BOOKS A MILLION INC
Form PREM14A
August 21, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
¨ Definitive Proxy Statement
¨ Definitive Additional Material
¨ Soliciting Material under Rule 14a-12

BOOKS-A-MILLION, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: Common Stock

(2) Aggregate number of securities to which transaction applies: 15,409,112 outstanding shares of Common Stock

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

In accordance with Exchange Act Rule 0-11(c), the filing fee of $5,819.26 was determined by multiplying .0001162 by the aggregate Merger Consideration of $50,079,614. The aggregate Merger Consideration was calculated based on the sum of 15,409,112 outstanding shares of Common Stock as of August 1, 2015 to be acquired pursuant to the Merger multiplied by the $3.25 per share Merger Consideration.

(4) Proposed maximum aggregate value of transaction: $50,079,614

(5) Total fee paid: $5,819.26

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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[ ] [ ], 2015

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Books-A-Million, Inc. (the Company), which we will hold at [ ] a.m., Central Time, on [ ] [ ], 2015, at our corporate office annex located at 121 West Park Drive, Birmingham, Alabama 35211. Formal notice of the special meeting, a proxy statement, and a proxy card accompany this letter.

At the special meeting, holders of our common stock, par value $0.01 per share (Common Stock), will be asked to consider and vote upon a proposal to adopt and approve an Agreement and Plan of Merger, dated as of July 13, 2015 (as it may be amended from time to time, the Merger Agreement), by and among the Company, Family Acquisition Holdings, Inc., a Delaware corporation (Parent), and Family Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (Sub). Pursuant to the Merger Agreement, Sub will merge with and into the Company and the Company will become a wholly-owned subsidiary of Parent (the Merger). If the Merger is completed, then each share of our Common Stock will be converted into the right to receive $3.25 in cash (other than certain shares as set forth in the Merger Agreement).

The proposed Merger is a going private transaction under Securities and Exchange Commission rules. Following the Merger, all of the Common Stock of Parent will be owned by Clyde B. Anderson, the Executive Chairman of the Company s Board, Terrence C. Anderson, who is a director of the Company, certain other members of the Anderson family (the Anderson Family) and certain members of the Company s management who have agreed to contribute shares of Common Stock to Parent (which are referred to with the Anderson Family as the Purchaser Group).

The board of directors of the Company (the Board) formed a committee (the Special Committee) consisting solely of independent and disinterested directors of the Company to consider if the transaction was the best option for stockholders other than the Anderson Family and the Company s management and, if so, to evaluate and negotiate the terms of a transaction (as described more fully in the enclosed proxy statement). The Board (other than Clyde B. Anderson and Terrence C. Anderson, who recused themselves from the vote of the Board), based in part on the unanimous recommendation of the Special Committee, has (a) determined unanimously that the Merger Agreement and the Merger are advisable, and in the best interests of, the Company s stockholders (other than the members of the Purchaser Group or any person that the Company has determined to be a Section 16 Officer of the Company pursuant to Rule 16a-1(f) of the Securities Exchange Act of 1934 (the Exchange Act)), (b) approved unanimously the Merger Agreement and the Merger, and (c) resolved unanimously to recommend that the Company s stockholders vote FOR the proposal to adopt the Merger Agreement. ***The Board (with Clyde B. Anderson and Terrence C. Anderson recusing themselves) recommends unanimously that you vote FOR the adoption of the Merger Agreement***.

Pursuant to rules of the Securities and Exchange Commission, you also will be asked to vote at the special meeting on a non-binding, advisory proposal to approve compensation that will or may become payable to the Company s named executive officers in connection with the Merger, as described in the proxy statement. The ***Board (without Clyde B. Anderson s or Terrence C. Anderson s participation) also recommends unanimously that the stockholders of the Company vote FOR the non-binding, advisory proposal to approve compensation that will or may become payable to the Company s named executive officers in connection with the Merger.***

The enclosed proxy statement describes the Merger Agreement, the Merger and related agreements and provides specific information concerning the special meeting. In addition, you may obtain information about us from documents filed with the Securities and Exchange Commission. We urge you to read the entire proxy

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statement, including the annexes, carefully, as it sets forth the details of the Merger Agreement and other important information related to the Merger.

Your vote is very important, regardless of the number of shares of Common Stock you own. The affirmative vote of the holders of the majority of the aggregate voting power of the issued and outstanding shares of Common Stock is required to approve and adopt the Merger Agreement. In addition, the Merger Agreement makes it a non-waivable condition to the parties obligations to consummate the Merger that holders of at least a majority of our issued and outstanding shares of Common Stock, excluding all shares beneficially owned by Parent, Sub, the Purchaser Group or any officer of the Company (determined in accordance with Section 16(a) of the Exchange Act), vote in favor of the adoption of the Merger Agreement. If you fail to vote on the Merger Agreement, the effect will be the same as a vote against the adoption of the Merger Agreement.

If you own shares of record, you will find enclosed a proxy and voting instruction card or cards and an envelope in which to return the card(s). Whether or not you plan to attend this meeting, please sign, date and return your enclosed proxy and voting instruction card(s), or vote over the phone or Internet, as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You can revoke your proxy before the special meeting and issue a new proxy as you deem appropriate. You will find the procedures to follow if you wish to revoke your proxy on page [ ] of the enclosed proxy statement.

If you hold your shares in street name through a broker, bank or other nominee, you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against the proposal to adopt the Merger Agreement.

If you have any questions or need assistance voting your shares, please contact our proxy solicitation agent:

Okapi Partners LLC

437 Madison Avenue, 28th Floor

New York, NY 10022

Call Toll-Free: 855-305-0855

We look forward to seeing you at the meeting.

Sincerely yours,

Terrance G. Finley
Chief Executive Officer and President

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Merger, passed upon the merits or fairness of the Merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [ ], 2015 and, together with the enclosed form of proxy, is first being mailed to Stockholders on [ ], 2015.

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that a Special Meeting of stockholders of Books-A-Million, Inc. will be held at [ ] a.m., Central Time, on [ ] [ ], 2015, at our corporate office annex located at 121 West Park Drive, Birmingham, Alabama 35211 for the following purposes:

(1) to consider and vote on a proposal to adopt an Agreement and Plan of Merger, dated as of July 13, 2015 (as it may be amended from time to time, which we refer to as the Merger Agreement), by and among Books-A-Million, Inc. (the Company), Family Acquisition Holdings, Inc., a Delaware corporation (Parent), and Family Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (Sub);

(2) to consider and vote on the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable to the Company s named executive officers in connection with the Merger;

(3) to consider and vote on any proposal to adjourn the special meeting from time to time, if necessary or appropriate (as determined in good faith by the Company), to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company stockholder approval (as defined below) or obtain the majority of the minority stockholder approval (as defined below); and

(4) to act upon other business that may properly come before the special meeting or any adjournment or postponement thereof.

The holders of record of our Common Stock, par value $0.01 per share (the Common Stock), at the close of business on [ ] [ ], 2015, are entitled to notice of and to vote at the special meeting and at any adjournment thereof. All stockholders of record are invited to attend the special meeting in person.

The Board unanimously recommends that the stockholders of the Company vote FOR the proposal to adopt the Merger Agreement, FOR the advisory (non-binding) proposal to approve specified compensation that will or may become payable to the named executive officers of the Company in connection with the Merger and FOR the proposal to adjourn the special meeting from time to time, if necessary or appropriate, as determined in good faith by the Company, to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company stockholder approval or obtain the majority of the minority stockholder approval.

Your vote is important, regardless of the number of shares of Common Stock you own. The Merger cannot be completed unless holders of the majority of the aggregate voting power of the issued and outstanding shares of Common Stock approve and adopt the Merger Agreement (which we refer to as the Company stockholder approval). In addition, the Merger Agreement makes it a non-waivable condition to the parties obligations to consummate the Merger that the holders of a majority of outstanding shares of Common Stock not beneficially owned by Parent, Sub or any party entering into a Rollover Agreement with Parent (which we refer to as the Purchaser Group Members) and any officer of the Company determined in accordance with Section 16(a) of the Exchange Act (who we refer to as Section 16 officers), vote in favor of the adoption of the Merger Agreement (which we refer to as the majority of the minority stockholder approval condition). **If you fail to vote on the Merger Agreement, the effect will be the same as a vote against the adoption of the Merger Agreement.**

Each of the non-binding, advisory proposals to approve specified compensation that may become payable to the named executive officers of the Company in connection with the Merger and the proposal to adjourn the special meeting from time to time, if necessary or appropriate (as determined in good faith by the Company), to solicit

additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company stockholder approval or obtain the majority of the minority stockholder approval requires the affirmative vote of holders of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter.

Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy and thus ensure that your shares will be represented at the special meeting if

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you are unable to attend. You also may submit your proxy by using a toll-free telephone number or the Internet. We have provided instructions in the enclosed proxy statement and on the proxy and voting instruction card for using these convenient services.

If you sign, date and return your proxy and voting instruction card(s) without indicating how you wish to vote, your proxy will be voted in favor of the adoption of the Merger Agreement, in favor of the non-binding, advisory proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the Merger, and in favor of the proposal to adjourn the special meeting from time to time, if necessary or appropriate (as determined in good faith by the Company), to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company stockholder approval or the majority of the minority stockholder approval. If you fail to attend the special meeting or submit your proxy, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the adoption of the Merger Agreement. However, assuming a quorum is present, failure to attend the special meeting or submit your proxy will not affect the advisory vote to approve specified compensation that may become payable to the named executive officers of the Company in connection with the Merger or the vote regarding the adjournment of the special meeting from time to time, if necessary or appropriate (as determined in good faith by the Company), to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company stockholder approval or the majority of the minority stockholder approval.

You may revoke your proxy at any time before the vote at the special meeting by following the procedures outlined in the enclosed proxy statement. If you are a stockholder of record, attend the special meeting and wish to vote in person, you may revoke your proxy and vote in person.

The Merger is described in the accompanying proxy statement, which we urge you to read carefully. A copy of the Merger Agreement is included as Appendix A to the accompanying proxy statement.

By order of the Board

Catherine L. Hogewood

Secretary

Dated: [ ] [ ], 2015

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SUMMARY TERM SHEET

This summary highlights selected information from this proxy statement related to the merger of Family Merger Sub, Inc. with and into Books-A-Million, Inc. (which we refer to as the Merger) and may not contain all of the information that is important to you. To understand the Merger more fully and for a more complete description of the legal terms of the Merger, you should carefully read this entire proxy statement, the annexes to this proxy statement and the documents that we refer to in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under the caption Where You Can Find More Information. The Merger Agreement is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement, which is the legal document that governs the Merger, carefully and in its entirety.

Except as otherwise specifically noted in this proxy statement, Books-A-Million , the Company , we , our , us and similar words refer to Books-A-Million, Inc., including, in certain cases, our subsidiaries. Throughout this proxy statement, we refer to Family Acquisition Holdings, Inc. as Parent and Family Merger Sub, Inc. as Sub and throughout this proxy statement we refer to the Agreement and Plan of Merger, dated July 13, 2015, by and among the Company, Parent and Sub, as it may be amended, supplemented or modified from time to time, as the Merger Agreement.

In addition, throughout this proxy statement we refer to Clyde B. Anderson, the Executive Chairman of the Company s Board, Terrence C. Anderson, who is a director of the Company, and certain other members of the Anderson family as the Anderson Family, and, together with Parent, Sub and any party entering into a Rollover Agreement with Parent as the Purchaser Group Members and any officer of the Company determined in accordance with Section 16(a) of the Exchange Act as the Section 16 officers .

The Parties to the Merger Agreement

Books-A-Million

Books-A-Million, Inc. is one of the nation s leading book retailers and sells on the Internet at www.booksamillion.com. The Company presently operates 256 stores in 32 states. The Company operates large superstores under the names Books-A-Million (BAM!), Books & Co. and 2nd & Charles and traditional bookstores operating under the names Bookland and Books-A-Million. Also included in the Company s retail operations is the operation of Yogurt Mountain Holding, LLC, a retailer and franchisor of self-serve frozen yogurt stores with 42 locations. The Company also develops and manages commercial real estate investments through its subsidiary, Preferred Growth Properties. The Company owns a 94.9% ownership interest in Preferred Growth Properties. The remaining 5.1% ownership interest in Preferred Growth Properties is owned by Terrance G. Finley (Chief Executive Officer and President of the Company), R. Todd Noden (Executive Vice President and Chief Financial Officer of the Company), James F. Turner (Executive Vice President/Real Estate and Business Development) and a non-executive employee of the Company. The Common Stock of Books-A-Million, Inc. is traded on the NASDAQ Global Select Market under the symbol BAMM.

Additional information about Books-A-Million, Inc. is contained in its public filings, which are incorporated by reference herein. See *Where You Can Find Additional Information* on page [ ].

Family Acquisition Holdings, Inc.

Parent is a newly formed Delaware corporation organized in connection with the Merger. Parent was formed by the Anderson Family. As of the date hereof, Clyde B. Anderson is the sole director and officer of Parent. Parent has not engaged in any business other than in connection with the Merger and other related transactions.

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Family Merger Sub, Inc.

Sub is a newly formed Delaware corporation. Sub is a wholly-owned subsidiary of Parent and was formed solely for the purpose of engaging in the Merger and other related transactions. As of the date hereof, Clyde B. Anderson is the sole director and sole officer of Sub. Sub has not engaged in any business other than in connection with the Merger and other related transactions.

The Merger Proposal

You are being asked to consider and vote upon a proposal to adopt the Merger Agreement which provides that at the closing of the Merger, Sub will be merged with and into the Company, and each outstanding share of Common Stock, par value $0.01 per share (the Common Stock), other than shares owned by the Company, Parent and Sub, including the Rollover Shares (as defined in *Special Factors-Certain Effects of the Merger*), and by holders of Common Stock who have properly demanded and not withdrawn appraisal rights under Delaware law (which shares of Common Stock we refer to as dissenting shares), will be converted into the right to receive $3.25 in cash per share, without interest (the Merger Consideration).

If the Merger is consummated, the Company will become a privately held company, wholly-owned by Parent. All of the Common Stock of Parent will be owned by the Purchaser Group Members.

Conditions to the Merger

The obligations of the Company, Parent and Sub to effect the Merger are subject to the fulfillment or waiver, at or before the effective time, of the following conditions:

that the non-waivable majority of the minority stockholder approval has been obtained;

that the Company stockholder approval has been obtained;

that no governmental entity in the United States having jurisdiction over the Company, Parent or Sub shall have issued an order, decree or ruling or taken any other action enjoining or otherwise prohibiting consummation of the Merger substantially on the terms contemplated by the Merger Agreement that continues to be in effect at the closing of the Merger;

prior to the mailing of this proxy statement, the Board shall have received a favorable solvency opinion from an independent appraisal or valuation firm, and at the closing of the Merger, the Board shall have received a bring-down as to the continued effectiveness of such solvency opinion from such valuation firm; and

that the Company shall have received the funding from the Company s existing credit facility, in an amount sufficient to fund the aggregate Merger Consideration and the other payments to be made by the Company at the closing in connection with the Merger and related transactions (the Contemplated Transactions).

The obligation of the Company to effect the Merger is subject to the fulfillment or waiver, at or before the effective time, of the following conditions:

the continued accuracy of the representations and warranties of Parent and Sub in the Merger Agreement, except where the failure of such representations and warranties to be true and accurate would not have a material adverse effect on the ability of Parent to consummate the Contemplated Transactions; and

that each of Parent and Sub has in all material respects performed all obligations and complied with all covenants required by the Merger Agreement to be performed or complied with by it at or prior to the closing of the Merger.

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The obligation of Parent and Sub to effect the Merger is subject to the fulfillment or waiver, at or before the effective time, of the following conditions:

- the continued accuracy of the representations and warranties of the Company in the Merger Agreement, except where the failure of such representations and warranties to be true and accurate would not have a material adverse effect on the Company, subject to certain exceptions;
- that the Company has in all material respects performed all obligations and complied with all covenants required by the Merger Agreement to be performed or complied with by it at or prior to the effective time;
- that the total number of dissenting shares does not exceed 10% of the issued and outstanding shares of Common Stock immediately prior to the filing of the certificate of merger; and
- that after giving effect to the consummation of the Merger, no default or event of default under the Company s existing credit agreement shall be continuing.

When the Merger Becomes Effective

We anticipate completing the Merger in the fourth quarter of 2015, subject to adoption of the Merger Agreement by the Company s stockholders as specified herein, and the satisfaction of the other closing conditions.

Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger

Based in part on the unanimous recommendation of the members of the Special Committee of independent directors that was established to evaluate and negotiate a potential transaction (which we refer to as the Special Committee), the Board (with Clyde B. Anderson and Terrence C. Anderson recusing themselves) recommends unanimously that the stockholders of the Company vote FOR the proposal to adopt the Merger Agreement. For a description of the reasons considered by the Special Committee and the Board for their recommendations, see *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page [ ].

The purpose of the Merger for the Company is to enable its stockholders to realize the value of their investment in the Company through their receipt of the $3.25 per share Merger Consideration (the Merger Consideration) in cash, representing a premium of 93% over the trading price for Common Stock on January 29, 2015, the date on which the Anderson Family initially proposed to acquire the Company, and a premium of 23% over the closing trading price on July 13, 2015, the last trading day before the public announcement of the signing of the Merger Agreement.

Opinion of Financial Advisor to the Special Committee

On July 13, 2015, Houlihan Lokey Capital, Inc. (which we refer to as Houlihan Lokey), the Special Committee s financial advisor, orally rendered its opinion to the Special Committee (which was confirmed by delivery of Houlihan Lokey s written opinion, dated July 13, 2015, to the Special Committee) as to the fairness, from a financial point of view and as of such date, of the Merger Consideration to be received by holders of Company unaffiliated shares

pursuant to the Merger Agreement. For purposes of the opinion, (i) Anderson Group refers to Clyde B. Anderson and certain family members and related parties, (ii) purchaser group refers collectively to Parent, Sub, each of the owners of Parent, holders entering into rollover or management rollover agreements in connection with the merger and each of their respective affiliates and (iii) Company unaffiliated shares refers to shares of Company common stock not held or beneficially owned by (A) the Company or (B) the purchaser group.

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Houlihan Lokey s opinion was directed to the Special Committee (in its capacity as such), addressed only the fairness, from a financial point of view and as of July 13, 2015, of the Merger Consideration to be received by holders of Company unaffiliated shares pursuant to the Merger Agreement and did not address any other aspect or implication of the Merger or any other agreement, arrangement or understanding. The summary of Houlihan Lokey s opinion in this proxy statement is qualified in its entirety by reference to the full text of its written opinion, which is attached as Annex B to this proxy statement and describes the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in connection with the preparation of its opinion. However, neither Houlihan Lokey s opinion nor the summary of its opinion and the related analyses set forth in this proxy statement are intended to be, and do not constitute, advice or a recommendation to the Special Committee, the Board, any security holder or any other party as to how to act or vote with respect to any matter relating to the Merger or otherwise. See *Special Factors Opinion of Financial Advisor to the Special Committee*.

Purposes and Reasons of Parent and Sub and the Purchaser Group Members for the Merger

The Purchaser Group Members believe that as a private company the Company will have greater operating flexibility, and management will be able to more effectively concentrate on long-term growth and reduce its focus on the quarter-to-quarter performance often emphasized by the public markets. Moreover, the Company will not be subject to certain obligations and constraints, and related costs, associated with having publicly traded equity securities.

Certain Effects of the Merger

If the conditions to the closing of the Merger are either satisfied or waived, Sub will be merged with and into the Company, the separate corporate existence of Sub will cease and the Company will continue its corporate existence under Delaware law as the surviving corporation in the Merger, with all of its rights, privileges, immunities, powers and franchises continuing unaffected by the Merger. Upon completion of the Merger, Common Stock, other than shares owned by the Company, Parent (including the Rollover Shares), Sub or holders of dissenting shares, will be converted into the right to receive $3.25 per share, without interest. Following the completion of the Merger, the Common Stock will no longer be publicly traded, and stockholders (other than the stockholders of Parent through their interest in Parent) will cease to have any ownership interest in the Company.

Treatment of Company Equity Awards

Restricted Common Stock

Each share of Common Stock subject to restricted stock awards granted under the Company s 2005 Incentive Award Plan, as amended on May 30, 2014 (the Company Equity Plan , which shares are also referred to as restricted shares) and outstanding immediately prior to the effective time will vest and become free of restrictions and be eligible to receive the Merger Consideration, without interest, in the same manner as other shares of Common Stock, except that the Merger Consideration paid to such holders will be subject to any required withholding taxes, and will be paid by the surviving corporation.

Interests of the Company s Directors and Executive Officers in the Merger

In considering the recommendations of the Special Committee and of the Board with respect to the Merger Agreement, you should be aware that, aside from their interests as stockholders of the Company, the Company s directors and executive officers have interests in the Merger that are different from, or in addition to, those of other stockholders of the Company generally. In particular, the officers and directors who are Purchaser Group Members,

together with the other Anderson Family members, will control the Company following the Merger.

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Interests of executive officers and directors other than the Anderson Family that may be different from or in addition to the interests of the Company s stockholders include:

- The vesting of their restricted Common Stock will be accelerated pursuant to the terms of the Merger Agreement, and (other than for shares subject to rollover agreements) they may receive cash payments in exchange for their restricted Common Stock pursuant to the Merger Agreement.

- Certain executive officers may receive benefits under employment plans or employment agreements that could result from the Merger.

- The Company s executive officers as of the effective time of the Merger will become the initial executive officers of the surviving corporation.

- The Company s directors and executive officers are entitled to continued indemnification and insurance coverage under the Merger Agreement, and the Company s directors and certain executive officers are entitled to continued indemnification and insurance coverage under indemnification agreements.

These interests are discussed in more detail in the section entitled *Special Factors Interests of the Company s Directors and Executive Officers in the Merger* beginning on page [ ]. The Special Committee and the Board were aware of the different or additional interests described herein and considered those interests along with other matters in recommending and/or approving, as applicable, the Merger Agreement and the transactions contemplated thereby, including the Merger.

No Solicitation

Pursuant to the Merger Agreement, except as described below, the Company and its subsidiaries have agreed not to, and to instruct its or their respective officers, directors, employees, agents and representatives, not to, directly or indirectly:

- solicit or initiate, or knowingly induce, facilitate or encourage, the making, submission or announcement of any Acquisition Proposal (as defined in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page [ ]), or take any action that would reasonably be expected to lead to an Acquisition Proposal;

- furnish any nonpublic information regarding the Company or any of its subsidiaries to any person in connection with or in response to an Acquisition Proposal;

- engage in discussions or negotiations with any person with respect to any Acquisition Proposal;

approve, endorse or recommend any Acquisition Proposal;

enter into any letter of intent or contract contemplating or otherwise relating to any Acquisition Transaction (as defined in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation*) (other than an Acceptable Confidentiality Agreement as defined in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation*); or

take any action that would render any of the restrictions of any of the Takeover Statutes (as defined in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation*) inapplicable to any person (other than Parent, Sub or any Purchaser Group Member).

If, prior to the receipt of the Company stockholder approval and the majority of the minority stockholder approval, (i) the Board, or an independent committee of the Board (including the Special Committee), or the Company, receives an unsolicited Acquisition Proposal that the Board or an independent committee of the Board (including the Special Committee) determines in good faith is or could reasonably be expected to result in a Superior Proposal, as defined in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page [ ], (ii) the unsolicited Acquisition Proposal did not result from the Company s breach of its obligations under the non-solicitation provisions of the Merger Agreement

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(other than any such breach caused by Parent, Sub, Clyde B. Anderson or Terrence C. Anderson) and (iii) after consultation with its counsel, the Board or an independent committee of the Board (including the Special Committee) determines in good faith that failure to take action concerning the unsolicited Acquisition Proposal would be inconsistent with the directors fiduciary duties under applicable law, then the Company may:

- furnish nonpublic information to the person making the unsolicited Acquisition Proposal and its representatives; and
- participate in discussions or negotiations with that person and its representatives regarding the alternative proposal;
- provided, in each case, that such person and its representatives enter into a customary confidentiality agreement containing a standstill and the Company gives notice to Parent setting forth the identity of such person and the Company s intention to furnish such nonpublic information to, or enter into discussions with, such person.

The Company must concurrently provide to Parent any nonpublic information concerning the Company or any of its subsidiaries that is provided to the person making the alternative proposal or its representatives that was not previously provided or made available to Parent.

The Company must promptly (and in any event within one business day) advise Parent orally and in writing of any such unsolicited Acquisition Proposal, including the identity of the party making such proposal or inquiry and the terms thereof, and must keep Parent promptly informed with respect to the status of such proposal or any modification or proposed modifications thereto.

Except as described below, neither the Company, the Board nor any committee thereof is permitted to:

- withhold, withdraw, amend, qualify or modify, in a manner adverse to Parent or Sub, or propose publicly to withhold, withdraw, amend, qualify or modify, in a manner adverse to Parent or Sub, the Company Recommendation (as defined in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation*);
- adopt, approve or recommend, or publicly propose to adopt, approve or recommend or publicly take a neutral position or no position with respect to an Acquisition Proposal;
- fail to include the Company Recommendation in the Company s proxy statement or fail to recommend against any Acquisition Proposal subject to Regulation 14D of the Exchange Act; or
- following receipt of an Acquisition Proposal, fail to reaffirm its approval or recommendation of the Merger Agreement and the Merger within five business days after receipt of any reasonable request by Parent to do

so.

At any time prior to obtaining the required votes of the Company stockholders, the Board or an independent committee of the Board (including the Special Committee) may:

make a change-in-recommendation in response to a material event that was not known to the Special Committee on the date of the Merger Agreement (or if known, the consequences of which were not reasonably foreseeable to the Special Committee as of such date), which material event (or the consequences thereof) becomes known to the Special Committee before receipt of the later of the Company stockholder approval or the majority of the minority approval (such event, fact, circumstance, development, occurrence or state of facts, as more fully described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page [ ], an Intervening Event), if the Board or an independent committee of the Board (including the Special Committee) determines in good faith, after consultation with its counsel, that the failure to do so would be inconsistent with the directors fiduciary duties under applicable law; or

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make a change-in-recommendation in response to a Superior Proposal as described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page [ ], if the Board or an independent committee of the Board (including the Special Committee) determines in good faith, after consultation with its counsel, that the failure to do so would be inconsistent with the directors fiduciary duties under applicable law.

In either of the two instances described directly above, the Board or Special Committee may only make a change in recommendation if the Board or Special Committee (i) provides Parent with a notice of its intent to take such action, specifying the identity of the person making the Superior Proposal, the material terms of the Superior Proposal and containing a copy of the material documents or agreements providing for the Superior Proposal, or in the event of a change in recommendation as a result of an Intervening Event, containing a reasonably detailed description of the Intervening Event, (ii) for a period of five days, negotiates with Parent and any representative of Parent (if Parent desires to negotiate) to permit Parent to propose amendments to the Merger Agreement, (iii) on the date that is no later than two business days immediately following such five-day negotiation period, and taking into account any further Parent proposals regarding the Merger Agreement, the Board or an independent committee of the Board (including the Special Committee) determines that the Superior Proposal would continue to constitute a Superior Proposal, or, in the case of an Intervening Event, the failure to make a change in recommendation with respect to such Intervening Event would continue to be inconsistent with its fiduciary duties under applicable law and (iv) in case of a Superior Proposal, such Superior Proposal did not result from a breach of the non-solicitation provisions of the Merger Agreement (other than any such breach caused by Parent, Sub, Clyde B. Anderson or Terrence C. Anderson).

Termination

The Company and Parent may terminate the Merger Agreement by mutual written consent at any time before the completion of the Merger, whether prior to or after receipt of the Company stockholder approval and the majority of the minority stockholder approval. In addition, either the Company or Parent may terminate the Merger Agreement if:

any governmental entity shall have issued an order or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger, and such order is final and nonappealable, subject to certain exceptions;

prior to the effective time, the Board or an independent committee of the Board (including the Special Committee) shall have effected a change-in-recommendation or publicly announced its intention to do so (provided that the right to terminate the Merger Agreement in this instance shall not be available to the Company unless the Company shall have paid, or concurrently reimburses Parent for certain expenses related to the Merger);

the Merger has not been completed by 11:59 p.m., Central Time, on November 30, 2015 (or, under certain circumstances, December 15, 2015) (the Termination Date), provided that this termination right is not available to a party whose failure to perform any of its obligations under the Merger Agreement has been the primary cause of the failure of the Merger to be consummated by the Termination Date; or

the Company stockholder approval and the majority of the minority stockholder approval were not obtained at the special meeting of the Company s stockholders (after taking into account any adjournment,

postponement or recess of such special meeting), subject to certain exceptions.

The Company may terminate the Merger Agreement:

if there is a breach of any representation, warranty, covenant or agreement on the part of Parent or Sub, such that the conditions to each party s obligation to effect the Merger or the conditions to the obligation of the Company to effect the Merger would be incapable of fulfillment and the breach or failure is incapable of being cured, or is not cured, within thirty days following written notice of the breach.

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Parent may terminate the Merger Agreement:

- if there is a breach of any representation, warranty, covenant or agreement on the part of the Company, such that the conditions to each party s obligation to effect the Merger or the conditions to the obligation of Parent and Sub to effect the Merger would be incapable of fulfillment and the breach or failure is incapable of being cured, or is not cured, within thirty days following written notice of the breach.

Expense Reimbursement Provisions

In the event that the Company or Parent terminates the Merger Agreement following a Board or Special Committee change-in-recommendation, or in the event that Parent terminates the Merger Agreement following a breach of any representation, warranty, covenant or agreement on the part of the Company, then the Company must pay the reasonable expenses of Parent incurred in connection with the Merger and the Contemplated Transactions, not to exceed $1 million. In the event that the Company or Parent terminates the Merger Agreement because the Company stockholder approval or the majority of the minority stockholder approval is not obtained, then the Company must pay up to $500,000 of such expenses to Parent. In the event that the Company terminates the Merger Agreement following a breach of any representation, warranty, covenant or agreement on the part of the Parent, then Parent must pay the reasonable expenses of the Company incurred in connection with the Merger and the Contemplated Transactions, not to exceed $1 million.

Specific Performance

Under certain circumstances, the Company and Parent are entitled to specific performance of the terms of the Merger Agreement, in addition to any other remedy at law or equity.

Financing

The Company and Parent estimate that the total amount of funds (including rollover equity) required to complete the Merger and related transactions and pay related fees and expenses will be approximately $50 million. Parent expects this amount to be provided by a combination of proceeds from:

- the rollover of the Common Stock held by the Purchaser Group Members;

- drawdown of approximately $18 million from the Company s existing credit facility;

The financing described above (each as described in *Special Factors Financing*), as applicable, will provide Parent and Sub with sufficient proceeds to consummate the Merger.

Voting Agreement

In connection with the Merger, the Parent and the Anderson Family have entered into a Voting Agreement with the Company, through which the members of the Anderson Family have agreed to vote (or cause to be voted) all shares of Common Stock over which they have voting power (representing approximately 57.6% of the Company s total outstanding voting power as of July 13, 2015) in favor of the adoption of the Merger Agreement. See *Agreements Involving Common Stock Voting Agreement* beginning on page [ ].

Rollover Agreements

In connection with the execution of the Merger Agreement, the Anderson Family entered into a Rollover Letter, dated as of the date of the Merger Agreement, with Parent (the Rollover Letter). Pursuant to the Rollover Letter, the Anderson Family will, immediately prior to the effective time of the Merger, contribute of all their shares of Common Stock to Parent in exchange for equity interests in Parent. Subsequent to the execution of the Merger Agreement, Terrance G. Finley, R. Todd Noden and James F. Turner (collectively, the Management

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Rollover Stockholders) entered into rollover agreements with Parent (each, a Management Rollover Agreement). Pursuant to each Management Rollover Agreement, each Management Rollover Stockholder will, immediately prior to the effective time of the Merger, contribute all of his shares of Common Stock (including restricted shares) to Parent in exchange for equity interests in Parent.

Material U.S. Federal Income Tax Consequences of the Merger

If you are a U.S. holder, the receipt of cash in exchange for Common Stock pursuant to the Merger will generally be a taxable transaction for U.S. federal income tax purposes. You should consult your own tax advisors regarding the particular tax consequences to you of the exchange of Common Stock for cash pursuant to the Merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws).

The Special Meeting

[ ], Central Time, on [ ] [ ], 2015, at our corporate office annex located at 121 West Park Drive, Birmingham, Alabama 35211.

Record Date and Quorum

The holders of record of the Common Stock as of the close of business on [ ] [ ], 2015 (the record date for determination of stockholders entitled to notice of and to vote at the special meeting) are entitled to receive notice of and to vote at the special meeting.

The presence at the special meeting, in person or by proxy, of the holders of a majority of the outstanding shares of the Company entitled to vote on the record date will constitute a quorum, permitting the Company to conduct its business at the special meeting.

Required Votes

Merger Agreement

The affirmative vote of the holders of the majority of the aggregate voting power of the issued and outstanding shares of Common Stock is required to approve and adopt the Merger Agreement. In addition, the Merger Agreement contains the non-waivable majority of the minority approval condition. A failure to vote your shares of Common Stock or an abstention from voting or broker non-vote will have the same effect as a vote against the proposal to adopt the Merger Agreement.

Compensation Payable to Named Executive Officers in Connection with the Merger; Adjournment

The compensation proposal and the adjournment proposal each requires the affirmative vote of holders of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter.

Litigation

On July 28, 2015, a purported stockholder of ours filed a putative class action lawsuit in the Delaware Court of Chancery against us, our directors, Parent, and Sub. The lawsuit, which we refer to as the Vance Complaint, is captioned: Susan Vance, Individually and on behalf of all others similarly situated, v. Books-A-Million, Inc., Clyde B. Anderson, Ronald G. Bruno, Ronald J. Domanico, Edward W. Wilhelm, Terrence C. Anderson, Family Acquisition

Holdings, Inc., and Family Merger Sub, Inc., Civil Action No. 111343-VCL. The Vance Complaint asserts that our board of directors breached their fiduciary duties in agreeing to the Merger, and that the

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Company, Parent, and Sub aided and abetted in the alleged breaches of fiduciary duties. The Vance Complaint seeks to enjoin the Merger and an award of money damages. Although it is not possible to predict the outcome of litigation matters with certainty, we and our directors believe that the claims raised by the purported stockholder are without merit, and we intend to defend the case vigorously.

Rights of Appraisal

Under Delaware law, holders of our Common Stock who do not vote in favor of the adoption of the Merger Agreement, who properly demand appraisal of their shares of Common Stock and who otherwise comply with all the requirements of Section 262 of the General Corporation Law of the State of Delaware, referred to as the DGCL, will be entitled to seek appraisal for, and obtain payment in cash for the judicially determined fair value of, their shares of Common Stock in lieu of receiving the Merger Consideration if the Merger is completed. This value could be more than, the same as, or less than the Merger Consideration. Any holder of Common Stock intending to exercise appraisal rights, among other things, must submit a written demand for appraisal to the Company prior to the vote on the proposal to approve and adopt the Merger Agreement, must not vote in favor of the proposal to approve and adopt the Merger Agreement and must otherwise strictly comply with all of the procedures required by Delaware law. The relevant provisions of the DGCL are included as Annex C to this proxy statement. You are encouraged to read these provisions carefully and in their entirety. If you hold your shares of Common Stock through a bank, brokerage firm or other nominee and you wish to exercise appraisal rights, you should consult with your bank, brokerage firm or other nominee to determine the appropriate procedures for the making of a demand for appraisal by such bank, brokerage firm or nominee. Moreover, due to the complexity of the procedures for exercising the right to seek appraisal, stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with these provi