal categories consisted of: internal controls and audit objectives ($2,813 bonus level achieved), accounts receivable management and system implementation ($1,875 bonus level achieved), credit processing and e-purchasing ($2,109 bonus level achieved), retail shrinkage objectives ($2,625 bonus level achieved), and lease and fixed asset objectives ($1,406 bonus level achieved).

[6] Ms. Cochran's personal goal categories consisted of: new store openings, return on equity, internet site redesign and performance; implement merchandise strategy, shareholder return, and management of expenses ($16,500 bonus level achieved). Because Ms. Cochran resigned her position as President and Chief Executive Officer before the incentive bonus eligibility/determination date, she was not eligible to receive an incentive bonus related to fiscal 2009.

At its March 26, 2009 meeting, the Compensation Committee established the cash bonus program for fiscal year 2010. The fiscal 2010 bonus program is substantially consistent with the criteria and targets used for the cash bonus program used in 2009, except that the pre-tax income goal was adjusted to reflect the budget of the Company for fiscal year 2010, and the personal goals and personal goal targets were also adjusted to reflect the goals of the Company for fiscal year 2010.

Restricted Stock. Currently the Company only issues restricted stock from the 2005 Incentive Award Plan. During fiscal year 2009, 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 the pre-tax earnings performance based objectives used for the cash bonus program 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 the same as the Company pre-tax earnings performance measurements maintained in connection with the cash bonus program, although the maximum amount of the Performance Based Shares that can be earned is 100% of the authorized number of shares originally awarded. The Career Based Shares are not tied to the achievement of performance objectives, but serve as a retention incentive because they have a multi-year cliff

vesting period and therefore require longevity with the Company in order to earn these shares. Career Based Shares granted prior to March 26, 2008, are completely unvested until the last day of the fifth fiscal year after the date of grant. Effective March 26, 2008, Career Based Shares granted in fiscal 2009 are completely unvested until the last day of the third fiscal year after the date of grant. The vesting period for Career Based Shares was shortened to three years based on advice from Mercer Human Resources after comparing the Company's restricted stock program to the programs of the peer group of companies analyzed by Mercer Human Resources.

During fiscal 2009, 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. In evaluating the proper annual award of restricted stock, the Committee has historically been 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, the current market price of the Company's Common Stock and numbers of outstanding unvested awards. Based on the recommendations of Mercer Human Resources and target levels of long-term compensation for each of the named executive officers, the Compensation Committee established the terms of the regular fiscal 2009 awards of restricted stock that were made on March 26, 2008 (both Performance Based Shares and Career Based Shares). On December 2, 2008, the Compensation Committee approved an additional award of Career Based Shares to each of our named executive officers. This award is to be considered a special retention award, and its primary purpose is to serve as a retention device during this period of challenging economic times in the retail sector and to provide further incentive to the executives to increase stockholder value. Like the Career Based Shares granted on March 26, 2008, the special Career Based Shares granted on December 2, 2008 are completely unvested until the last day of the third fiscal year after the date of grant. See the Summary Compensation Table on page 19 and Grants of Plan Based Awards in Fiscal 2009 on page 20 for information on the amounts of restricted stock awards to named executive officers during fiscal 2009. Since the Company did not meet 80% of its pre-tax earnings goal of $27,083,981 during fiscal 2009, the executive officers did not receive a pay-out of the Performance Based Shares of restricted stock awarded to executive officers in March 2008. The Performance Based Share awards, tied to fiscal 2009 performance, forfeited for each of the named executive officers were as follows: Ms. Cochran (40,000 shares), Mr. Anderson (20,000 shares), Mr. Finley (13,500 shares), Mr. Markham (13,500 shares), and Mr. White (1,000 shares).

In addition, on March 19, 2009, the Compensation Committee awarded the following shares of restricted stock to the named executive officers for fiscal 2010.

Name	Career Based Shares	Performance Based Shares[1]
Clyde B. Anderson	50,000	50,000
Terrance G. Finley	20,000	20,000
Douglas G. Markham	20,000	20,000
Brian W. White	12,500	12,500

(1) The pay-out of these Performance Based Share awards is subject to the attainment of certain pre-tax earnings goals of the Company for fiscal 2010.

The awards of restricted stock were made on March 19, 2009, which, consistent with past practice, was the date of a regularly scheduled meeting of the Board of Directors of the Company, and the date of the fourth quarter earnings release of the Company.

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, which was amended and restated in March 1998, 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 2007, 2008 or 2009.

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 2009, 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 three years recognize a benefit from the awards. Thus, the restricted stock awards are intended in part to provide longer term compensation opportunities that complement 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 per year, typically 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 performance-based 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 the 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 successful 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 2009, executive officers were eligible to receive an annual cash bonus of between 150% and 200% 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 the same as the Company performance measurements maintained in connection with the cash bonus program. These shares have a two-year vesting period once the shares are earned and issued. The "Career Based Shares" have a three-year cliff vest, and therefore require that the grantee remain an employee with the Company for a set period of time before they are earned. The goals under the performance based bonus plan and performance based restricted stock grants (each established under the 2005 Incentive Award Plan) must be met before the awards are paid or awarded. The Compensation Committee does have authority, however, to make non-performance based awards in its discretion.

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 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 prepared 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 his or her own compensation. Clyde B. Anderson, in his position as Executive Chairman of the Board in fiscal 2009, and Sandra B. Cochran, in her position as President and Chief Executive Officer in fiscal 2009, provided input to the Compensation Committee as to the fiscal 2009 compensation for the Company's other officers. During fiscal 2009, Mr. Anderson and Ms. Cochran provided the Compensation Committee with verbal personal performance evaluations of the other executive officers of the Company and proposed compensation adjustments, including salary increases and incentive compensation opportunities, for such officers to the Compensation Committee for its consideration. Mr. Anderson provided the Compensation Committee with such verbal personal performance evaluations and compensation proposals at the March 2009 meetings of the Compensation Committee. The Compensation Committee is ultimately responsible, however, for determining the compensation of these other executive 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 2009), J. Barry Mason and Ronald G. Bruno, was responsible for establishing salaries, bonuses and other compensation for the Company's executive officers for fiscal 2009, 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 periodic 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 2009. 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 2009 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 reviews all related person transactions and determines if the Company is compliant with current contracts. This formal process approves and monitors all transactions with individuals and 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, pursuant to its written charter, must review and approve any and all related person transactions that exceed or are expected to exceed the $120,000 threshold requiring disclosure under the rules of the Securities and Exchange Commission. The Audit Committee relies on information provided by its officers and directors in their annual questionnaires, as well as financial information reporting from the Company's internal accounting department, to identify related person transactions that require consideration. Further, the Company's Code of Business Conduct and Ethics sets forth certain factors that must be considered in identifying potential conflicts of interest, including outside employment, improper personal benefits, financial interests, loans or other financial transactions, service on boards and committees and actions of family members, and requires that associates disclose to the Company any situations that reasonably would be expected to give rise to a conflict of interest. In addition to these review procedures, the Audit Committee considers all other relevant factors when determining whether to approve a related person transaction, including whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. No director may participate in any discussion or approval of any related person transaction in which he or she is a related person, but that director must provide the Audit Committee with all material information concerning the transaction.

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. The Audit Committee has the authority to make waivers of conflicts of interest.

Related Person Transactions. As described below, during fiscal 2009 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 related persons are as follows. The Company purchases a substantial portion of its magazines as well as certain of its seasonal music and newspapers from Msolutions, LLC, a subsidiary of Anderson Media Corporation ("Anderson Media"). Purchases in fiscal 2009 totaled $22,673,632. The Company sold books to Anderson Media in fiscal 2009 totaling $1,347,164. The Company purchases certain of its collectibles, gifts and books from Anderson Press, Inc. ("Anderson Press"). During fiscal 2009, purchases from Anderson Press totaled $1,576,978. 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 2009 was $1,863,401, 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 $130,438 for fiscal 2009, 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 2009, the Company paid rent of $151,257 to the trust under this lease. Anderson & Anderson, LLC ("A&A") leases three buildings to the Company. During fiscal 2009, the Company paid A&A a total of $454,570 under such leases.

The Company, A&A, Anderson Promotional Events, Inc. and Anderson Press co-own two airplanes that are used by the Company in its business. The Company owns a 26% interest in each of these airplanes. Prior to July 1, 2008, the Company held a 49.9% interest in one airplane co-owned by the Company and A&A. In an effort to reduce operating and administrative expenses, on July 1, 2008 the Company entered into a like-kind exchange transaction whereby it transferred 23.9% of its interest in the one airplane in exchange for a 26% interest in another airplane co-owned by A&A, Anderson Promotional Events, Inc., Anderson Press and certain other parties (the "Co-Ownership Group"). The value of the airplane interests transferred and received by the Company in this exchange was approximately $1.6

million. No cash traded hands in this exchange. Through June 30, 2008, the Company maintained administrative control and rented the original airplane to other affiliated companies at rates that covered all variable costs and a portion of the fixed costs of operating the airplane. The total amount received from affiliated companies for use of the plane during fiscal 2009 through June 30, 2008 was $486,365. Of that amount, $128,184 was received from Anderson Growth Partners, of which Ms. Cochran and Mr. Clyde Anderson are partners. From July 1, 2008 to January 31, 2009, the Company was billed $407,489 by the Co-Ownership Group, net of return of capital, under the new cost sharing arrangement for the Company's use of the two airplanes. The expenses the Company now pays for airplane use covers all of the variable costs attributable to the Company's use and a portion of the fixed costs. In addition, the Company paid amounts to other affiliated companies for the Company's use of their planes in the amount of $233,379.

The Company subleases certain property to Hibbett Sports, Inc. ("Hibbett"), a sporting goods retailer in the Southeastern United States. The Company's Chairman and Chief Executive Officer, Clyde B. Anderson, was a member of the Board of Directors of Hibbett during fiscal 2009 until his term expired at the annual meeting of Hibbett's shareholders on June 2, 2008. Additionally, one of our directors, Albert C. Johnson, and one of our executive officers, Terrance G. Finley, have served on the Board of Directors of Hibbett since March 14, 2008. During fiscal 2009, the Company received $208,161 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 2009 and the next three most highly compensated executive officers other than the principal executive officer or principal financial officer during fiscal 2009. Sandra B. Cochran resigned as the President and Chief Executive Officer of the Company effective March 11, 2009. Mr. Clyde B. Anderson was appointed to the office of Chief Executive Officer on March 12, 2009.

Based on the compensation reflected in the table below, "Salary" accounted for the following percentages of each named executive officer's total compensation: 42.2% for Mr. Anderson, 51.7% for Mr. Finley, 51.7% for Mr. Markham, 75.3% for Mr. White and 39.9% for Ms. Cochran.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($) (4)	Option Awards ($) (5)	Non-Equity Incentive Plan Compensation ($) (6)	All Other Compensation ($)	Total ($)
Clyde B. Anderson Chairman and Chief Executive Officer (Principal Executive Officer)	2009 2008 2007	341,000 335,000 330,000	- - -	386,322 314,246 147,353	- - 86,271	11,000 238,659 280,500	70,088(7) 86,616 17,739	808,410 974,521 861,863
Terrance G. Finley President of Merchandising Group	2009 2008 2007	315,000 305,000 290,000	- - -	275,892 245,343 176,019	- - 53,921	7,097 216,974 246,500	10,753(8) 12,045 16,949	608,742 779,362 783,389
Douglas G. Markham Chief Financial Officer and Secretary (Principal Financial Officer) (1)	2009 2008 2007	237,799 230,000 125,415	- - 25,000(2)	195,007 99,060 15,445	- - -	17,813 155,293 107,500	9,659(9) 1,131 457	460,278 485,484 273,817
Brian W. White Interim Chief Financial Officer and Secretary (Principal Financial Officer) (1)	2009	151,346	30,000(3)	8,484	-	10,828	266(10)	200,924
Sandra B. Cochran, Former President and Chief Executive Officer	2009 2008 2007	472,000 455,000 430,000	- - -	701,165 499,802 236,080	- - 107,835	- 378,364 430,000	10,469(11) 17,491 27,151	1,183,634 1,350,657 1,231,066

(1) Mr. Markham was recalled from the Navy Reserve to active duty beginning on January 4, 2009. As a result of this deployment, Mr. White was appointed Interim Chief Financial Officer and Secretary effective January 4, 2009. Because Mr. White was not a named executive officer of the Company in fiscal 2008 or 2007, this table presents compensation information for Mr. White only for fiscal 2009.

(2) 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.

(3) The fiscal 2009 bonus amount for Mr. White was paid in conjunction with sign on and relocation.

(4) The amounts included in the "Stock Awards" column represent the compensation cost that was recognized in fiscal 2007, 2008 and 2009 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 January 31, 2009. 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 2009.

The restricted stock granted by the Company in fiscal year 2009 had a value on March 27, 2009 of $377,673 for Mr. Anderson, $214,624 for Mr. Finley, $214,624 for Mr. Markham, $29,766 for Mr. White, and $527,846 for Ms. Cochran. The values of such stock awards are based on the closing sale price of a share of Common Stock reported on the NASDAQ Global Select Market on March 27, 2009, which was $4.55.

(5) There were no options granted in fiscal 2009 or 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.

(6) 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.

(7) All Other Compensation for fiscal 2009 includes (i) matching contributions by the Company to the Company's 401(k) savings plan of $3,119 and amounts paid in lieu of 401(k) savings plan match of $5,448 due to limits mandated for highly compensated executives on behalf of Clyde B. Anderson, (ii) life insurance premiums of $900 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 2009. The estimated aggregate incremental cost to the Company for fiscal 2009 for personal use of Company aircraft by Clyde B. Anderson was $60,621. 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.

(8) All Other Compensation for fiscal 2009 includes (i) matching contributions by the Company to the Company's 401(k) savings plan of $5,366 and amounts paid in lieu of 401(k) savings plan match of $3,030 due to limits mandated for highly compensated executives on behalf of Terrance G. Finley and (ii) life insurance premiums of $2,357 on behalf of Terrance G. Finley.

(9) All Other Compensation for fiscal 2009 includes (i) matching contributions by the Company to the Company's 401(k) savings plan of $5,104 and amounts paid in lieu of 401(k) savings plan match of $3,504 due to limits mandated for highly compensated executives on behalf of Douglas G. Markham and (ii) life insurance premiums of $1,051 on behalf of Douglas G. Markham.

(10) All Other Compensation for fiscal 2009 includes life insurance premiums of $266 on behalf of Brian W. White.

(11) All Other Compensation for fiscal 2009 includes (i) matching contributions by the Company to the Company's 401(k) savings plan of $2,913 and amounts paid in lieu of 401(k) savings plan match of $5,722 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, and (ii) life insurance premiums of $1,834 on behalf of Sandra B. Cochran.

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2009

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards:		
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards ($) (2)	March 27, 2009 Market Value ($) (3)
Clyde B. Anderson	March 26, 2008	115,940	260,865	289,850	13,005 (4)	183,891	59,173
	March 26, 2008				20,000 (5)	282,800	91,000
	December 2, 2008				50,000 (6)	107,500	227,500
Terrance G. Finley	March 26, 2008	107,100	240,975	267,750	8,670 (4)	122,594	39,449
	March 26, 2008				13,500 (5)	190,890	61,425
	December 2, 2008				25,000 (6)	53,750	113,750
Douglas G. Markham	March 26, 2008	75,000	168,750	187,500	8,670 (4)	122,954	39,449
	March 26, 2008				13,500 (5)	190,890	61,425
	December 2, 2008				25,000 (6)	53,750	113,750
Brian W. White	March 26, 2008	30,000	67,500	75,000	542 (4)	7,442	2,466
	March 26, 2008				1,000 (5)	14,140	4,550
	December 2, 2008				5,000 (6)	10,750	22,750
Sandra B. Cochran	March 26, 2008	188,800	424,800	472,000	26,010 (4)	367,781	118,346
	March 26, 2008				40,000 (5)	565,600	182,000
	December 2, 2008				50,000 (6)	107,500	227,500

(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 January 31, 2009.

(3) Based on the closing sales price on the NASDAQ Global Select Market on such date of $4.55.

(4) Represents "Performance Based Shares" of restricted stock issued on March 26, 2008 upon a determination by the Compensation Committee of the satisfaction of performance objectives for the 2008 fiscal year to which the award relates. Such shares vest and all applicable restrictions lapse (i) with respect to 50% of the shares, on January 30, 2009, and (ii) with respect to the remaining 50% of the shares, on January 29, 2010, 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. The amount of shares of Performance Based restricted stock for each executive officer represents 86.7% of the total possible Performance Based Share awards granted in March 2008 which were paid out based on a pre-established pre-tax earnings goal target of $28,331,265.

(5) Represents discretionary "Career Based Shares" of restricted stock awarded by the Compensation Committee to executive officers on March 26, 2008. These Career Based Shares vest on January 28, 2011, 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.

(6) Represents discretionary, special grant of "Career Based Shares" of restricted stock awarded by the Compensation Committee to executive officers on December 2, 2008. These Career Based Shares vest on January 28, 2011, 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 2009 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 2009 fiscal year, including the number of shares of Common Stock and the market value of such shares as of January 31, 2009. 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 January 30, 2009 (the last trading day prior to the end of the Company's fiscal year), which was $2.34.

	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 ($)
Clyde B. Anderson	114,503	267,937
Terrance G. Finley	69,335	162,244
Douglas G. Markham	60,335	141,184
Brian W. White	7,021	16,429
Sandra B. Cochran (2)	173,005	404,832

(1) For Mr. Anderson, represents 6,503 Performance Based Shares and 108,000 Career Based Shares awarded under the 2005 Incentive Award Plan. For Mr. Finley, represents 4,335 Performance Based Shares and 56,000 Career Based Shares awarded under the 2005 Incentive Award Plan. For Mr. Markham, represents 4,335 Performance Based Shares and 65,000 Career Based Shares awarded under the 2005 Incentive Award Plan. For Mr. White, represents 271 Performance Based Shares and 6,750 Career Based Shares awarded under the 2005 Incentive Award Plan. For Ms. Cochran, represents 13,500 Performance Based Shares and 160,000 Career Based Shares awarded under the 2005 Incentive Award Plan.

(2) Ms. Cochran resigned from her positions as President and Chief Executive Officer of the Company on March 11, 2009, and forfeited her rights to these restricted shares.

OPTION EXERCISES AND STOCK VESTED DURING FISCAL 2009

The following table shows the amounts received upon exercise of options and the vesting of restricted stock during fiscal year 2009. 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 January 30, 2009 (the last trading day prior to the vesting date, which was $2.34.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Clyde B. Anderson	—	—	26,708	62,497
Terrance G. Finley	—	—	22,041	51,576
Douglas G. Markham	—	—	8,085	18,919
Brian W. White	—	—	271	634
Sandra B. Cochran	—	—	40,711	95,264

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

As described in the Compensation, Discussion and Analysis, the Company's named executive officers do not have employment or change-in-control agreements with the Company. The information below describes and quantifies the compensation that would have accrued to the named executive officers under the Company's 2005 Incentive Award Plan upon a change-in-control of the Company on January 31, 2009. However, the actual benefit to a named executive officer under this plan can only be determined at the time of the change-in-control event.

The Restricted Stock Agreements with executive officers that document the grants of restricted stock awards under the 2005 Incentive Award Plan provide that all of the shares of restricted stock not previously vested may, in the sole and absolute discretion of the Compensation Committee, become vested in the event of a change-in-control of the Company. Pursuant to the 2005 Incentive Award Plan, a "change-in-control" generally consists of one of the following events:

(1) a transaction (other than an offering of the Company's common stock to the general public through a registration statement filed with the Securities and Exchange Commission) resulting in the acquisition of 50% or more of the Company's voting securities, other than an acquisition by 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;

(2) when, during any two-year period, the members of the Company's Board of Directors at the beginning of the period (along with any new director whose election or nomination is approved by at least two-thirds of the directors who either were directors at the beginning of the period or who were so approved) cease to constitute a majority of the Board;

(3) the consummation by the Company of (i) a merger, consolidation, reorganization or business combination, (ii) a sale or other disposition of all or substantially all of the Company's assets or (iii) the acquisition of assets or stock of another entity, unless the outstanding shares of the Company immediately prior to the transaction continue to represent more than 50% of the combined voting stock of the Company or its successor immediately following the transaction or after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the successor entity; or

(4) the Company's stockholders approve a plan of liquidation or dissolution of the Company.

The Compensation Committee has full and final authority to determine whether a change-in-control has occurred pursuant to the definition of that term in the 2005 Incentive Award Plan and the date of the occurrence of the change-in-control event.

The table below sets forth the intrinsic value of the shares of restricted stock under the 2005 Incentive Award Plan that could have vested in the event that a change-in-control of the Company occurred on January 31, 2009. This table assumes that the Compensation Committee would have exercised its discretion under the 2005 Incentive Award Plan and approved an acceleration of vesting of all of the shares of restricted stock upon such a termination. The intrinsic value is calculated by multiplying the number of shares that would have vested by the fair market value of the Company's common stock on January 31, 2009.

Name of Executive Officer	Amount that Would Have Been Realized Due to the Acceleration of Vesting of Restricted Stock in the Event of a Change-in-Control of the Company
Clyde B. Anderson	$267,937
Terrance G. Finley	162,244
Douglas G. Markham	141,184
Brian W. White	16,429
Sandra B. Cochran	404,832

DIRECTOR COMPENSATION

The following table presents the total compensation of the Company's non-employee directors for fiscal 2009. The amounts included in the "Stock Awards" column represent the compensation cost that was recognized in fiscal 2009 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 January 31, 2009.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Total ($)
Terrance Anderson	34,000	24,425	58,425
Ronald Bruno	38,000	24,425	62,425
Albert C. Johnson	50,500	24,425	74,925
J. Barry Mason	46,000	24,425	70,425
William Rogers	47,500	24,425	71,925

(1) Represents annual award of 2,500 shares of restricted stock for each director granted on March 26, 2008. As of March 27, 2009, 2,500 shares of the Company's common stock had a value of $11,375, based on the closing sale price of the Company's Common Stock on the NASDAQ Global Select Market on March 27, 2009 of $4.55 per share.

Compensation of Directors. The Board utilized 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. Additionally, the Chairman of the Audit Committee 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 Non-Employee Director is, on the first day he serves as a director, granted an "Initial Award" of 3,750 shares of Common Stock from the Company 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 year-end Compensation Committee meeting (historically held in March) 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 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.

Stock Ownership Requirements. Directors are required to maintain a certain level of ownership of Company stock as determined by the Compensation Committee. The current level of required stock ownership is 12,500.

PROPOSAL 2 – 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 30, 2010, 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 2010 fiscal year ending on January 30, 2010. Grant Thornton LLP has been engaged by the Company since April 29, 2005, and has audited the financial statements of the Company for its 2009, 2008 and 2007 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 2009 and 2008:

Fees	Fiscal 2009	Fiscal 2008
Audit fees (1)	$861,104	$1,019,200
Audit-related fees	-0-	-0-
Tax fees (2)	18,083	26,880
All other fees (3)	108,623	-0-
Total	$987,810	$1,046,080

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

(3) All other fees relate to advisory services for the review of the Company's vendor purchasing and procurement program. Such services were pre-approved by the Audit Committee.

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 2.

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 2010 ANNUAL MEETING

Any proposal that a stockholder may desire to have included in the Company's proxy material for presentation at the 2010 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: Mr. Clyde B. Anderson, on or prior to December 25, 2009. A stockholder must notify the Company before March 10, 2010 of a proposal for the 2010 Annual Meeting which the stockholder intends to present other than by inclusion in our proxy material. Any such proposal received after March 10, 2010 will be considered untimely for purposes of the 2010 Annual Meeting, and proxies delivered for the 2010 annual meeting will confer discretionary authority to vote on any such matters.

ANNUAL REPORT

The Company's Annual Report to Stockholders for fiscal 2009 is being mailed to the Company's stockholders with this Proxy Statement.

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