BOOKS A MILLION INC
Form PRER14A
September 29, 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.

¨ 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:

(2) Aggregate number of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

x 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:

PRELIMINARY COPY SUBJECT TO COMPLETION

[ ] [ ], 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 Terrance G. Finley, R. Todd Noden and James F. Turner, each of whom are the officers 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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PRELIMINARY COPY SUBJECT TO COMPLETION

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 and Terrance G. Finley, R. Todd Noden and James F. Turner each of whom are the officers of the Company determined in accordance with Section 16(a) of the Exchange Act, 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.

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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 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 any additional information referred to 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 the other entities and individual members of the Anderson family identified in IMPORTANT INFORMATION REGARDING THE PURCHASER GROUP MEMBERS, PARENT AND SUB on page [ ] (excluding Parent, Sub, and the Management Rollover Stockholders) as the Anderson Family, and, together with Parent, Sub and the Management Rollover Stockholders as the Purchaser Group Members, and Terrance G. Finley, R. Todd Noden and James F. Turner, each of whom are the officers 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 a leading book retailer primarily located in the eastern United States and operates both superstores and traditional bookstores. Superstores, the first of which was opened in 1987, range in size from 8,000 to 39,000 square feet and operate under the names Books-A-Million, BAM!, Books and Co. and 2nd & Charles. Traditional bookstores are smaller stores operated under the names Bookland, Books-A-Million and BAM!. These stores range in size from 2,000 to 10,300 square feet and are located primarily in enclosed malls. All store formats generally offer an extensive selection of best sellers and other hardcover and paperback books, magazines, toys, games, electronics and gifts. In addition to these retail store formats, we offer our products over the internet at Booksamillion.com. Our retail operations also include the operation of Yogurt Mountain Holding, LLC, a retailer and franchisor of self-serve frozen yogurt stores. The Company owns a 50.1% ownership interest in Yogurt Mountain Holding, LLC, and we consolidate its results of operations in our results of operations. The remaining 49.9% interest in Yogurt Mountain Holding, LLC is held by Anderson Private Capital Partners I, L.P. We also develop and manage commercial real estate investments through our subsidiary Preferred Growth Properties, LLC. The Company owns a 94.9% ownership interest in Preferred Growth Properties, LLC. 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.

We were founded in 1917, originally incorporated under the laws of the State of Alabama in 1964 and reincorporated in Delaware in September 1992. Our principal executive offices are located at 402 Industrial Lane, Birmingham, Alabama 35211, and our telephone number is (205) 942-3737. Unless the context otherwise requires, references to we, our, us or the Company include our consolidated subsidiaries, American Wholesale Boo Company, Inc. (American Wholesale), booksamillion.com, inc., BAM Card Services, LLC, Preferred Growth Properties, LLC (PGP), PGP Florence, LLC, PGP Gardendale, LLC, PGP Fayetteville, LLC, PGP Jacksonville, LLC, PGP Jacksonville TC, LLC, Pickering Partners, LLC and Yogurt Mountain Holding, LLC.

Our periodic and current reports filed with the Securities and Exchange Commission (SEC) are made available on our website at www.booksamillioninc.com as soon as reasonably practicable. Our code of conduct and key committee charters are also available on our website. These reports are available free of charge to stockholders upon written request. Such requests should be directed to R. Todd Noden, our Executive Vice President and Chief Financial Officer. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including us, at http: //www.sec.gov.

Properties

Our bookstores are generally located either in enclosed malls or strip shopping centers. Our Yogurt Mountain stores are typically located in strip shopping centers as well, but some are located within our superstore locations. Substantially all of our stores are leased. Generally, these leases have terms ranging from three to ten years and require that we pay a fixed minimum rental fee and/or a rental fee based on a percentage of net sales together with certain customary costs (such as property taxes, common area maintenance and insurance). The Company owns the land and related property at the location of two of our retail stores.

The Company is a party to various legal proceedings incidental to its business. The Company accrues for costs related to these matters when a loss is probable and the amount of the ultimate liability can be reasonably estimated. In the opinion of management, after consultation with legal counsel, there were no matters that required an accrual as of August 1, 2015, nor were there any asserted or unasserted claims for which material losses were reasonably possible.

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 that 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 were recorded for these obligations on the Company s balance sheet at each of January 31, 2015 and February 1, 2014, as such liabilities were not probable at such dates.

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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.

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 (the Board received such solvency opinion on August 27, 2015) 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.

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 [ ]. For descriptions of the fairness determinations made by the Special Committee, the Board and the Purchaser Group, see *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page [ ] and *Special Factors Position of the Purchaser Group as to 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,

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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 the Anderson Family, Parent and Sub, (ii) purchaser group refers collectively to the Purchaser Group Members 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.

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.

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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. 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).

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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 (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

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.

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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.

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 [ ].

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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 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.

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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 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 provisions will result in loss of the right of appraisal.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting, the Merger Agreement and the Merger. These questions and answers may not address all questions that may be important to you as a stockholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.

Q: What is the proposed transaction?

A: The proposed transaction is the Merger of Sub with and into the Company pursuant to the Merger Agreement. If the Merger is consummated, the Company will become a privately-held company, wholly-owned by Parent.

Q: What will I receive in the Merger?

A: If the Merger is completed and you do not properly exercise your appraisal rights, you will be entitled to receive $3.25 in cash, without interest, for each share of Common Stock that you own. You will not be entitled to receive shares in the surviving corporation or in Parent.

Q: Am I entitled to exercise appraisal rights instead of receiving the Merger Consideration for my shares of Common Stock?

A: If you comply with all the requirements of Section 262 of the DGCL (including not voting in favor of the adoption of the Merger Agreement), you are entitled to have the fair value (as defined pursuant to Section 262 of the DGCL) of your shares of Common Stock determined by the Court of Chancery of the State of Delaware and to receive payment based on that valuation instead of receiving the Merger Consideration. The ultimate amount you would receive in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the Merger Agreement. To exercise your appraisal rights, you must comply with the requirements of the DGCL. See *The Merger Appraisal Rights* and the text of the Delaware appraisal rights statute, Section 262 of the DGCL, which is reproduced in its entirety as Annex C to this proxy statement.

Q: When and where is the special meeting?

A: The special meeting will take place on [ ] [ ], 2015, starting at [ ] a.m. Central Time, at our corporate annex located at 121 West Park Drive, Birmingham, Alabama 35211.

Q: What matters will be voted on at the special meeting?

A: You will be asked to vote on the following proposals:

to adopt the Merger Agreement;

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;

to approve 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 obtain the majority of the minority stockholder approval; and

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

Q: What vote of our stockholders is required to adopt the Merger Agreement?

A: 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.

Q: What vote of our stockholders is required to approve other matters to be presented at the special meeting?

A: The proposal to approve, on an non-binding, advisory basis, the compensation that may become payable to the named executive officers of the Company in connection with the Merger, and the proposal to approve 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 require the affirmative vote of the majority of the shares present in person or represented by proxy at the special meeting and entitled to vote on the subject matter.

Q: How does the Board recommend that I vote?

A: Based in part on the unanimous recommendation of the Special Committee, the Board (other than Clyde B. Anderson and Terrence C. Anderson, who recused themselves from the vote of the Board) recommends unanimously that our stockholders vote:

- **FOR** the adoption of the Merger Agreement;
- **FOR** 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]
- **FOR** the proposal regarding adjournment 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.

You should read *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page [ ] for a discussion of the factors that the Special Committee and the Board (with Clyde B. Anderson and Terrence C. Anderson recusing themselves) considered in deciding to recommend and/or approve, as applicable, the Merger Agreement. See also *Special Factors Interests of the Company s Directors and Executive Officers in the Merger* beginning on page [ ].

Q: What effects will the Merger have on Books-A-Million?

A: The Common Stock is currently registered under the Securities Exchange Act of 1934, as amended (the Exchange Act) and is quoted on the NASDAQ Global Select Market (NASDAQ) under the symbol BAMM. As a result of the Merger, the Company will cease to be a publicly traded company and will be wholly-owned by Parent.

Following the consummation of the Merger, the registration of the Common Stock and our reporting obligations with respect to the Common Stock under the Exchange Act will be terminated upon application to the Securities and Exchange Commission (SEC). In addition, upon the consummation of the Merger, the Common Stock will no longer be listed on any stock exchange or quotation system, including the NASDAQ.

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Q: What will happen if the Merger is not consummated?

A: If the Merger is not consummated for any reason, the Company s stockholders will not receive any payment for their shares in connection with the Merger. Instead, the Company will remain a public company and the Company s Common Stock will continue to be listed and traded on the NASDAQ. Under specified circumstances, the Company may be required to pay Parent and Sub certain expenses, up to a maximum of $1 million, if the Merger Agreement is terminated.

Q: What will happen if stockholders do not approve the advisory proposal on executive compensation payable to the Company s named executive officers in connection with the Merger?

A: The approval of this proposal is not a condition to the completion of the Merger. The SEC rules require the Company to seek approval on a non-binding, advisory basis of certain payments that will or may be made to the Company s named executive officers in connection with the Merger. The vote on this proposal is an advisory vote and will not be binding on the Company or Parent. If the Merger Agreement is adopted by the stockholders and the Merger is completed, the Merger-related compensation may be paid to the Company s named executive officers even if stockholders fail to approve this proposal.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes and the documents referred to as incorporated by reference in this proxy statement, as well as the related Schedule 13E-3, including the exhibits thereto, filed with the SEC, and to consider how the Merger affects you.

If you are a stockholder of record, you can ensure that your shares are voted at the special meeting by submitting your proxy via:

- telephone, using the toll-free number listed on your proxy and voting instruction card;
- the Internet, at the address provided on your proxy and voting instruction card; or
- mail, by completing, signing, dating and mailing your proxy and voting instruction card and returning it in the envelope provided.

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

Q: Should I send in my stock certificates or other evidence of ownership now?

A: No. After the Merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your shares of Common Stock for the per share Merger Consideration. If your shares of Common Stock are held in street name by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your street name shares in exchange for the per share Merger Consideration. Do not send in your certificates now.

Q: Can I revoke my proxy and voting instructions?

A: Yes. You can revoke your proxy and voting instructions at any time before your proxy is voted at the special meeting. If you are a stockholder of record, you may revoke your proxy by notifying the Company s Secretary in writing at 402 Industrial Lane, Birmingham, Alabama 35211, by submitting a new proxy by telephone, the Internet or mail, in each case, dated after the date of the proxy being revoked, or by attending the special meeting and voting in person (but simply attending the special meeting will not cause your proxy to be revoked).

Please note that if you hold your shares in street name and you have instructed a broker, bank or other nominee to vote your shares, the above-described options for revoking your voting instructions do not apply, and instead you must follow the instructions received from your broker, bank or other nominee to revoke your voting instructions.

Q: What happens if I sell my shares of Common Stock before completion of the Merger?

A: If you transfer your shares of Common Stock, you will have transferred your right to receive the Merger Consideration in the Merger. In order to receive the Merger Consideration, you must hold your shares of Common Stock through completion of the Merger.

The record date for stockholders entitled to vote at the special meeting is earlier than the date on which the Merger will be consummated. So, if you transfer your shares of Common Stock after the record date but before the special meeting, you will have transferred your right to receive the Merger Consideration in the Merger, but retained the right to vote at the special meeting.

Q: What is householding and how does it affect me?

A: The SEC permits companies to send a single set of proxy materials to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the applicable company provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. Certain brokerage firms may have instituted householding for beneficial owners of Common Stock held through brokerage firms. If your family has multiple accounts holding Common Stock, you may have already received a householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

Q: Who can help answer my other questions?

A: If you have more questions about the Merger, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy and voting instruction card(s), please contact Okapi Partners LLC, which is acting as the proxy solicitation agent and information agent in connection with the Merger.

Okapi Partners LLC

437 Madison Avenue, 28th Floor

New York, NY 10022

Call Toll-Free: 855-305-0855

If your broker, bank or other nominee holds your shares, you can also call your broker, bank or other nominee for additional information.

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SPECIAL FACTORS

Background of the Merger

The following chronology summarizes key events and contacts that led to the signing of the Merger Agreement. It does not purport to catalogue every conversation among the Special Committee, members of our management or the Special Committee s representatives and other parties with respect to the Merger.

The members of the Anderson family are descendants of Clyde Anderson, who started the Company in 1917. Since the completion of the initial public offering of our Common Stock in 1992, members of the Anderson family have beneficially owned shares of our Common Stock representing a majority of the outstanding voting power.

As part of the continuous evaluation of our businesses and plans, our Board and senior management regularly consider a variety of potential strategic options and transactions, all in a continued effort to enhance stockholder value. Over the past four years, in view of industry and market conditions, our business and financial performance and the relatively limited trading volume of our stock, our Board focused on and considered potential strategic alternatives presented or available to us, as well as the opportunities and risks associated with our continuing to operate as an independent company.

On June 6, 2011, at the direction of our Board, our financial advisor at that time began contacting 17 potential strategic and financial buyers regarding a prospective transaction involving the Company, including a merger, a sale or other disposition of all or a material portion of the Company s assets, or a restructuring, recapitalization or similar transaction. The Board s interest in exploring a prospective transaction at that time was motivated by (i) recent mergers and acquisition activity in the retail sector and (ii) uncertainty about the future of the retail book selling business in light of the emergence of disruptive technologies in the publishing space. In connection with these preliminary discussions, Clyde B. Anderson informed the Board that he believed the Anderson Family was open to different structures, which might include a complete sale of the Company. Of the 17 potential buyers, only one, Party X, submitted a preliminary non-binding indication of interest. Party X ultimately declined to pursue that potential transaction.

On April 28, 2012, our Board received a proposal from the Anderson Family, to pursue a potential negotiated acquisition of the shares of Company common stock not already owned by them for $3.05 per share in cash. The Anderson Family arrived at its initial bid proposal of $3.05 per share in 2012 to reflect a premium of approximately 20% over the closing price of the Company s common stock on the trading day prior to such bid and 13% over the average closing price of the Company s common stock for the past 90 trading days prior to the date of such bid. A special committee of our Board, appointed to negotiate the terms of the potential acquisition, rejected this proposal because that special committee belived that the Anderson Family s offer undervalued the Company. Following negotiations during which that special committee requested that the Anderson Family increase their proposed price, the Anderson Family withdrew their proposal on July 17, 2012 and ceased further communications with that special committee.

During the summer of 2013, Party Y approached the Company to discuss potentially pursuing a transaction involving the Company. A confidentiality agreement was entered into between the Company and Party Y and related entities on August 22, 2013. Party Y visited the Company and its facilities on September 23, 2013. On September 24, 2013, after discussions with Clyde B. Anderson, Party Y submitted a non-binding indication of interest to Clyde B. Anderson to acquire only the shares of the Company held by the Anderson Family for $3.30 per share in cash, subject to various conditions, including that Company shares held by the Company s management be rolled over into equity of the acquiring entity. Party Y indicated that it might be willing to consider an acquisition of all of the Company s outstanding shares and also noted that it intended to cause the Company to sell its real estate holdings following the closing of a transaction. On October 4, 2013, Clyde B. Anderson informed our Board of the status of discussions between the Anderson Family and Party Y concerning Party Y s interest in acquiring the Anderson Family s shares of Common Stock.

On October 22, 2013, Clyde B. Anderson informed the Board that Party Y reaffirmed its interest in potentially acquiring 100% of the shares of the Company, and the Board subsequently directed the Company s management to engage in discussions with Party Y. Clyde B. Anderson also participated in those discussions and Clyde B. Anderson and the Company s General Counsel kept our Board informed on the progress of these discussions. The Company began to question the seriousness of the discussions when Party Y did not retain an investment banking firm, and its advisors did not engage in discussions with the Company s advisors, and Party Y made no visible efforts to conduct diligence. Based on this, on December 3, 2013, Clyde B. Anderson informed the Board that discussions with Party Y would be discontinued.

Discussions with Party Y commenced again in early 2014 and Party Y indicated that it was now proposing $4.15 per share for all outstanding shares of the Company, not just the shares held by the Anderson Family, but only for the retail trade and electronic commerce trade segments. The proposal indicated that the buyer did not have sufficient capital to acquire the whole business. This was reported to the Board on February 14, 2014. On March 24, 2014, Party Y (under a new fund name) submitted another non-binding indication of interest to Clyde B. Anderson to acquire 100% of the shares of the Company for $4.15 per share in cash, subject to various conditions, including that the Anderson Family agree to provide a backstop commitment to acquire the Company s real estate holdings for at least $19 million and to acquire certain other assets of the Company for approximately $2.8 million. In response, Clyde B. Anderson informed Party Y that he would submit the proposal to the Board, but he was putting the Board on notice that the Anderson Family, as stockholders, would not support this proposal which relied on a backstop from the Anderson Family. On April 1, 2014, Clyde B. Anderson informed the Board of the proposal and the Anderson Family s position as stockholders.

On April 16, 2014, Party Y, the Company s General Counsel and members of the Anderson Family met in person in New York, New York. Following that meeting, on April 18, 2014, Party Y submitted a final non-binding indication of interest to acquire 100% of the Company for $4.21 per share in cash, subject to the conditions listed above. Clyde B. Anderson presented the terms of this final non-binding indication of interest to our Board on April 28, 2014. Following discussion, our Board unanimously resolved to terminate discussions with Party Y given, among other things, Party Y s lack of substantial assets of its own, and its apparent inability to identify any source to finance the transaction in full, the Anderson Family s unwillingness to sell their shares of the Company, Party Y s reliance on the Anderson Family committing to acquire the Company s real estate holdings for at least $19 million and the Anderson Family s unwillingness to do so.

On January 29, 2015, our Board received a proposal from the Anderson Family to pursue a potential negotiated acquisition of the shares of Company common stock not already owned by them for $2.75 per share in cash. The Anderson Family s initial bid proposal of $2.75 per share in 2015 was lower than the 2012 initial bid due to the decline in the trading price of the Company s common stock. The $2.75 proposal reflected a premium of approximately 64% over the closing price of the Company s common stock on the date of the 2015 bid and 65% over the average closing price of the Company s common stock for the past 90 trading days prior to the date of the 2015 bid. The proposal stated, among other things, that the Anderson Family would not move forward with the proposal unless it was approved by a special committee of independent directors and approved by a non-waivable majority-of-the-minority vote of the Company s stockholders. In addition, the proposal stated that the Anderson Family was interested only in acquiring the outstanding shares of Company common stock that they did not already own, and that they were not interested in selling their shares of Company common stock to a third party or in any merger or other strategic transaction involving any third party. The Company publicly disclosed this proposal on a Current Report on Form 8-K filed on January 30, 2015. In this section, this proposal from the Anderson Family is sometimes referred to as the proposal and the transaction resulting from such proposal is sometimes referred to as the potential transaction .

On January 30, 2015, our Board met telephonically to discuss the proposal. Following discussion, our Board concluded that it was in the best interests of the Company and the Company s stockholders, and specifically, the Company s stockholders not affiliated with the Anderson Family, to form a special committee of independent directors to review, evaluate and negotiate the potential transaction. Our Board then created the Special

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Committee consisting of Edward W. Wilhelm, Ronald Bruno and Ronald J. Domanico. The Special Committee was authorized to retain independent legal advisors and independent advisors, establish such rules and procedures as it may deem appropriate to the conduct of the meetings of the Special Committee and to do all such acts and things, execute such documents and instruments as may be necessary to carry out its mandate, and take all such other actions as the special committee shall consider necessary or appropriate to carry out its mandate. The Board noted that it was designating the Special Committee so that it could begin functioning immediately, with the understanding that the members of the Special Committee would work with independent legal counsel of their choosing to propose superseding resolutions setting out the Special Committee s mandate in more detail.

On January 30, 2015, the Special Committee met telephonically and discussed, among other things, its process for the selection of independent legal advisors. Following discussion, the Special Committee decided to invite two law firms to make written proposals to present to the Special Committee.

On February 2, 2015, the Special Committee met telephonically and reviewed, among other things, written proposals from each of the law firms invited to make such proposals. The Special Committee then telephonically interviewed each of the law firms.

On February 3, 2015, after King & Spalding confirmed that it had no actual or potential conflicts of interest with respect to the engagement, the Special Committee selected King & Spalding LLP to serve as its independent legal advisor.

On February 5, 2015, the Special Committee, along with representatives from King & Spalding, met telephonically to discuss the process by which the Special Committee would evaluate the proposal, including the engagement of a financial advisor. The Special Committee also elected Mr. Wilhelm as chair of the Special Committee.

On February 6, 2015, the Special Committee (with Mr. Bruno not in attendance), along with representatives from King & Spalding, met telephonically to discuss the results of a conversation among Mr. Bruno and representatives from King & Spalding regarding the standards of independence for members of a special committee. After discussion, the Special Committee (with Mr. Bruno not in attendance) determined that, even though Mr. Bruno had been determined to be independent under the rules of NASDAQ and is a member of the audit committee of our Board, given that Mr. Bruno has social and civic relationships with the Anderson Family, it would be preferable for the independence of the Special Committee if Mr. Bruno did not serve on the Special Committee. Mr. Bruno concurred with the determination of the other members of the Special Committee and resigned from the Special Committee effective February 6, 2015.

On February 10, 2015, the Special Committee, along with representatives from King & Spalding, met telephonically to discuss, among other things, the process for the selection of an independent financial advisor and interest from certain third parties (other than the Anderson Family) in potentially exploring a negotiated transaction with the Company, including the continued interest of Party Y as well as interest from Party Z, whose counsel had contacted King & Spalding following public disclosure of the proposal.

On February 16, 2015, the Special Committee formally engaged Morris, Nichols, Arsht & Tunnell LLP to serve as its independent legal counsel with respect to Delaware law issues after Morris Nichols confirmed that it had no actual or potential conflicts of interest with respect to the engagement.

Throughout the week of February 16, 2015, the Special Committee, along with representatives from King & Spalding, met telephonically and interviewed three potential financial advisors. Following the conclusion of all

of the interviews, the Special Committee met telephonically on February 23, 2015 to discuss the proposals from each of the three investment banks. After discussion, the Special Committee selected Houlihan Lokey as its independent financial advisor after considering, among other things, Houlihan Lokey s qualifications. The Special Committee also considered Houlihan Lokey s past transaction advisory services to an entity affiliated with the Anderson Family (other than the Company) in 2012 and 2013 for which services Houlihan Lokey and certain of its affiliates received aggregate fees of approximately $260,000. In view of the immateriality of the amount of these fees to Houlihan Lokey, as well as the considerable amount of time that had elapsed since Houlihan Lokey s past transaction advisory services to such entity, the Special Committee determined that these past services would not present an actual or potential conflict of interest with respect to Houlihan Lokey s engagement as the Special Committee s financial advisor.

On February 24, 2015, representatives from King & Spalding, on behalf of the Special Committee, forwarded to our general counsel resolutions setting out in detail the Special Committee s mandate. Pursuant to those resolutions, the Special Committee was authorized to conduct the evaluation and negotiation of the potential transaction, evaluate and negotiate the terms of any proposed definitive or other documents in respect of the proposal (subject to the approval of our Board), report its recommendations and conclusions to our Board, including a determination and recommendation as to whether the proposal was fair, advisable and in the best interest of the Company and the Company s stockholders, and specifically the Company s stockholders not affiliated with the Anderson Family, investigate the Company and the proposal, review, evaluate and, if necessary, negotiate other strategic options available to the Company, determine, in its sole discretion, to elect not to pursue the proposal and to retain its own independent legal and financial advisors at the Company s expense. The resolutions also authorized the Special Committee to review, evaluate and negotiate other strategic options available to the Company. In addition, the resolutions stated that the Board would not approve the proposal without a favorable recommendation from the Special Committee. The full board subsequently adopted such resolutions by written consent.

On March 4, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss the process by which Houlihan Lokey would gather information from the Company and to discuss a preliminary timeline for evaluating the proposal.

During the weeks of March 9, 2015 and March 16, 2015, financial and business information was provided to the Special Committee s financial advisor, Houlihan Lokey, including certain third-party prepared real estate appraisals relating to the Company s properties (which appraisals had been prepared by an independent valuation firm during 2013 and 2014 in connection with third-party financing being provided to the Company with respect to those properties), and the Special Committee evaluated the potential strategic benefits of the potential transaction.

On March 9, 2015, the Special Committee met telephonically with representatives from King & Spalding and Houlihan Lokey to discuss the process and next steps with respect to evaluating the proposal. At this meeting, representatives from Houlihan Lokey also updated the Special Committee regarding a telephone conversation among representatives of Houlihan Lokey and advisors to Party Z, during which such advisors reiterated Party Z s interest in exploring a potential strategic transaction with respect to the Company.

On March 16, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically for an update from Houlihan Lokey with respect to its ongoing financial review of the Company. The Special Committee also discussed Party Y s previous interest in 2013 and 2014 in acquiring shares of the Company. As noted above, one of the conditions of Party Y s proposal in 2013 and 2014 was that the Anderson Family sell all of the shares owned by them and commit to acquire the Company s real estate holdings for at least $19 million, both of which the Anderson Family was unwilling to do. Representatives from Houlihan Lokey also informed the Special Committee that Houlihan Lokey had received a call from Party X in which Party X expressed general interest in the Special Committee s current process.

On March 23, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to receive an update regarding the status of Houlihan Lokey s financial review of the Company. The Special Committee also discussed the strategic rationale for the potential transaction and the ability of the Anderson Family to finance the potential transaction through the use of the Company s credit facility.

On March 31, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss Houlihan Lokey s continued financial review of the proposal. The Special Committee noted that our Board had discussed projections prepared by the Company s management in the ordinary course and provided to Houlihan Lokey. The Special Committee confirmed for Houlihan Lokey that the projections provided to Houlihan Lokey remained unchanged after review and discussion by our Board and that such projections were appropriate for Houlihan Lokey s use and reliance in connection with its analyses. The Special Committee and its advisors also discussed the process by which Houlihan Lokey should contact certain third parties, other than the Anderson Family, which previously had expressed interest in exploring a transaction with the Company, including Party X, Party Y and Party Z, in order to confirm if such parties expected to submit a formal proposal with respect to a transaction with the Company.

During the weeks of March 30, 2015 and April 6, 2015, Houlihan Lokey continued to conduct a financial review of the Company and the proposal and contacted, in accordance with the directives of the Special Committee, Party X, Party Y and Party Z to confirm if such parties planned on submitting formal proposals with respect to a transaction with the Company.

On April 15, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically. Houlihan Lokey provided the Special Committee with a preliminary financial analysis of the Company, including the various methodologies used, and an overview of recent trading prices of Company common stock and the Company s historical and projected financial data. Houlihan Lokey also discussed with the Special Committee the Anderson Family s proposed financing for the Merger using the Company s existing credit facility. Houlihan Lokey and the Special Committee reviewed several alternatives to the potential transaction, including the issuance by the Company of a special dividend pro rata to all of the Company s stockholders through additional borrowings under the Company s credit facility, a leveraged buyout and a transaction with a third party other than the Anderson Family. At this meeting, the Special Committee also received an update regarding the contacts made to third parties other than the Anderson Family. Representatives from Houlihan Lokey noted that Party Y indicated that it had planned to submit an indication of interest as early as the beginning of the week of April 19, 2015, Party Z had not submitted a proposal regarding a transaction, and Party X informed Houlihan Lokey that it was unlikely to pursue a transaction with the Company. Following this discussion, the Special Committee and its advisors discussed the strategy for responding to the proposal following the receipt of indications of interest (if any) from third parties other than the Anderson Family.

On April 22, 2015, King & Spalding called Munger, Tolles & Olson LLP, legal counsel to the Anderson Family, to inform them of other potential interest in the Company.

Also on April 22, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically so that Houlihan Lokey could provide the Special Committee with an update regarding its contacts, at the Special Committee s direction, with third parties other than the Anderson Family. Representatives from Houlihan Lokey noted that while Party Z had reiterated its interest in exploring a strategic transaction with the Company, Party Z had not yet responded to repeated inquiries about whether it planned to submit a written proposal. Representatives from Houlihan Lokey also informed the Special Committee that Party Y had submitted a draft non-binding indication of interest to Houlihan Lokey (which was subsequently provided to the Special Committee) proposing to acquire 100% of the Company for $4.21 per share in cash conditioned on, among other things, Party Y s completion of due diligence on the Company, the transaction being financed using the Company s existing credit facility and the Company agreeing to include a no-shop provision in the definitive documentation for the transaction with Party Y that would prohibit the Company from, among other

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things, soliciting additional offers to acquire the Company. Representatives from Houlihan Lokey also indicated that Houlihan Lokey had received an inbound call from an employee of the family office of the Anderson Family (the Anderson Family Representative) in which the Anderson Family Representative reiterated that the Anderson Family was only interested in acquiring all of the shares of the Company not already owned by them and was not interested in selling any of their shares of the Company. The Special Committee discussed Party Y s draft non-binding indication of interest and the call from the Anderson Family Representative and directed representatives from Houlihan Lokey to provide Party Y s draft non-binding indication of interest to the Anderson Family Representative.

On April 24, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss, among other things, the potential proposal from Party Y, including the draft non-binding indication of interest, and the fact that the Special Committee and its advisors had been informed that the Anderson Family continued to remain uninterested in selling their shares of the Company to any third party. Representatives from Houlihan Lokey noted that Party Z had not submitted a written proposal regarding a strategic transaction with the Company and had not indicated that it planned to submit any such proposal. The Special Committee considered, among other things, the absence of written proposals from third parties other than the Anderson Family and Party Y, and directed its advisors to continue analyzing the proposal. The Special Committee also directed Houlihan Lokey to contact Party Y to inquire whether Party Y would consider making a minority investment in the Company.

On April 28, 2015, in accordance with the directives of the Special Committee, representatives from Houlihan Lokey contacted Party Y to inquire whether Party Y would consider a minority position in the Company (which could be effected by purchasing all of the publicly held shares of the Company through a tender offer). Party Y indicated that it was only interested in acquiring a controlling stake in the Company.

On April 29, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss a potential response to the proposal. The Special Committee and its advisors discussed various preliminary financial analyses performed by Houlihan Lokey, including the assumptions underlying those methodologies and the results of such analyses in comparison to the proposal. The Special Committee considered, among other things, how the proposal compared to the current and historical trading price of the Company common stock and the fact that the Anderson Family repeatedly had confirmed that they were not interested in selling any shares of the Company owned by them. After weighing the advantages and disadvantages of various approaches to formulating a response (or no response) to the proposal, the Special Committee unanimously agreed to reject the proposal and instead make a counterproposal that the Anderson Family acquire the shares of the Company not already owned by them for $3.36 per share in cash. In weighing these advantages and disadvantages, the Special Committee considered making no response to the Anderson Family s proposal, but concluded, after taking into account, among other factors, the limited trading volume of the Company common stock, the Special Committee s familiarity and understanding of the Company s business and competitive dynamics impacting the Company, and the Company s financial performance and prospects as projected by the Company s management, that responding with a counterproposal would be in the best interests of the Company and the Company s stockholders not affiliated with the Anderson Family to provide the Company s stockholders with certainty of value and liquidity. In light of the foregoing, the Special Committee determined to present a counterproposal that the Anderson Family acquire the shares of the Company not already owned by them for $3.36 per share in cash. The Special Committee s determination of the price of $3.36 per share in cash took into account, among other factors, the financial performance and prospects of the Company based on the projections provided by the Company s management, the Special Committee s evaluation of Houlihan Lokey s preliminary financial analyses, the premium relative to the Company s historical stock prices and the likelihood, subject to expected negotiations, of acceptance by the Anderson Family.

On April 30, 2015, in accordance with directives of the Special Committee, representatives from Houlihan Lokey conveyed the principal terms of the Special Committee s counterproposal to the Anderson Family Representative.

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On May 4, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically. The Special Committee s advisors informed the Special Committee that they had not received any further communication from the Anderson Family or any other third parties with respect to a transaction with the Company.

Later that day, the Anderson Family Representative contacted Houlihan Lokey to convey the principal terms of the Anderson Family s response to the Special Committee s counterproposal, which were that the Anderson Family would be willing to offer $3.10 per share in cash, but only if the Anderson Family had the right (but not the obligation) not to close the potential transaction in the event that the holders of 5% or more of the outstanding shares of Company common stock exercised appraisal rights.

On May 5, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss the Anderson Family s revised offer. Representatives from Houlihan Lokey updated the Special Committee regarding their telephone conversation with the Anderson Family Representative on May 4, 2015, including the principal terms of the Anderson Family s response. The Special Committee discussed the advantages and disadvantages of the Anderson Family s revised proposal, the importance of transaction certainty and the potential impact of the appraisal rights condition requested by the Anderson Family. The Special Committee considered, among other things, how the revised proposal compared to the current and historical trading price of the Company common stock and the fact that the Anderson Family repeatedly had confirmed that they were not interested in selling any shares of the Company owned by them. The Special Committee also considered that any definitive documentation for the proposal would need to be approved by the holders of the majority of outstanding shares of Company common stock not beneficially owned by any Purchaser Group Members or Section 16 officers. After extensive discussion, the Special Committee unanimously agreed to reject the Anderson Family s revised proposal and instead make a counterproposal that the Anderson Family acquire the shares of the Company not already owned by them for $3.25 per share without an appraisal rights condition. Later that day, in accordance with the directives of the Special Committee, representatives from Houlihan Lokey conveyed the principal terms of the Special Committee s counterproposal to the Anderson Family Representative.

On May 7, 2015, the Anderson Family Representative contacted Houlihan Lokey to convey the principal terms of the Anderson Family s response to the Special Committee s counterproposal, which was that the Anderson Family would be willing to offer $3.25 per share in cash, but only if the Anderson Family had the right (but not the obligation) not to close the potential transaction in the event that the holders of 5% or more of the outstanding shares of Company common stock exercised appraisal rights. During this conversation, the Anderson Family Representative reiterated that the appraisal rights condition was very important to the Anderson Family to provide greater deal certainty and to limit the distraction and burden posed by potential appraisal rights proceedings.

Later that day, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss the response from the Anderson Family to the Special Committee s May 5, 2015 counterproposal. Representatives from Houlihan Lokey updated the Special Committee regarding their telephone conversation with the Anderson Family Representative on May 7, 2015, including the principal terms of the Anderson Family s response. After discussing the advantages and disadvantages of the counterproposal, the Special Committee directed its advisors to contact the Anderson Family Representative to request that the Anderson Family remove the appraisal rights condition from their proposal. Later that day, in accordance with the directives of the Special Committee, representatives from Houlihan Lokey and King & Spalding conveyed this message to the Anderson Family Representative and Munger Tolles.

On May 11, 2015, the Anderson Family s representatives contacted Houlihan Lokey to reiterate that the appraisal rights condition was very important to the Anderson Family and state that the Anderson Family interpreted the communications from the Special Committee s advisors as rejecting the Anderson Family s proposal.

Later that day, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss the response from the Anderson Family Representative. The Special Committee and its advisors discussed the Anderson Family s proposal as a whole, the appraisal rights process in Delaware and the importance of transaction certainty. The Special Committee unanimously agreed that its advisors should negotiate for an increase to the number of shares demanding appraisal to trigger the appraisal rights condition in order to reach an agreement, with such negotiation subject to the Special Committee s final review and approval.

On May 12, 2015, representatives from King & Spalding and Houlihan Lokey discussed the appraisal rights condition, in accordance with the directives of the Special Committee, with representatives from Munger Tolles and the Anderson Family Representative. The Special Committee s advisors relayed the Special Committee s request that the threshold for the appraisal rights condition be increased from 5% to 10%. The Anderson Family Representative indicated that they would relay that proposal to the Anderson Family.

On May 13, 2015, the Anderson Family Representative confirmed that the Anderson Family would be willing to revise the proposal such that they would offer $3.25 per share in cash provided that the Anderson Family had the right (but not the obligation) not to close the potential transaction in the event that the holders of 10% or more of the outstanding shares of Company common stock exercised appraisal rights. Later that day, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss the revised proposal. The Special Committee considered, among other things, the revised proposal in comparison to the current and historical trading price of Company common stock and the fact that the Anderson Family repeatedly had confirmed that they were not interested in selling any shares of the Company owned by them. The Special Committee and its advisors also discussed the revised proposal and the mechanics of the appraisal rights condition. Following this discussion, the Special Committee then unanimously approved proceeding with negotiations on the basis of the revised proposal and directed King & Spalding to contact Munger Tolles to discuss process and next steps.

On May 14, 2015, King & Spalding discussed the process for preparing a draft merger agreement with Munger Tolles. Munger Tolles and King & Spalding agreed that Munger Tolles would prepare and send to King & Spalding an initial draft merger agreement, as well as a draft of a rollover letter whereby the members of the Anderson Family would roll over all of their shares of Common Stock into a special purpose entity formed by the Anderson Family.

On May 21, 2015, Munger Tolles delivered an initial draft of the Merger Agreement to King & Spalding, which included, among other things, a no-shop covenant and a termination fee payable by the Company to the Anderson Family if the Merger Agreement were terminated under certain circumstances. Continuing into the week of May 25, 2015, representatives of King & Spalding and Morris Nichols revised the draft merger agreement.

On May 28, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically. Representatives from Houlihan Lokey provided the Special Committee with a general update regarding its contact with third parties other than the Anderson Family and noted that Party Y indicated that it remained interested in exploring a strategic transaction with the Company and that Houlihan Lokey had not received any further communication from Party Z. Representatives from King & Spalding then reviewed with the Special Committee a proposed revised draft of the Merger Agreement, noting that the Merger Agreement would include as a closing condition a requirement that the Merger Agreement be approved by the holders of the majority of outstanding shares of Company common stock not beneficially owned by any Purchaser Group Members or Section 16 officers. The Special Committee asked questions of King & Spalding throughout the presentation and suggested revisions to the Merger Agreement. The presentation summarized the provisions of the Merger Agreement. The Special Committee s questions included inquiries regarding the mechanics of the Merger Agreement and how the draft from Munger Tolles compared to merger agreements in comparable transactions. The Special Committee suggested revisions to increase closing certainty of the transaction,

including revisions to the representations and warranties, interim operating covenants and termination provisions of the Merger Agreement. The Special Committee directed that King & Spalding send the revised Merger Agreement to Munger Tolles as soon as King & Spalding incorporated the Special Committee s revisions to the Merger Agreement.

On May 29, 2015, representatives from King & Spalding sent the revised Merger Agreement to Munger Tolles. Later that day, Party Y sent a letter to Houlihan Lokey reaffirming Party Y s interest in acquiring 100% of the shares of the Company at $4.21 per share in cash, subject to the conditions contained in its draft non-binding letter of intent discussed at the April 22, 2015 meeting of the Special Committee.

On June 2, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to update the Special Committee regarding the process. Representatives of Houlihan Lokey noted that Party Y placed an in-bound telephone call to Houlihan Lokey during which Party Y reiterated the message in its May 29, 2015 letter. The Special Committee noted that the Anderson Family continuously had noted that they were not interested in selling any shares of the Company owned by them. Representatives of King & Spalding also informed the Special Committee that there had been no further communication between King & Spalding and Munger Tolles since the distribution of the Merger Agreement on May 29, 2015.

On June 4, 2015, representatives from King & Spalding discussed certain provisions of the revised Merger Agreement with Munger Tolles. As a result of certain agreements reached during that call, on June 5, 2015, representatives from King & Spalding sent a revised Merger Agreement to representatives from Munger Tolles.

Throughout the weeks of June 8, 2015 and June 15, 2015, King & Spalding and Morris Nichols, as counsel to the Special Committee, and Munger Tolles continued to negotiate the terms of the Merger Agreement and the ancillary documentation to the Merger Agreement, including the voting agreement, which the Special Committee had requested in order to increase certainty of closing assuming the majority-of-the-minority vote condition is satisfied, and the rollover letter. Included in these negotiations were negotiations regarding the terms of the no-shop provision, the Company s ability to consider alternative proposals, a potential termination fee payable by the Company to the Anderson Family if the Merger Agreement were terminated in certain circumstances and the conditions to closing.

On June 17, 2015, the Special Committee, along with representatives from King & Spalding, met telephonically to discuss the open points in the Merger Agreement and ancillary documentation to the Merger Agreement, including the voting agreement and the rollover letter, including certain proposals from Munger Tolles to resolve these points. The Special Committee and King & Spalding discussed replacing the termination fee payable by the Company to the Anderson Family with an expense reimbursement provision, requiring that the Anderson Family reimburse Company expenses under certain circumstances, certain compromises with respect to the no-shop provision and the inclusion of certain conditions to closing. The Special Committee directed its legal advisors to complete negotiations generally on those terms. Following this discussion, and continuing throughout the rest of the month of June, King & Spalding, Morris Nichols and Munger Tolles continued to negotiate the terms of the Merger Agreement and ancillary documentation to the Merger Agreement, including the voting agreement and the rollover letter.

Representatives from King & Spalding and Munger Tolles negotiated certain provisions and proposals with respect to the Merger Agreement between June 4, 2015 and June 17, 2015, which involved negotiations regarding the non-solicitation section, representations and warranties, interim operating covenants and termination provisions of the Merger Agreement.

On June 30, 2015, the Special Committee, along with representatives from King & Spalding and Houlihan Lokey, met telephonically to discuss the status of the negotiations. After providing the Special Committee with an update, representatives from King & Spalding reviewed with the Special Committee its fiduciary duties, certain corporate governance considerations and Delaware law matters, including certain solvency tests that may need to be satisfied in connection with the potential transaction given that the potential transaction would be financed through the use of the Company s credit facility. Following this discussion, the Special Committee directed representatives from King & Spalding to discuss the potential cost of a third-party solvency opinion with the Company s general counsel.

During the first week of July, representatives from King & Spalding and our general counsel discussed several alternatives with respect to a certification as to the Company s solvency following consummation of the potential transaction. Following these discussions, the Company interviewed three independent financial firms to provide a third-party solvency opinion. Following these interviews, the Company solicited engagement paperwork from the Cappello Group, Inc. for review and approval by the Special Committee.

During the week of July 6, 2015 and over the weekend of July 11, 2015 and July 12, 2015, King & Spalding and Morris Nichols, as counsel to the Special Committee, and Munger Tolles and Richards Layton & Finger PA (whom the Anderson Family had retained to serve as its independent legal counsel with respect to Delaware law issues on June 22, 2015), as counsel to the Anderson Family, completed the negotiation of the terms of the Merger Agreement, including completing negotiations with respect to expense reimbursement by each party under certain circumstances (as opposed to a termination fee payable by the Company to the Anderson Family), the no-shop provision, the ability of the Company to consider alternative proposals, and certain closing conditions tied to the receipt of a third-party solvency opinion. During the weekend of July 11, 2015 and July 12, 2015, the Special Committee and the Board were provided copies of the final form of the Merger Agreement and the ancillary documentation to the Merger Agreement for their review. The Special Committee and its legal advisors also completed the negotiation of the terms of the ancillary documentation to the Merger Agreement, including the voting agreement and the rollover letter. The Special Committee subsequently approved the terms of the Merger Agreement and the ancillary documentation to the Merger Agreement. For a detailed summary of the Merger Agreement, please see *The Merger Agreement* on page [ ] and for a detailed summary of the ancillary documentation, including the voting agreement and the rollover letter, please see *Agreements Involving Common Stock* on page [ ].

On July 13, 2015, the Special Committee, along with its legal and financial advisors, met in person in Birmingham, Alabama and discussed, among other things, the status of negotiations with the Anderson Family. Representatives from King & Spalding reviewed with the Special Committee members their fiduciary duties in connection with the potential transaction, including, among other things, certain corporate governance considerations and Delaware law matters. The Special Committee then invited Mr. Bruno, as a member of our Board determined to be independent under the rules of NASDAQ and a member of the audit committee, to join the meeting to listen to presentations by, and discussions with, King & Spalding and Houlihan Lokey. Representatives from King & Spalding reviewed the principal terms of the Merger Agreement and the ancillary documentation to the Merger Agreement with the Special Committee and Mr. Bruno. The Special Committee, Mr. Bruno and representatives from King & Spalding also discussed that the Merger Agreement included a closing condition requiring that the Merger Agreement be approved by the holders of the majority of outstanding shares of Company common stock not beneficially owned by Purchaser Group Members or Section 16 officers. Throughout that presentation, the Special Committee, Mr. Bruno and representatives from King & Spalding discussed various aspects of the potential transaction and various provisions of the Merger Agreement and ancillary documentation to the Merger Agreement. Representatives from Houlihan Lokey noted that Party Z had not submitted a proposal with respect to a strategic transaction involving the Company and that, other than Party Y, no other party had contacted or submitted to Houlihan Lokey an alternative proposal to purchase the publicly held shares of the Company. The Special Committee concluded that the proposal from Party Y was not viable for various reasons, including the conditions imposed and the fact that the Anderson Family would be required to sell their ownership interest in the Company under Party Y s proposal (which the Anderson Family had confirmed that they were unwilling to do). Also at this meeting, at the Special Committee s request, Houlihan Lokey reviewed with the Special Committee its financial analysis of the Merger Consideration and delivered an oral opinion, confirmed by delivery of a written opinion dated July 13, 2015, to the Special Committee to the effect that, as of that date and based on and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion, the Merger Consideration to be received by holders of Company unaffiliated shares pursuant to the Merger Agreement was fair to such holders from a financial point of view.

The Special Committee then invited our chief financial officer to join the meeting to discuss the proposed engagement of Cappello Group, Inc. as a valuation firm in order to render a solvency opinion in accordance with the Merger Agreement. The Special Committee and our chief financial officer discussed the proposed terms of the Cappello Group, Inc. engagement letter and the rationale for our chief financial officer s recommendation to engage the Cappello Group, Inc. as the valuation firm and reviewed the proposals made by two other valuation firms. Mr. Bruno, representatives from Houlihan Lokey and our chief financial officer were then excused.

Following a review of the negotiations and discussions regarding the potential transaction, the Special Committee expressed its unanimous view that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, were in the best interest of the Company and its stockholders (other than Purchaser Group Members and Section 16 officers) and thus that it would recommend approval of the Merger Agreement and the transactions contemplated by the Merger Agreement by the Company s Board. For the basis of the Special Committee s determination in this regard, please see *Special Factors Reasons for the Merger; Recommendation of the Special Committee Special Committee* on page [ ].

Later on July 13, 2015, our Board met in person in Birmingham, Alabama to receive and discuss the Special Committee s recommendation concerning the potential transaction. At this meeting, the Special Committee recommended to our Board that it approve the Merger Agreement and the transactions contemplated by the Merger Agreement. Following the Special Committee recommendation and its own deliberations, our Board determined (with Clyde B. Anderson and Terrence C. Anderson abstaining from the vote) the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interest of the Company s stockholders (other than Purchaser Group Members and Section 16 officers) and thus resolved to recommend to the Company s stockholders that they approve the adoption of the Merger Agreement and the Merger. For the basis of our Board s determination in this regard, please see Special Factors Recommendation of the Board beginning on page [ ] . Later that day on July 13, 2015, the Merger Agreement was executed by the Company and the special purpose entities formed by the Anderson Family, and the voting agreement was executed by the Company and the members of the Anderson Family. In addition, Family Acquisition Holdings, LLC and the members of the Anderson Family entered into the rollover letter on July 13, 2015.

On July 13, 2015, following the close of trading on the U.S. public stock markets, the Company issued a press release announcing the execution of the Merger Agreement.

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

Both the Special Committee and our Board believe, based on their consideration of the factors described below, that the Merger Agreement and the transactions contemplated thereby, including the Merger, are substantively and procedurally fair, to the Company s unaffiliated stockholders.

The Special Committee

The Special Committee, with the advice and assistance of its independent legal and financial advisors, evaluated the Merger, the terms and conditions of the Merger Agreement and the transactions contemplated thereby. Over the course of approximately five months, the Special Committee held 33 meetings and led negotiations with the Anderson

Family. At a meeting held on July 13, 2015, the Special Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable and in the best interests of the Company s stockholders (other than Purchaser Group Members or

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Section 16 officers). The Special Committee also unanimously recommended that our Board (i) determine that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable and in the best interests of the Company s stockholders (other than Purchaser Group Members and Section 16 officers); (ii) approve the Merger Agreement and the transactions contemplated thereby, including the Merger; (iii) resolve to recommend that the stockholders of the Company approve the adoption of the Merger Agreement and the Merger; (iv) approve the transactions contemplated by the Merger Agreement, including the Merger, for purposes of Section 203 of the Delaware General Corporation Law, and any and all similar applicable state statutes; (v) approve the execution, delivery and performance of the Merger Agreement and the ancillary documentation to the Merger Agreement by the parties thereto for purposes of Section 203 of the DGCL and any and all control share acquisition anti-takeover, interested stockholder or other similar applicable state statutes; and (vi) determine that the Company should retain Cappello Group, Inc. to serve as the valuation firm for purposes of delivering a solvency opinion.

In evaluating the Merger, the Merger Agreement, and the other transactions and agreements contemplated thereby, the Special Committee consulted with the Special Committee s independent legal and financial advisors, consulted with our management and considered a number of factors, including, but not limited to, the following material factors (not necessarily in order of relative importance):

- the fact that, as a condition to the closing of the Merger, the Merger Agreement must be adopted by our stockholders, including the holders of the majority of outstanding shares of Common Stock not beneficially owned by Purchaser Group Members or Section 16 officers, which allows for an informed vote by the stockholders on the merits of the Merger;

- the fact that the Merger Consideration consists solely of cash, providing our stockholders with certainty of value and liquidity upon consummation of the Merger, particularly in light of the relatively limited trading volume of our stock;

- recent and historical market prices for our Common Stock, as compared to the Merger Consideration, including the fact that the Merger Consideration of $3.25 per share represents an approximate premium of:

  - 93% over the trading price for our Common Stock on January 29, 2015, the date on which certain Purchaser Group Members initially proposed to acquire the Company;

  - 23.1% to the $2.64 closing price per share of our Common Stock on July 13, 2015, the last trading day before public announcement of the Merger Agreement;

  - 15.2% to the $2.82 volume weighted average price per share of our Common Stock for the 30-day period ended July 13, 2015;

  - 15.7% to the $2.81 volume weighted average price per share of our Common Stock for the 90-day period ended July 13, 2015; and

38.3% to the $2.35 volume weighted average price per share of our Common Stock for the 180-day period ended July 13, 2015.

the fact that the Special Committee negotiated an increase in the Merger Consideration to $3.25 per share in cash from the Anderson Family s initial proposal of $2.75 per share in cash on January 29, 2015, as described above under *Background of the Merger* ;

the Special Committee s belief, based on negotiations with the Anderson Family and their advisors, that the Anderson Family s offer of $3.25 per share in cash was the highest per share consideration that the Anderson Family would be willing to offer;

the financial analysis reviewed by Houlihan Lokey with the Special Committee as well as the oral opinion of Houlihan Lokey rendered to the Special Committee on July 13, 2015 (which was confirmed by delivery of Houlihan Lokey s written opinion, dated July 13, 2015, to the Special Committee) as to

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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, which financial analysis and conclusion the Special Committee adopts as its own. See *Opinion of Financial Advisor to the Special Committee* ;

The Special Committee s independent legal and financial advisors were involved throughout the process and updated the Special Committee directly and regularly;

the Special Committee s review of the structure of the Merger Agreement and the financial and other terms of the Merger Agreement, including, among others, the following specific terms of the Merger Agreement:

the limited and customary conditions to the parties obligations to complete the Merger, the commitment by Parent and Merger Sub to use their reasonable best efforts to take or cause to be taken all actions to consummate the Merger and the transactions contemplated thereby, including all actions necessary to obtain applicable regulatory approvals, and their agreement to reimburse the Company s expenses in an amount up to $1,000,000 in certain circumstances;

subject to compliance with the Merger Agreement and prior to the time our stockholders approve the proposal to adopt the Merger Agreement, the ability of our Board or an independent committee (or the Special Committee) to participate in discussions or negotiations with, or provide non-public information to, any person in response to an unsolicited acquisition proposal for the Company, if our Board or an independent committee (or the Special Committee) determines, after consultation with outside legal counsel, that such acquisition proposal constitutes or would reasonably be expected to lead to a superior proposal;

the ability of our Board or an independent committee (or the Special Committee), subject to certain conditions, to change its recommendation that our stockholders adopt the Merger Agreement;

our ability to specifically enforce Parent s and Sub s obligations under the Merger Agreement in certain circumstances, including their obligation to consummate the Merger, subject to certain conditions being met; and

the customary nature of the representations, warranties and covenants of Parent and Sub in the Merger Agreement.

the availability of appraisal rights under Delaware law to our stockholders who do not vote in favor of the proposal to adopt the Merger Agreement and comply with all of the required procedures under Delaware law, which provides those eligible stockholders with an opportunity to have a Delaware court determine the fair value of their shares, which may be more than, less than, or the same as the amount such stockholders would have received under the Merger Agreement.

The Special Committee also considered a number of factors that are discussed below relating to the procedural safeguards that it believes were and are present to ensure the fairness of the Merger. The Special Committee believes the following factors support its determinations and recommendations and provide assurance of the procedural fairness of the Merger to the Company s minority stockholders:

Process of the Special Committee.

The Special Committee consisted solely of independent directors not affiliated with the Anderson Family. The Special Committee was provided a clear mandate to retain independent legal and financial advisors and to determine whether to proceed with a transaction with the Anderson Family and, if a decision was made to so proceed, to review and negotiate any such transaction. The Anderson Family required in its January 2015 offer approval of the Merger by the Special Committee before moving forward with the Merger. Moreover, our Board resolved that it would not approve or authorize a potential transaction involving the Company and the Anderson

Family without the prior favorable recommendation of the Special Committee. The Special Committee met 33 times to evaluate the Anderson Family proposal, the Merger and related matters. During these meetings, the Special Committee extensively deliberated and discussed the advantages and disadvantages of the Merger.

Opinion of Financial Advisor to the Special Committee

The receipt by the Special Committee of Houlihan Lokey s 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, which opinion was based upon and subject to the assumptions made, procedures followed, factors considered and limitations on the review undertaken, as further described in the section entitled Opinion of Financial Advisor to the Special Committee .

Terms of the Merger Agreement

The terms and conditions of the Merger Agreement, including that the Company s ability to terminate after November 30, 2015 (or, under certain circumstances, December 15, 2015) if the Merger Agreement has not occurred prior to such date allows the Company to ensure that the Merger is consummated as negotiated by the Special Committee.

The Special Committee also considered a variety of potentially negative factors in its deliberations concerning the Merger Agreement and the transactions contemplated thereby, including, but not limited to, the following (not necessarily in order of relative importance):

- the fact that, subsequent to completion of the Merger, the Company will no longer exist as an independent public company and that the nature of the transaction as a cash transaction would prevent our stockholders (other than Purchaser Group Members) from participating in any value creation the business could generate, as well as any future appreciation in our value;

- the fact that we would be obligated to reimburse Parent s and Sub s expenses in an amount up to $1,000,000 under certain circumstances and expenses in an amount up to $500,000 under other circumstances, including the impact of such expense reimbursement on the willingness of other potential acquirers to propose alternative transactions, although our Special Committee believed that such expense reimbursement was reasonable and customary and would not preclude a serious and financially capable potential acquirer from submitting a proposal to acquire the Company following the announcement of the Merger;

- the fact that we will be prohibited from soliciting or taking any actions to knowingly facilitate, encourage or assist, or knowingly induce the making of an alternative acquisition proposal (however, we will be able to respond to and engage in discussions of certain unsolicited acquisition proposals, subject to certain conditions, if our Board or an independent committee of the Board (including the Special Committee) determines in good faith that such proposals would reasonably be expected to lead to superior proposals, such proposals did not result from the Company s breach of its obligations under the non-solicitation provisions of the Merger Agreement (other than any such breach caused by Parent, Sub, Clyde B. Anderson or Terrence C. Anderson) and, if the Board or Special Committee determines, after consultation with its counsel, that the failure to take action concerning such proposals would be inconsistent with the directors fiduciary duties under applicable law);

the fact that Parent s and Sub s obligations to consummate the Merger are subject to certain conditions, including 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 the possibility that such conditions may not be satisfied, including as a result of events outside our control;

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the fact that if the Merger is not consummated:

our directors, officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction, and we will have incurred significant transaction costs attempting to consummate the transaction;

the market s perception of our continuing business could potentially result in a loss of customers, vendors, business partners, collaboration partners and employees; and

the trading price of our Common Stock would likely materially decrease;

the potential negative effect of the pendency of the Merger on our business and relationships with customers, vendors, business partners, collaboration partners and employees, including the risk that certain key members of our management might choose not to remain employed with the Company prior to the completion of the Merger, regardless of whether or not the Merger is completed;

the fact that under the terms of the Merger Agreement, we have agreed that we will conduct our business in the ordinary course consistent with past practices and use our reasonable best efforts to preserve intact our business organizations and relationships with third parties and to keep available the services of our current officers and key employees, and that subject to Parent s consent, we will not take a number of specific actions related to the conduct of our business and the possibility that these terms may limit our ability to pursue business opportunities that we would otherwise pursue;

the fact that our directors and officers may receive certain benefits that are different from, and in addition to, those of our other stockholders, as described in *Special Factors Interests of the Company s Directors and Executive Officers in the Merger* beginning on page [ ];

the fact that we have incurred and will continue to incur significant transaction costs and expenses in connection with the potential transaction, regardless of whether the Merger is consummated; and

the fact that the Merger Consideration will be taxable to our taxpaying stockholders.

The Special Committee concluded that the potential benefits that it expected the Company stockholders (other than Purchaser Group Members and Section 16 officers) would achieve as a result of the Merger outweighed the risks and potentially negative factors relevant to the Merger. The foregoing discussion of the information and factors considered by the Special Committee is not intended to be exhaustive but includes the material factors considered by the Special Committee. In view of the variety of factors considered in connection with its evaluation of the Merger, the Special Committee did not find it practicable to, and did not, quantify or otherwise assign relative weights to, the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The Special Committee did not undertake to make any specific determination as to whether any factor or any particular aspect of any factor supported or did not support its ultimate decision. The Special Committee based its recommendation on the totality of the information presented. Accordingly, the Special Committee has decided that it is in the best interest of the Company and the Company s stockholders (other than Purchaser Group Members and Section 16 officers) to undertake the going private transaction at this time for the reasons described above.

The foregoing discussion of the information and factors considered by the Special Committee is forward-looking in nature. This information should be read in light of the factors set forth in the section entitled *Cautionary Statement Concerning Forward-Looking Information* beginning on page [ ].

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Recommendation of the Board

The Board consists of five directors. On July 13, 2015, based in part on the unanimous recommendation of the Special Committee, as well as on the basis of the other factors described above, the Board (with Clyde B. Anderson and Terrence C. Anderson recusing themselves) on behalf of the Company:

- determined unanimously that the Merger Agreement and the Merger are advisable and are substantively and procedurally fair to, and in the best interests of, the Company and its stockholders (other than Purchaser Group Members or Section 16 officers), including the unaffiliated stockholders;

- approved unanimously the Merger Agreement and the Merger; and

- resolved unanimously to recommend that the Company s stockholders vote FOR the proposal to adopt the Merger Agreement and approve the Merger.

The Board (with Clyde B. Anderson and Terrence C. Anderson recusing themselves) recommends unanimously that you vote FOR the adoption of the Merger Agreement.

Opinion of Financial Advisor to the Special Committee

On July 13, 2015, Houlihan Lokey 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) to the effect that, as of such date, the Merger Consideration to be received by holders of Company unaffiliated shares pursuant to the Merger Agreement was fair to such holders from a financial point of view.

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.

In connection with its opinion, Houlihan Lokey made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Houlihan Lokey:

- reviewed an execution version, provided to Houlihan Lokey on July 13, 2015, of the Merger Agreement;

reviewed certain publicly available business and financial information relating to the Company that Houlihan Lokey deemed relevant;

reviewed certain information relating to the historical, current and future operations, financial condition and prospects of the Company made available to Houlihan Lokey by the Company, including financial projections and other estimates (and adjustments thereto) prepared by or discussed with the management of the Company relating to the Company for the fiscal years ended January 31, 2016 through January 31, 2020;

reviewed certain third-party prepared real estate appraisals relating to the Company s properties provided to Houlihan Lokey by the management of the Company;

spoke with certain members of the management of the Company and certain of its representatives and advisors regarding the businesses, operations, financial condition and prospects of the Company, the Merger and related matters;

compared the financial and operating performance of the Company with that of other public companies that Houlihan Lokey deemed relevant;

reviewed the current and historical market prices and trading volumes for Company common stock and the current and historical market prices and trading volumes of publicly traded securities of certain other companies that Houlihan Lokey deemed relevant;

reviewed a certificate addressed to Houlihan Lokey from the senior management of the Company which contains, among other things, representations regarding the accuracy of the information, data and other materials (financial or otherwise) provided to, or discussed with, Houlihan Lokey by or on behalf of the Company; and

conducted such other financial studies, analyses and inquiries and considered such other information and factors as Houlihan Lokey deemed appropriate.

For purposes of Houlihan Lokey s analyses and opinion, Houlihan Lokey did not rely upon a comparison of the financial terms of the Merger to the financial terms of other transactions given, in the view of Houlihan Lokey, the lack of sufficient information or comparability with respect to other transactions with the Merger. Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information furnished, or otherwise made available, to Houlihan Lokey, discussed with or reviewed by Houlihan Lokey, or publicly available, and did not assume any responsibility with respect to such data, material and other information. In addition, the management of the Company advised Houlihan Lokey, and Houlihan Lokey assumed, at the direction of the Special Committee, that the financial projections and other estimates (and adjustments thereto) utilized in Houlihan Lokey s analyses were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of such management as to the future financial results and condition of the Company. Houlihan Lokey also assumed, at the direction of the Special Committee, that the third-party prepared real estate appraisals relating to the Company s properties that were provided to Houlihan Lokey and utilized in its analyses were reasonably prepared in good faith on bases reflecting the best currently available estimated and judgments of the preparer thereof with respect to the matters covered thereby. Houlihan Lokey expressed no opinion with respect to any such projections, estimates or appraisals utilized in its analyses or the assumptions on which they were based. Houlihan Lokey relied upon and assumed, without independent verification, that there were no changes in the businesses, assets, liabilities, financial condition, results of operations, cash flows or prospects of the Company since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Houlihan Lokey that would have been material to its analyses or opinion, and that there was no information or any facts that would have made any of the information reviewed by Houlihan Lokey incomplete or misleading.

Houlihan Lokey relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the Merger Agreement and all other related documents and instruments that were referred to therein were true and correct, (b) each party to the Merger Agreement and such other related documents and instruments would fully and timely perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the Merger would be satisfied without waiver thereof, and (d) the Merger would be consummated in a timely manner in accordance with the terms described in the Merger Agreement and such other related documents and instruments, without any amendments or modifications. Houlihan Lokey also relied upon and assumed, without independent verification, that (i) the Merger would be consummated in a manner that complies in all respects with all applicable federal and state statutes, rules and regulations, and (ii) all governmental, regulatory, and other consents and approvals necessary for the consummation of the Merger would be obtained and no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would have had an effect on the Company or the Merger that otherwise would have been meaningful in any respect to Houlihan Lokey s analyses or opinion. In addition, Houlihan Lokey relied

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upon and assumed, without independent verification, that the final executed Merger Agreement would not differ in any respect from the execution version of the Merger Agreement identified above.

Furthermore, in connection with its opinion, Houlihan Lokey was not requested to make, and did not make, any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance sheet or otherwise) of the Company or any other party nor, except for certain third-party prepared real estate appraisals relating to the Company s properties referred to above, was Houlihan Lokey provided with any such appraisal or evaluation. Houlihan Lokey did not estimate, and expressed no opinion regarding, the liquidation value of the Company or any other entity or business. Houlihan Lokey did not undertake an independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities to which the Company or any other entity was or may be a party or was or may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which the Company or any other entity was or may be a party or was or may be subject.

Houlihan Lokey was not requested to, and did not, initiate any discussions with, or solicit any indications of interest from, third parties with respect to the Merger, the securities, assets, businesses or operations of the Company or any other party, or any alternatives to the Merger. Houlihan Lokey s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Houlihan Lokey as of, the date of its opinion. Houlihan Lokey did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring or coming to Houlihan Lokey s attention after the date of its opinion. Houlihan Lokey also did not express any opinion as to the price or range of prices at which shares of Company Common Stock will trade, or any other securities of the Company may be transferrable, at any time.

Houlihan Lokey s opinion was furnished for the use of the Special Committee (in its capacity as such) in connection with its evaluation of the Merger and may not be used for any other purpose without Houlihan Lokey s prior written consent. Houlihan Lokey has consented to the inclusion of a copy of its written opinion to the Special Committee as Annex B to this proxy statement. Houlihan Lokey s opinion should not be construed as creating any fiduciary duty on Houlihan Lokey s part to any party. Houlihan Lokey s opinion is not intended to be, and does not constitute, 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.

Houlihan Lokey s opinion related to the fairness, from a financial point of view and as of the date of its opinion, of the Merger Consideration to be received by holders of Company unaffiliated shares pursuant to the Merger Agreement, without regard to any control, voting, liquidity or other rights or aspects which may distinguish such holders relative to the purchaser group or otherwise. Houlihan Lokey was not requested to opine as to, and did not express an opinion as to or otherwise address, among other things: (i) the underlying business decision of the Special Committee, the Board, the Company, its security holders or any other party to proceed with or effect the Merger, (ii) the terms of any arrangements, understandings, agreements or documents related to, or the form, structure or any other portion or aspect of, the Merger (other than the consideration to the extent expressly specified in Houlihan Lokey s opinion) or otherwise, including, without limitation, any terms or aspects of any rollover, voting or other agreements to be entered into in connection with the Merger, any potential financing for the Merger or the likelihood of consummation thereof, (iii) the fairness of any portion or aspect of the Merger to the holders of any class of securities, creditors or other constituencies of the Company, or to any other party, except if and only to the extent expressly set forth in the last paragraph of Houlihan Lokey s opinion, (iv) the relative merits of the Merger as compared to any alternative business strategies or transactions that might be available for the Company or any other party or whether any alternative transaction might produce consideration for Company unaffiliated shares in an amount in excess of that contemplated by the Merger, including, without limitation, any alternative transaction or consideration contemplated by a third-party written indication of interest received by the Company following public announcement of the Anderson Group s proposal to acquire the remaining shares of Company common stock it does not currently beneficially own, which indication of interest the Special Committee determined, after discussion with the Anderson Group, would not result in a transaction that could be consummated by the Company given the Anderson Group s stated position that it was not willing to pursue alternative

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transactions, (v) the fairness of any portion or aspect of the Merger to any one class or group of the Company s or any other party s security holders or other constituents vis-à-vis any other class or group of the Company s or such other party s security holders or other constituents (including, without limitation, the allocation of any consideration amongst or within such classes or groups of security holders or other constituents), (vi) whether or not the Company, its security holders or any other party is receiving or paying reasonably equivalent value in the Merger, (vii) the solvency, creditworthiness or fair value of the Company or any other participant in the Merger, or any of their respective assets, under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, or (viii) the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation to or consideration payable to or received by any officers, directors or employees of any party to the Merger, any class of such persons or any other party, relative to the Merger Consideration or otherwise. Furthermore, no opinion, counsel or interpretation was intended in matters that required legal, regulatory, accounting, insurance, tax or other similar professional advice. Houlihan Lokey assumed that such opinions, counsel or interpretations had been or would be obtained from appropriate professional sources. Furthermore, Houlihan Lokey relied, with the consent of the Special Committee, on the assessments of the Special Committee, the Board, the Company and their respective advisors as to all legal, regulatory, accounting, insurance and tax matters with respect to the Company, the Merger or otherwise. The issuance of Houlihan Lokey s opinion was approved by a Houlihan Lokey committee authorized to approve opinions of this nature.

In preparing its opinion to the Special Committee, Houlihan Lokey performed a variety of analyses, including those described below. The summary of Houlihan Lokey s analyses is not a complete description of the analyses underlying Houlihan Lokey s opinion. The preparation of such an opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither Houlihan Lokey s opinion nor its underlying analyses is readily susceptible to summary description. Houlihan Lokey arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. While the results of each analysis were taken into account in reaching Houlihan Lokey s overall conclusion with respect to fairness, Houlihan Lokey did not make separate or quantifiable judgments regarding individual analyses. Accordingly, Houlihan Lokey believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors, without considering all analyses, methodologies and factors, could create a misleading or incomplete view of the processes underlying Houlihan Lokey s analyses and opinion.

In performing its analyses, Houlihan Lokey considered general business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of its opinion. No company, transaction or business used in Houlihan Lokey s analyses or otherwise reviewed for comparative purposes is identical to the Company or the proposed Merger and an evaluation of the results of those analyses is not entirely mathematical. As a consequence, mathematical derivations (such as the high, low, mean and median) of financial data are not by themselves meaningful and in selecting the ranges of multiples to be applied were considered in conjunction with experience and the exercise of judgment. The estimates contained in the financial forecasts and the implied reference range values indicated by Houlihan Lokey s analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond the control of the Company. Much of the information used in, and accordingly the results of, Houlihan Lokey s analyses are inherently subject to substantial uncertainty.

Houlihan Lokey s opinion was only one of many factors considered by the Special Committee in evaluating the proposed Merger. Neither Houlihan Lokey s opinion nor its analyses were determinative of the Merger Consideration or of the views of the Special Committee, the Board, management or any other party with respect to the Merger or the Merger Consideration. Houlihan Lokey was not requested to, and it did not, recommend the specific consideration payable in the Merger or that any given consideration constituted the only appropriate consideration for the Merger. The type and amount of consideration payable in the Merger were determined through negotiation between the Special Committee and the Anderson Group, and the decision for the Company to enter into the Merger Agreement was solely that of the Special Committee and the Board.

The following is a summary of the material financial analyses performed by Houlihan Lokey in connection with the preparation of its opinion and reviewed with the Special Committee on July 13, 2015. The order of the analyses does not represent relative importance or weight given to those analyses by Houlihan Lokey. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of Houlihan Lokey s analyses.

Introduction

In evaluating the Company from a financial perspective, Houlihan Lokey performed various financial analyses as more fully described below utilizing certain financial and operating metrics, as applicable, including:

Enterprise value generally, the value as of a specified date of the relevant company s equity market value plus debt outstanding and preferred stock and less cash and cash equivalents.

EBITDA generally, the amount of the relevant company s earnings before interest, taxes, depreciation and amortization.

Adjusted EBITDA generally, the relevant company s EBITDA, adjusted for certain non-recurring items.

In connection with its financial analyses, Houlihan Lokey considered certain publicly available information and information provided by the Company s management relating to (a) the Company s retail trade and electronic commerce trade businesses (collectively referred to as the Retail Business), taking into account the estimated present value of state-level net operating losses of the Company that the Company s management expects to be utilized by the Company (collectively, the Company NOLs), and (b) the Company s 94.9% ownership interest in Preferred Growth Properties, LLC (referred to as the PGP Business).

As part of its financial analyses relating to the Retail Business, Houlihan Lokey performed a selected companies analysis and discounted cash flow analysis utilizing internal financial forecasts and other estimates of the Company s management. Such internal financial forecasts and other estimates provided by the Company s management and utilized by Houlihan Lokey for purposes of these analyses reflected adjusted EBITDA and free cash flows for the Retail Business, excluding EBITDA and free cash flows from the PGP Business (based on financial information provided by the Company s management), in order to provide a basis for a comparative analysis of the Company s primary business operations. An estimated present value (as of July 10, 2015 and based on a discount rate of 15.5%), in the amount of approximately $1.0 million, of the Company NOLs that the Company s management expects to be utilized by the Company was calculated based on internal financial forecasts and other estimates of the Company s management, including an overall weighted average applicable state-level income tax rate of 6.6% as estimated by the Company s management.

As part of its financial analyses relating to the PGP Business, Houlihan Lokey derived a range of approximate implied after-tax equity values for the Company s 94.9% ownership interest in the PGP Business of $18.5 million to $24.2 million by utilizing certain third-party prepared real estate appraisals relating to the properties included in the PGP Business provided to Houlihan Lokey by the Company s management, subtracting property-level debt (as of May 30, 2015) attributable to each property and adding the cash balance reflected on the balance sheet (as of May 30, 2015) of Preferred Growth Properties, LLC, as adjusted for after-tax gains, if any, with respect to such properties, based on internal estimates of the Company s management. In the case of the Company s Florence, Alabama, Fayetteville, North Carolina and Jacksonville, Florida properties, Houlihan Lokey utilized in its analyses selected reference ranges of approximately $16.7 million to $17.3 million, $4.0 million to $4.6 million and $5.4 million to $6.0 million, respectively. In the case of the Company s Gardendale, Alabama property, which was under development at the time of the third-party appraisal for such property, Houlihan Lokey utilized in its analyses a selected reference range of approximately $18.8 million to $23.3 million, the high-end of which represented the appraised value for such property as reflected in the third-party prepared real estate appraisal for such property and the low-end of which represented an as-completed value, based on internal estimates of the Company s management and utilizing the assumptions reflected in such third-party prepared real estate appraisal, taking into account a normalized fiscal year 2016 estimated net operating income for such property given that the as-completed square footage of such property was less than the projected square footage at the time of such appraisal.

Unless the context indicates otherwise, enterprise values and equity values used in the selected companies analysis described below were calculated using the closing price of Company common stock and the common stock of the selected companies listed below as of July 10, 2015. Estimates of the future financial and operating performance of the Company relied upon by Houlihan Lokey for purposes of the financial analyses described below were based on the Company s public filings, internal financial forecasts and other estimates of the Company s management and certain third-party prepared real estate appraisals as noted above. Estimates of the future financial and operating performance of the selected companies listed below were based on certain publicly available research analyst estimates, public filings and other publicly available information for those companies.

July 13, 2015 Financial Analyses

The financial analyses provided to the Special Committee on July 13, 2015, referred to as the July 13, 2015 financial analyses, included the following:

Selected Companies Analysis. Houlihan Lokey performed a selected companies analysis of the Company by reviewing selected financial and stock market data of the Company and the following five selected publicly traded companies in the entertainment products retail industry, referred to as the selected companies:

- Barnes & Noble, Inc.
- GameStop Corp.
- Indigo Books & Music Inc.
- Outerwall Inc.
- Trans World Entertainment Corporation

The financial and stock market data reviewed, to the extent publicly available, included:

- Enterprise value as a multiple of estimated latest 12 months (as of May 30, 2015) adjusted EBITDA; and

- Enterprise value as a multiple of estimated next fiscal year 2016 adjusted EBITDA, as may have been calendarized to the Company s fiscal year-end of January 31.

The overall low to high implied enterprise values observed for the selected companies were approximately $12.7 million to $5.022 billion and the overall low to high latest 12 months (as of May 30, 2015) adjusted EBITDA and next fiscal year 2016 estimated adjusted EBITDA multiples observed for the selected companies were 1.4x to 6.2x (with a mean of 4.2x and a median of 4.5x) and 2.8x to 5.7x (with a mean of 4.6x and a median of 5.0x), respectively, as indicated below (data that was not publicly available has been designated as NA):

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	Enterprise Value ($ in millions)	Enterprise Value as a Multiple of Adjusted EBITDA Latest 12 Months	Next Fiscal Year
Barnes & Noble, Inc.	$ 1,842.2	5.7x	5.7x
GameStop Corp.	$ 5,022.0	6.2x	5.7x
Indigo Books & Music Inc.	$ 12.7	1.4x	NA
Outerwall Inc.	$ 51.7	3.0x	2.8x
Trans World Entertainment Corporation	$ 2,171.8	4.5x	4.3x

Houlihan Lokey then applied selected ranges of latest 12 months (as of May 30, 2015) and next fiscal year 2016 estimated adjusted EBITDA multiples of 3.0x to 4.0x derived from the selected companies to corresponding data of the Retail Business. Implied per share equity values for the Company derived from such selected adjusted EBITDA multiples were calculated as total implied enterprise value plus the Company s excess cash and cash equivalents as of May 30, 2015 (assuming, at the direction of the Company s management, that all cash and cash equivalents consisted of operating cash) less total debt and other obligations as of May 30, 2015 (except outstanding debt under the Company s revolving credit facility which was as of June 3, 2015), divided by the total number of fully diluted shares of Company common stock outstanding as of May 30, 2015, in each case based on the Company s public filings and internal estimates of the Company s management. This analysis indicated, after taking into account the approximate implied after-tax equity value range for the Company s 94.9% ownership interest in the PGP Business and the estimated present value of the Company NOLs, the following approximate implied per share equity value reference ranges for the Company, as compared to the Merger Consideration:

Implied Per Share Equity Value Reference Range Based On Latest 12 Months Adjusted EBITDA	Merger Consideration
$2.64 - $4.15	$3.25

Implied Per Share Equity Value Reference Range Based On Next Fiscal Year 2016 Adjusted EBITDA	Merger Consideration
$2.69 - $4.21	$3.25

Discounted Cash Flow Analysis. Houlihan Lokey performed a discounted cash flow analysis of the Company by calculating the estimated present value of the standalone unlevered, after-tax free cash flows that the Company was forecasted to generate during the 205-day period ending January 31, 2016 through the full fiscal year ending January 31, 2020 based on internal estimates of the management of the Company. The implied terminal value of the Company was derived by applying to the Company s terminal year unlevered free cash flows a selected range of perpetuity growth rates of 0% to 3.0% derived based on Houlihan Lokey s professional judgment and taking into account, among other factors, internal financial forecasts and other estimates of the Company s management, the Company s historical financial performance, prospects for certain retail bookstore industry participants, the industry outlook for book retailers and trends in the general economy. Present values (as of July 10, 2015) of cash flows and terminal values were calculated using a discount rate range of 8.0% to 9.0% derived from a weighted average cost of capital calculation. Implied per share equity values for the Company derived from such selected adjusted EBITDA multiples were calculated as total implied enterprise value plus the Company s excess cash and cash equivalents as of May 30, 2015 (assuming, at the direction of the Company s management, that all cash and cash equivalents consisted of operating cash) less total debt and other obligations as of May 30, 2015 (except outstanding debt under the

Company s revolving credit facility which was as of July 3, 2015), divided by the total number of fully diluted shares of Company common stock outstanding as of May 30, 2015, in each case based on the Company s public filings and internal estimates of the Company s management. This analysis indicated, after taking into account the approximate implied after-tax equity value range for the Company s 94.9% ownership interest in the PGP Business and the estimated present

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value of the Company NOLs, the following approximate implied per share equity value reference ranges for the Company, as compared to the Merger Consideration:

Implied Per Share Equity Value Reference Range	Merger Consideration
$1.67 - $3.35	$3.25

Other Factors. Houlihan Lokey also observed certain additional factors that were not considered part of Houlihan Lokey s financial analyses with respect to its opinion but were referenced for informational purposes, including, among other things, the following:

- the implied premium of the Merger Consideration over the unaffected average closing stock prices per share of Company common stock over the one-day, five-day, ten-day, one-month, three-month, six-month and one-year periods ending on January 29, 2015 (the last trading day prior to the announcement of the Anderson Group s non-binding proposal to acquire certain shares of Company common stock for $2.75 per share in cash), which indicated a range of premiums of approximately 62.2% to 94.4%, and the implied premium of the Merger Consideration over the unaffected high and low closing stock prices per share of Company common stock during the 52-week period ending on January 29, 2015, which indicated premiums of 31.6% and 132.1%, respectively;

- the trading prices and volume of shares of Company common stock during the latest 12 months (as of July 10, 2015), which indicated that during such period, approximately 85% of the shares of Company common stock traded under $2.75 per share;

- the historical trading performance of Company common stock relative to the historical trading performance of an index comprised of the selected companies and the Standard & Poor s 500 index during the period from January 30, 2014 to January 29, 2015, which indicated that, during such period, the stock price of Company common stock decreased by approximately 26.7%, the index comprised of the selected companies decreased by approximately 3.8% and the Standard & Poor s 500 index increased by approximately 12.7%;

- transaction values (calculated on an enterprise value basis based on the announced transaction equity price and other public information available at the time of the announcement to the extent publicly available), as a multiple of latest 12 months EBITDA in three transactions (Follett Corporation s announced acquisition in June 2015 of Nebraska Book Company, Inc. s retail store division, Draw Another Circle, LLC s announced acquisition in July 2014 of Hastings Entertainment Inc. and Barnes & Noble, Inc. s announced acquisition in September 2009 of Barnes & Noble College Bookstores, Inc.) involving target companies or divisions with, but not limited to, retail bookstore operations, which transactions indicated overall low to high latest 12 months EBITDA multiples for the target companies in such transactions of 4.9x to 26.5x; Houlihan Lokey noted that the Nebraska Book Company, Inc. transaction lacked sufficient publicly available information and, in its view, the Hastings Entertainment Inc. and Barnes & Noble College Bookstores, Inc. transactions lacked sufficient comparability with the Company and the Merger given, in the case of the Hastings

Entertainment Inc. transaction, differences in the business and financial profiles of Hastings Entertainment Inc. and the Company and, in the case of the Barnes & Noble College Bookstores, Inc. transaction, the date of such acquisition;

a comparative review of the Company and Barnes & Nobles, Inc., one of the selected companies which Houlihan Lokey considered noteworthy relative to the Company given the focus of the two companies respective business operations on retail bookstores, notwithstanding the enhanced size and financial performance of Barnes & Nobles, Inc. relative to that of the Company, including:

the historical median enterprise values of the Company and Barnes & Noble, Inc., as a multiple of their respective EBITDA over the six-month, one-year, two-year, three-year, four-year, five-year, six-year, seven-year, eight-year, nine-year and ten-year periods ending January 29, 2015, which indicated a discount in the Company s historical EBITDA multiples relative to Barnes & Noble, Inc. s historical EBITDA multiples over such periods of approximately (20.3%) to (39.8%); and

in order to compare the the Retail Business with Barnes & Noble, Inc. s retail stores business segment, a sum-of-the parts overview of Barnes & Noble, Inc. s retail stores, college bookstores and NOOK business segments utilizing publicly available research analysts EBITDA multiple targets, which indicated an illustrative implied enterprise value for Barnes & Noble, Inc. s retail stores business segment as a multiple of fiscal year 2015 estimated EBITDA of 3.5x to 4.4x;

certain liquidity statistics of the Company and the selected companies, including liquidity statistics based on the number of shares outstanding owned by investors other than strategic 5% investors and insiders, institutional holdings, average three-month trading activity and short interests, which indicated that each such liquidity static of the Company was less than both the mean and median of the corresponding liquidity statistic for the selected companies;

a comparative review of certain size, growth, profitability, free cash flow, investment, return and balance sheet statistics of the Company and the selected companies, including total revenue and enterprise value, number of stores, historical and projected revenue, comparable same store sales, revenue per retail square foot, adjusted EBITDA and earnings per share growth, adjusted EBITDA and free cash flow margins, free cash flow conversion, depreciation to adjusted EBITDA, capital expenditures to revenue, return on assets and equity and inventory turnover and debt to enterprise value, which indicated that, on the whole, the Company s statistics were generally below both the mean and median of corresponding statistics for the selected companies; and

a review of the capitalization rates of 7.00% to 9.00% reflected in the Company s third-party prepared real estate appraisals for the properties included in the PGP Business, noting that capitalization rates reflected in selected publicly available real estate survey data for strip shopping centers during the period from January 1, 2013 to June 30, 2015 (the period encompassing the dates of the Company s third-party prepared real estate appraisals) of 6.91% to 7.05% indicated a variance in capitalization rates since the applicable dates of such third-party prepared real estate appraisals of less than approximately 0.15%.

April 15, 2015 and April 29, 2015 Preliminary Discussion Materials

In addition to the July 13, 2015 financial analyses summarized above, Houlihan Lokey also delivered preliminary discussion materials to the Special Committee on April 15, 2015, referred to as the April 15, 2015 preliminary discussion materials, and on April 29, 2015, referred to as the April 29, 2015 preliminary discussion materials. The preliminary financial considerations and other information in the April 15, 2015 preliminary discussion materials and April 29, 2015 preliminary discussion materials were based on market, economic and other conditions as of their respective dates in addition to other information that was available to Houlihan Lokey at such times. Accordingly, the results of such preliminary observations and other information differed from the July 13, 2015 financial analyses as a result of, among other things, changes in such market, economic and other conditions and information. Houlihan Lokey also continued to refine various aspects of such preliminary financial considerations and other information over time.

The April 15, 2015 preliminary discussion materials and April 29, 2015 preliminary discussion materials did not constitute an opinion of, or recommendation by, Houlihan Lokey with respect to a possible transaction or otherwise. These preliminary discussion materials focused on illustrative latest 12 months and next fiscal year estimated adjusted EBITDA multiples of the selected companies (other than Indigo Books & Music Inc. for which meaningful adjusted EBITDA multiples were not available at such time) and a discounted cash flow analysis of the Company utilizing procedures that were generally similar to those contained in the July 13, 2015 financial analyses summarized above. The July 13, 2015 financial analyses were provided in connection with Houlihan Lokey s opinion to the Special Committee and superseded these prior preliminary discussion materials.

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April 15, 2015 Preliminary Discussion Materials

The April 15, 2015 preliminary discussion materials contained a preliminary overview of, to the extent publicly available, adjusted enterprise values of the selected companies, calculated using the closing price of Company common stock and the common stock of the selected companies (other than Indigo Books & Music Inc. for which meaningful adjusted EBITDA multiples were not available at such time) as of April 14, 2015 and taking into account average annual debt outstanding, as a multiple of latest 12 months (as of March 31, 2015) estimated adjusted EBITDA and next fiscal year 2016 estimated adjusted EBITDA, as such next fiscal year 2016 estimated adjusted EBITDA may have been calendarized to the Company s fiscal year-end of January 31. The overall low, mean, median and high observed latest 12 months adjusted EBITDA multiples for such selected companies were 4.0x, 4.7x, 4.6x and 5.7x, respectively, and next fiscal year adjusted EBITDA multiples were 4.1x, 4.6x, 4.6x and 5.1x, respectively. The April 15, 2015 preliminary discussion materials also contained a sensitivities overview of the potential impact on the Company s implied per share equity value assuming implied after-tax equity values for the Company s 94.9% ownership interest in the PGP Business ranging from $18 million to $24 million and illustrative latest 12 months and next fiscal year estimated EBITDA multiples ranging from 2.5x to 4.5x, which indicated, after taking into account the estimated present value of the Company NOLs, illustrative approximate implied per share equity value reference ranges for the Company of $1.78 to $4.69 and $1.42 to $4.06, respectively.

The April 15, 2015 preliminary discussion materials further contained a preliminary discounted cash flow analysis of the standalone unlevered, after-tax free cash flows that the Company was forecasted to generate during the 292-day period ending January 31, 2016 through the full fiscal year ending January 31, 2020 based on internal estimates of the management of the Company. Applying the same discount rates and perpetuity growth rates as described under Discounted Cash Flow Analysis above, with present values of cash flows and terminal values calculated as of April 15, 2015, indicated, after taking into account the approximate implied after-tax equity value range for the Company s 94.9% ownership interest in the PGP Business and the estimated present value of the Company NOLs, an illustrative approximate implied per share equity value reference range for the Company of $1.09 to $2.35.

The April 15, 2015 preliminary discussion materials noted that such illustrative implied per share equity values for the Company reflected average debt amounts for the Company s fiscal year ended January 31, 2015 (less adjustments to exclude borrowings related to the PGP Business) for illustrative purposes as a proxy for actual debt amounts, which may vary based on seasonality, and that the results shown therein may vary depending on actual debt amounts.

The April 15, 2015 preliminary discussion materials also referenced for informational purposes additional financial considerations and other information, including (i) transaction values as a multiple of latest 12 months EBITDA in the transactions identified under Other Matters above (other than Follett Corporation s acquisition Nebraska Book Company, Inc. s retail store division which was subsequently announced in June 2015), which transactions indicated overall latest 12 months EBITDA multiples for the target companies in such transactions of 4.9x to 26.5x, (ii) certain financial considerations regarding the Anderson Group s ability to fund the Merger, (iii) certain financial considerations regarding an illustrative dividend recapitalization as an alternative to the Merger and (iv) certain financial considerations and other information regarding potential acquirors of the Company.

April 29, 2015 Preliminary Discussion Materials

The April 29, 2015 preliminary discussion materials contained an update to the sensitivities overview of the potential impact on the Company s implied per share equity value contained in the April 15, 2015 preliminary discussion materials assuming the same ranges of implied after-tax equity values for the Company s 94.9% ownership interest in the PGP Business and illustrative latest 12 months and next fiscal year estimated EBITDA multiples, which indicated, after taking into account the estimated present value of the Company NOLs,

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illustrative approximate implied per share equity value reference ranges for the Company of $1.81 to $4.78 and $1.45 to $4.13, respectively.

The April 29, 2015 preliminary discussion materials also contained a preliminary discounted cash flow analysis of the standalone unlevered, after-tax free cash flows that the Company was forecasted to generate during the 282-day period ending January 31, 2016 through the full fiscal year ending January 31, 2020 based on internal estimates of the management of the Company. Applying the same discount rates and perpetuity growth rates as described under Discounted Cash Flow Analysis above, with present values of cash flows and terminal values calculated as of April 24, 2015, indicated, after taking into account the approximate implied after-tax equity value range for the Company s 94.9% ownership interest in the PGP Business and the estimated present value of the Company NOLs, an illustrative approximate implied per share equity value reference range for the Company of $1.05 to $2.34. Based on adjusted illustrative unlevered free cash flows reflecting a hypothetical constant EBITDA margin and reduced capital expenditures over the forecast period with the corresponding adjustment in tax expenses per the management of the Company, such preliminary discounted cash flow analysis indicated, after taking into account the approximate implied after-tax equity value range for the Company s 94.9% ownership interest in the PGP Business and the estimated present value of the Company NOLs, an approximate implied per share equity value reference range for the Company of $3.18 to $5.90.

The April 29, 2015 preliminary discussion materials noted that such illustrative implied per share equity value for the Company reflected average debt amounts for the Company s fiscal year ended January 31, 2015 (less adjustments to exclude borrowings related to the PGP Business).

Other Matters

Houlihan Lokey was engaged by the Special Committee to act as its financial advisor in connection with the Merger and provide financial advisory services, including an opinion 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. The Special Committee engaged Houlihan Lokey based on Houlihan Lokey s experience and reputation. Houlihan Lokey is regularly engaged to provide financial advisory services in connection with mergers and acquisitions, financings, and financial restructurings. Pursuant to its engagement by the Special Committee, Houlihan Lokey is entitled to an aggregate fee of $650,000 for its services, a portion of which became payable upon the execution of Houlihan Lokey s engagement letter, a portion of which was payable during the course of its engagement and $350,000 of which was payable upon delivery of Houlihan Lokey s opinion. No portion of Houlihan Lokey s fee is contingent upon the successful completion of the Merger. The Company also has agreed to reimburse Houlihan Lokey for certain expenses and to indemnify Houlihan Lokey, its affiliates and certain related parties against certain liabilities and expenses, including certain liabilities under the federal securities laws, arising out of or related to Houlihan Lokey s engagement.

In the ordinary course of business, certain of Houlihan Lokey s employees and affiliates, as well as investment funds in which they may have financial interests or with which they may co-invest, may acquire, hold or sell, long or short positions, or trade, in debt, equity, and other securities and financial instruments (including loans and other obligations) of, or investments in, the Company or any other party that may be involved in the Merger and their respective affiliates or any currency or commodity that may be involved in the Merger.

Houlihan Lokey and certain of its affiliates in the past have provided investment banking, financial advisory and/or other financial or consulting services to the Company and certain affiliated entities, for which services Houlihan Lokey and such affiliates received compensation, including, among other things, (i) acting as a financial advisor to a Special Committee of the Board with respect to a potential sale of the Company to the Anderson Group in 2012 and

(ii) providing transaction advisory services to an entity affiliated with the Anderson Group (other than the Company) in connection with certain potential acquisition transactions in 2012 and 2013. Houlihan Lokey and certain of its affiliates received aggregate fees for the services described in clauses (i) and

(ii) above of $100,000 and approximately $260,000, respectively. Houlihan Lokey and certain of its affiliates in the future may provide investment banking, financial advisory and/or other financial or consulting services to the Company, other participants in the Merger and their respective affiliates, for which services Houlihan Lokey and such affiliates may receive compensation. Furthermore, in connection with bankruptcies, restructurings, and similar matters, Houlihan Lokey and certain of its affiliates in the past may have acted, currently may be acting and in the future may act as financial advisor to debtors, creditors, equity holders, trustees, agents and other interested parties (including, without limitation, formal and informal committees or groups of creditors) that may have included or represented and may include or represent, directly or indirectly, or may be or have been adverse to, the Company, other participants in the Merger and/or their respective affiliates, for which advice and services Houlihan Lokey and such affiliates have received and may receive compensation.

Purchaser Group Members Purposes and Reasons for the Merger

Under the SEC rules governing going private transactions, each Purchaser Group Member is required to express his, her or its purposes and reasons for the Merger to the Company s unaffiliated security holders as defined under Rule 13e-3 of the Exchange Act. Each Purchaser Group Member is making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act. The views of each Purchaser Group Member should not be construed as a recommendation to any Company stockholder as to how that stockholder should vote on the proposal to adopt the Merger Agreement.

For the Purchaser Group Members, a primary purpose for the Merger is to permit the Purchaser Group Members to acquire, through Parent, all shares of Common Stock not owned by them so that the Company can be operated as a privately held company. The Purchaser Group Members believe that in light of the ongoing decline and continuing challenges facing the retail book-selling business, it will be challenging for the Company to compete as a public company. 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.

An additional purpose of the Merger is to enable stockholders other than the Purchaser Group Members to immediately realize the value of their investment in the Company through their receipt of the Merger Consideration of $3.25 in cash, representing a premium of approximately 93% over the trading price for Common Stock on January 29, 2015, the date on which certain Purchaser Group Members initially proposed to acquire the Company, and a premium of 23% over the closing trading price on July 13, 2015, the date of the announcement of the Merger Agreement.

Accordingly, the Purchaser Group Members have decided to undertake the going private transaction at this time for the reasons described above.

The Purchaser Group Members did not consider any other form of transaction because the Purchaser Group Members believed that structuring the transaction as a merger was the most direct and effective way for Parent to acquire all of the outstanding shares of the Company held by stockholders other than the Purchaser Group Members for cash.

Position of the Purchaser Group as to Fairness of the Merger

Under the SEC rules governing going private transactions, each Purchaser Group Member is required to express his, her or its beliefs as to the fairness of the Merger to the Company s unaffiliated security holders as defined under Rule 13e-3 of the Exchange Act. Each Purchaser Group Member is making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act. The views of each Purchaser Group Member should not be construed as a recommendation to any Company stockholder as to how that stockholder should vote on the proposal to adopt the Merger Agreement.

The Purchaser Group Members did not participate in the deliberations of the Special Committee regarding, or receive advice from the Company s or the Special Committee s legal or financial advisors as to, the substantive and procedural fairness of the Merger to the Company s unaffiliated stockholders, nor did the Purchaser Group Members undertake any independent evaluation of the fairness of the Merger to the Company s unaffiliated stockholders, or engage a financial advisor for such purposes. The Purchaser Group Members believe, however, that the Merger is substantively and procedurally fair to the Company s unaffiliated stockholders based on the following factors, among others:

- the Merger Consideration of $3.25 per share represents a premium of approximately 93% over the trading price for the Common Stock on January 29, 2015, the date on which certain Purchaser Group Members initially proposed to acquire the Company, and a premium of 23% over the closing trading price on July 13, 2015, the date of the announcement of the Merger Agreement;

- the belief that the value to unaffiliated stockholders of the Company continuing as an independent public company would not be as great as the Merger Consideration, due to the public market s emphasis on short term results, and the potential risks and uncertainties associated with the near-term prospects of the Company in light of the ongoing decline and continuing challenges facing the retail book-selling business;

- the Merger will provide consideration to the Company s stockholders entirely in cash, thus eliminating any uncertainty in valuing the Merger Consideration and allowing the Company s stockholders to immediately realize a certain value for all of their shares of Common Stock, as a result of which the Company s stockholders will no longer be exposed to the various risks and uncertainties related to continued ownership of the Common Stock, and will have the ability to pursue other investment alternatives;

- the Merger will provide the unaffiliated stockholders with a source of liquidity for a relatively illiquid security, as, with an average daily trading volume over the 50 days prior to the announcement of the Merger of approximately [ ] shares per day, the market for the Common Stock has been limited and relatively illiquid and the Purchaser Group Members believe there is little likelihood that a more active market will develop in the foreseeable future;

- the Merger Agreement allows the Board or an independent committee of the Board (including the Special Committee) to withdraw or change its recommendation of the Merger Agreement in certain circumstances, and to terminate the Merger Agreement in certain circumstances, subject, in certain cases, to the Company reimbursing Parent for up to $1 million, and up to $500,000 in other cases, of Merger-related expenses;

- the Board established a Special Committee of independent directors, consisting solely of directors who are not officers, employees or controlling stockholders of the Company and are not affiliated with the Purchaser Group Members, to evaluate the Purchaser Group Members proposal and negotiate with the Purchaser Group Members;

the Special Committee was deliberative in its process, taking over five months to determine whether the Merger was in the best interests of the Company s unaffiliated stockholders and to analyze, evaluate and negotiate the terms of the Merger;

neither the Purchaser Group Members, nor their affiliates, participated in or had any influence on the deliberative process of, or the conclusions reached by, the Special Committee or the negotiating positions of the Special Committee;

the Special Committee retained independent, nationally recognized legal and financial advisors, each of which has extensive experience in transactions similar to the Merger;

the $3.25 per share Merger Consideration and other terms and conditions of the Merger Agreement resulted from extensive negotiations between the Special Committee and its advisors and the Purchaser Group Members and their advisors;

the Special Committee unanimously determined that the Merger Agreement and the Merger are advisable, substantively and procedurally fair to, and in the best interests of the Company s unaffiliated stockholders;

the Board (with Clyde B. Anderson and Terrence C. Anderson recusing themselves) unanimously (i) approved and adopted the Merger Agreement, (ii) determined that the Merger is advisable, fair to and in the best interest of the Company s unaffiliated stockholders and (iii) resolved to recommend that the stockholders of the Company approve the Merger Agreement;

the fact that the Special Committee received an opinion, dated July 13, 2015, from its financial advisor 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, which opinion was based upon and subject to various assumptions made, procedures followed, factors considered and limitations on the review undertaken;

the Merger is conditioned upon the affirmative vote of the holders of at least a majority of all outstanding shares of Common Stock not held by any Purchaser Group Members or Section 16 officers; and

stockholders who do not vote in favor of the Merger Agreement and who comply with certain procedural requirements will be entitled, upon completion of the Merger, to exercise statutory appraisal rights under Delaware law.

In the course of reaching their determination as to the fairness of the Merger to the Company s unaffiliated stockholders, the Purchaser Group Members also considered a variety of risks and other countervailing factors related to the Merger Agreement and Merger, including the following:

the fact that the Company s unaffiliated stockholders will have no ongoing equity participation in the Company following the Merger and that those unaffiliated stockholders will cease to participate in the Company s future earnings or growth, if any, and will not benefit from increases, if any, in the value of the Common Stock;

the risk that the Merger might not be completed in a timely manner or at all;

the risk, if the Merger is not consummated, that the pendency of the Merger could affect adversely the relationship of the Company and its subsidiaries with their respective customers, employers, suppliers, agents and others with whom they have business dealings;

the fact that the Company will be prohibited from soliciting or taking any actions to knowingly facilitate, encourage or assist, or knowingly induce the making of an alternative acquisition proposal (however, the Company will be able to respond to and engage in discussions of certain unsolicited acquisition proposals, subject to certain conditions, if the Company s Board or an independent committee of the Board (including the Special Committee) determines in good faith that such proposals would reasonably be expected to lead to superior proposals, such proposals did not result from the Company s breach of its obligations under the non-solicitation provisions of the Merger Agreement (other than any such breach caused by Parent, Sub, Clyde B. Anderson or Terrence C. Anderson) and, if the Board or Special Committee determines, after consultation with its counsel, that the failure to take action concerning such proposals would be inconsistent with the directors fiduciary duties under applicable law);

the fact that the Company has incurred and will continue to incur significant transaction costs and expenses in connection with the potential transaction, regardless of whether the Merger is consummated; and

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the fact that the Merger Consideration will be taxable to the Company s taxpaying stockholders.

The Purchaser Group Members did not conduct a going concern valuation of the Common Stock for the purposes of determining the fairness of the Merger Consideration to the unaffiliated stockholders because the Purchaser Group Members believe that the trading price of the Common Stock at any given time represents the best available indicator of the Company s going concern value at that time, so long as the trading price at that time is not impacted by speculation regarding the likelihood of a potential transaction.

In addition, the Purchaser Group Members did not consider the net book value of the Common Stock for the purposes of determining the fairness of the Merger Consideration to the unaffiliated stockholders because they believe that net book value, which is an accounting concept, does not reflect, or have any meaningful impact on, the Company s market value, but rather is an indicator of historical costs.

Moreover, the Purchaser Group Members did not consider liquidation value in determining the fairness of the Merger Consideration to the unaffiliated stockholders because (i) of their belief that liquidation sales generally result in proceeds substantially less than the sales of a going concern, (ii) of the impracticability of determining a liquidation value given the significant execution risk involved in any breakup, (iii) they considered the Company to be a viable going concern and (iv) the Company is expected to continue to operate its business following the Merger.

In making their determination as to the substantive fairness of the Merger to the unaffiliated stockholders, the Purchaser Group Members did not consider the prices paid by the Company or certain members of the Anderson Family for past purchases of the Common Stock since such purchases were made at then-current trading prices of the Common Stock and do not reflect the Company s present market value.

In making their determination as to the substantive fairness of the Merger to the unaffiliated stockholders, the Purchaser Group Members were not aware of any firm offers during the prior two years by any person for (a) the merger or consolidation of the Company with another company, (b) the sale or transfer of all or substantially all of the Company s assets or (c) a purchase of the Company s securities that would enable the holder to exercise control of the Company, except the offer by Party Y described in *Background of the Merger.*

The foregoing discussion of the information and factors considered and given weight by the Purchaser Group Members in connection with the fairness of the Merger is not intended to be exhaustive but includes all material factors considered by the Purchaser Group Members. The Purchaser Group Members did not find it practicable to, and did not, quantify or otherwise assign relative weights to the individual factors considered in reaching their conclusions as to the fairness of the Merger. Rather, the fairness determinations were made after consideration of all of the foregoing factors as a whole.

Plans for the Company After the Merger

It is expected that the Company s operations will be conducted after the Merger substantially as they currently are being conducted. In addition, the Purchaser Group Members have advised the Company that they expect to continue the Company s real estate development and management activities, including by moving forward with the Company s plans to develop the Jacksonville Property, if the purchase of such property is consummated. For purposes of this section, Jacksonville Property refers to those certain parcels of undeveloped land in Jacksonville, Florida, to be purchased pursuant to that certain Purchase and Sale Agreement for Unimproved Land entered into by and among PGP Jacksonville TC, LLC, a subsidiary of the Company, and certain sellers named therein on December 15, 2014 and subsequently amended on March 16, 2015, May 15, 2015, May 22, 2015 and September 3, 2015, as disclosed in the Company s Current Reports on Form 8-K filed on July 17, 2015 and September 9, 2015.

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The directors of Sub will be the directors of the Company immediately following the Merger. The Purchaser Group Members intend that, upon consummation of the Merger, the officers of the Company will remain in their positions.

The Purchaser Group Members have advised the Company that they do not have any current intentions, plans or proposals to cause the Company to engage in any of the following:

- an extraordinary corporate transaction following consummation of the Merger such as a merger, reorganization or liquidation;
- the relocation of any material operations or sale or transfer of a material amount of assets; or
- any other material changes in its business or the composition of its management.

Nevertheless, following consummation of the Merger, the management of the Company and/or Board may initiate a review of the Company and its assets, corporate and capital structure, capitalization, operations, business, properties and personnel to determine what changes, if any, would be desirable following the Merger to enhance the business and operations of the Company and may cause the Company to engage in the types of transactions set forth above if the management and/or Board decides that such transactions are in the best interest of the Company upon such review. The Purchaser Group Members expressly reserve the right to make any changes to the Company s operations after consummation of the Merger that they deem appropriate in light of such evaluation and review or in light of future developments.

Certain Effects of the Merger

If the Merger Agreement is approved by the required vote of the Company s stockholders and the other 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.

Immediately prior to the effective time of the Merger, 9,834,800 shares of Common Stock (the Rollover Shares) held by the Purchaser Group Members will be contributed to Parent in exchange for equity interests in Parent (see *Agreements Involving Common Stock-Rollover Agreements* beginning on page [ ]).

Upon consummation of the Merger:

- each share of Common Stock issued and outstanding immediately prior to the effective time of the Merger (other than shares owned by Parent and Sub (including Rollover Shares), shares owned by the Company as treasury stock and shares owned by stockholders who have perfected and not withdrawn a demand for appraisal rights) will immediately be converted into the right to receive the Merger Consideration, without interest and less applicable withholding taxes; and except as set forth in the Rollover Letter or any Management Rollover Agreement (see Agreements Involving Common Stock; Rollover Agreements beginning on page [ ]), each share of Common Stock subject to restricted stock awards granted under the Company Equity Plan and outstanding immediately prior to the effective time of the Merger shall vest and become free of restrictions and be eligible to receive the Merger Consideration without interest and less any applicable withholding taxes.

Following the Merger, the entire equity in the surviving corporation will ultimately be owned by the Purchaser Group Members. If the Merger is completed, the Purchaser Group Members will be the sole beneficiaries of the Company s future earnings and growth, if any, and will be entitled to vote on corporate matters affecting the Company following the Merger. Similarly, the Purchaser Group Members will also bear the risks of ongoing operations, including the risks of any decrease in the Company s value after the Merger and the operational and other risks related to the incurrence by the surviving corporation of additional debt as described below under *Special Factors Financing* on page [ ].

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If the Merger is completed, the Company s unaffiliated stockholders will have no interest in the Company s net book value or net earnings. The table below sets forth the direct and indirect interests in the Company s net book value and net earnings of the Purchaser Group Members prior to and immediately after the Merger, based upon the net book value of the Company at January 31, 2015, and the net income of the Company for the year ended January 31, 2015.

	Ownership of Company Prior to the Merger			Ownership of Company After the Merger		
	(in thousands except % ownership)					
	% Ownership	Net book value at January 31, 2015	Net income for the year ended January 31, 2015	% Ownership	Net book value at January 31, 2015	Net income for the year ended January 31, 2015
Purchaser Group Members	63.8%	$ 70,756	$ 2,258	100%	$ 110,860	$ 3,538

A primary benefit of the Merger to the Company s stockholders (other than Purchaser Group Members) will be the right of such stockholders to receive the Merger Consideration as described above, representing a premium of approximately 93% over the trading price for Common Stock on January 29, 2015, the date on which certain Purchaser Group Members initially proposed to acquire the Company, and a premium of 23% over the closing trading price on July 13, 2015, the date of the announcement of the Merger Agreement. Additionally, such stockholders will avoid the risk of any possible decrease in the Company s future earnings, growth or value, and the risks related to the Company s additional leverage.

The primary detriments of the Merger to such stockholders include the lack of interest of such stockholders in the Company s potential future earnings, growth or value. Additionally, the receipt of cash in exchange for shares of Common Stock pursuant to the Merger will generally be a taxable sale transaction for U.S. federal income tax purposes to our stockholders who surrender shares of the Common Stock in the Merger.

In connection with the Merger, the Purchaser Group Members will receive benefits and be subject to obligations that are different from, or in addition to, the benefits received by the Company s stockholders generally. The primary benefits of the Merger to the Purchaser Group Members, based on their ownership of all the equity interests in Parent, include their indirect interest in the Company s potential future earnings and growth which, if they successfully execute their business strategies, could be substantial. Additionally, following the Merger, the Company will be a private company, and as such will be relieved of the burdens imposed on companies with publicly traded equity, including the requirements and restrictions on trading that the Company s directors, officers and beneficial owners of more than 10% of the outstanding shares of Common Stock face as a result of the provisions of Section 16 of the Exchange Act. It is estimated that the Company will save approximately $[ ] per year as a result of no longer being a public company. Additionally, following the Merger, Clyde B. Anderson and each of the Management Rollover Stockholders will retain their respective positions within the surviving corporation, and [ ] will be directors of the surviving corporation. Additional anticipated benefits to the Purchaser Group Members include receiving tax-deferred treatment with respect to the contribution of shares of the Common Stock in the transaction pursuant to the Rollover Letter discussed under *Agreements Involving Common Stock-Rollover Agreements* beginning on page [ ].

The primary detriments of the Merger to the Purchaser Group Members include the fact that all of the risk of any possible decrease in the Company s earnings, growth or value, and all of the risks related to the Company s additional leverage, following the Merger will be borne by Parent. Additionally, the investment by the Purchaser Group Members in Parent and the Company will not be liquid, with no public trading market for such securities, and the equity securities of Parent will be subject to contractual restrictions on transfer.

In connection with the Merger, certain members of the Company s management will receive benefits and be subject to obligations that are different from, or in addition to, the benefits and obligations of the Company s stockholders generally, as described in more detail under *Special Factors Interests of the Company s*

Directors and Executive Officers in the Merger beginning on page [ ]. Those incremental benefits are expected to include, among others, certain executive officers continuing as executive officers of the surviving corporation.

The shares of Common Stock are currently registered under the Exchange Act and are quoted on the NASDAQ Global Select Market under the symbol BAMM. As a result of the Merger, the Company will be a privately held corporation and there will be no public market for its shares. After the Merger, the shares of Common Stock will cease to be quoted on the NASDAQ Global Select Market and price quotations with respect to sales of shares of Common Stock in the public market will no longer be available. In addition, registration of the Common Stock under the Exchange Act will be terminated.

At the effective time of the Merger, the certificate of incorporation and by-laws of the Company will be amended and restated to read as set forth in Exhibits B and C, respectively, to the Merger Agreement, and, as so amended and restated, will be the certificate of incorporation and by-laws of the Company following the Merger until thereafter amended in accordance with their respective terms and the DGCL.

Projected Financial Information

Financial projections prepared by management were made available to the Board, the Special Committee, and the Special Committee s advisors. The Special Committee directed the Special Committee s financial advisor to use and rely on the financial projections and other financial and business information summarized below for purposes of its financial analyses and opinion summarized under Opinion of Financial Advisor to the Special Committee. Summaries of these financial projections and forecasts are being included in this proxy statement not to influence your decision whether to vote for or against the proposal to adopt the Merger Agreement, but because these financial projections and forecasts were made available to the Board, the Special Committee and the Special Committee s advisors. No person has made or makes any representation to any stockholder regarding the information included in these financial projections or forecasts.

These financial projections and forecasts are based upon a variety of estimates and numerous assumptions made by the Company s management with respect to, among other matters, industry performance, general business, economic, market and financial conditions and other matters, including the factors described under Cautionary Statement Concerning Forward-Looking Information beginning on page [ ], many of which are difficult to predict, are subject to economic and competitive uncertainties, and are beyond the Company s control. In addition, since the financial projections and forecasts cover multiple years, such information by its nature becomes less reliable with each successive year. As a result, there can be no assurance that the projected results will be realized or that actual results will not be higher or lower than projected.

The financial projections and forecasts do not take into account any circumstances or events occurring after the date they were prepared, and, except as may be required in order to comply with applicable securities laws, the Company does not intend to update, or otherwise revise, the financial projections or forecasts, or the specific portions presented, to reflect circumstances existing after the date when they were made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

The financial projections and forecasts were not prepared with a view toward public disclosure, soliciting proxies or complying with generally accepted accounting principles (GAAP), the published guidelines of the SEC regarding financial projections and forecasts or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial projections and forecasts. Neither Grant Thornton, LLP, the Company s independent registered public accounting firm, nor any other independent registered public accounting firm has examined, compiled or performed any procedures with respect to the accompanying financial projections and forecasts, and, accordingly, neither Grant Thornton, LLP nor any other public accounting firm expresses an opinion or any other form of assurance with respect to such projections and forecasts.

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For the foregoing reasons, as well as the bases and assumptions on which the financial projections and forecasts were compiled, the inclusion of specific portions of the financial projections and forecasts in this proxy statement should not be regarded as an indication that the Company considers such financial projections or forecasts to be necessarily predictive of actual future events, and the projections and forecasts should not be relied on as such an indication. No one has made any representation to any stockholder of the Company regarding the information included in the financial projections and forecasts discussed below.

	Fiscal Year					
	Actual			Projected		
($ s in millions)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net Retail Revenue (1)	$ 473,799	$ 483,420	$ 487,484	$ 494,284	$ 501,138	$ 507,820
Gross Margin (non-GAAP)	$ 138,496	$ 141,848	$ 143,361	$ 145,168	$ 147,171	$ 148,820
Operating Income (non-GAAP)	$ 19,813	$ 16,228	$ 18,369	$ 18,232	$ 18,365	$ 17,665
Real Estate/Other Income (non-GAAP) (2)	$ 1,667	$ 2,736	$ 4,808	$ 6,261	$ 6,238	$ 6,214
Net Income Attributable the Company (non-GAAP)	$ 3,538	$ 691	$ 1,976	$ 3,396	$ 5,099	$ 4,826
Operating Cash Flow	$ 24,655	$ 17,203	$ 17,377	$ 20,060	$ 19,108	$ 17,526
Capital Expenditures (3)	$ 10,395	$ 13,428	$ 12,007	$ 13,033	$ 12,944	$ 11,944
Depreciation (4)	$ 16,861	$ 15,453	$ 16,527	$ 15,257	$ 12,580	$ 12,279
Adjusted EBITDA (5)	$ 19,962	$ 17,727	$ 17,339	$ 17,146	$ 17,229	$ 16,530
Unlevered Free Cash Flow (6)		$ 1,000(7)	$ 8,700	$ 4,300	$ 2,500	$ 1,900

(1) Net retail revenue excludes real estate rental revenue
(2) Real estate income is net of eliminations and includes rental revenue less expenses for the commercial property segment
(3) Capital Expenditures excludes capital expenditures related to the PGP Business
(4) Depreciation excludes amortization and de minimis amounts on capital leases
(5) Earnings Before Interest, Taxes, Depreciation and Amortization, adjusted for certain non-recurring items and removal of income related to the PGP Business
(6) Calculated by the Special Committee s financial advisor for purposes of its discounted cash flow analysis based on internal financial forecasts and other estimates provided by the Company s management
(7) Represents a 205-day stub period

In preparing the foregoing financial projections, the Company made a number of assumptions regarding, among other things, store additions and reductions, mix in store count, net sales growth, gross profit as a percentage of sales, and net operating expenses as a percentage of sales.

Certain information in the financial projections are non-GAAP financial measures. These non-GAAP financial measures are not calculated in accordance with, or a substitute for financial measures calculated in accordance with, GAAP and may be different from non-GAAP financial measures used by other companies. Furthermore, there are limitations inherent in non-GAAP financial measures, in that they exclude a variety of charges and credits that are required to be included in a GAAP presentation. Accordingly, these non-GAAP financial measures should be considered with, and not as an alternative to, GAAP basis financial measures.

Preferred Growth Properties, LLC

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. Preferred Growth Properties owns shopping center properties, which were appraised in 2013 and 2014 by an independent valuation firm in connection with third-party financing provided to the Company with respect to those properties.

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The following is a summary of certain financial and business information which was provided by the Company s management to the Special Committee s financial advisor with respect to the properties owned by Preferred Growth Properties.

Property Location	Year Acquired	Appraisal Date	Date of Appraisal Value
Florence, Alabama	2013	5/15/2013	5/15/2013
Gardendale, Alabama	2014	2/20/2014	2/1/2015
Fayetteville, North Carolina	2014	8/15/2014	8/15/2014
Jacksonville, Florida	2014	9/9/2014	9/9/2014

Aggregate Purchase Price	Aggregate Capital Expenditures Since Acquisition	Aggregate BAMM Investment	Total Appraised Value	Appraisal Cap Rate Range	Total Debt Balance	Cash Balance as of May 30, 2015	Total Tax Basis
	(in millions except cap rate %)						
$29.2	$ 11.6	$ 40.8	$ 50.3	7.00% to 9.00%	$ 29.9	$ 4.5	$ 37.7

Net Operating Losses

The Company s management expects to utilize certain net operating losses. The following is a summary of certain financial and business information which was provided by the Company s management to the Special Committee s financial advisor with respect to the Company NOLs.

	For 6.7 Months Ending 1/31/2016E	For Fiscal Year Ending January 31, 2017E	2018E	2019E	2020E
			(in millions)		
EBT	$ 0.9	$ 3.1	$ 5.7	$ 8.5	$ 8.1
Beginning Balance	$ 21.3	$ 20.4	$ 17.3	$ 11.6	$ 3.1
NOLs Utilized	0.9	3.1	5.7	8.5	3.1
Ending Balance	$ 20.4	$ 17.3	$ 11.6	$ 3.1	$ 0.0
NOLs Utilized	$ 0.9	$ 3.1	$ 5.7	$ 8.5	$ 3.1

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 through a combination of the proceeds of:

- the rollover of the shares of Common Stock held by the Purchaser Group Members immediately prior to the Merger, representing approximately 9,834,800 shares of Common Stock, the equivalent of an investment of approximately $32.0 million based upon the $3.25 Merger Consideration, which is described in the *Rollover Financing* section beginning on page [ ]; and

- borrowings of approximately $18 million under the Company s existing credit facilities.

On March 21, 2011, the Company entered into a credit agreement (the Credit Agreement) for a revolving credit facility (the Credit Facility) with Bank of America, N.A. (Bank of America), as Administrative Agent, Swing Line Lender and Issuing Bank, and a group of participating financial institutions under which the Company may borrow up to the maximum principal amount of $150.0 million, which may be increased to $200.0 million under certain circumstances, and which was originally scheduled to mature on March 21, 2016. On June 28, 2013, the Company entered into an Amended and Restated Credit Agreement with Bank of America whereby the parties agreed, among other things, (i) to extend the maturity date of the Credit Agreement to June 27, 2018, (ii) to lower the applicable margin to 1.50% - 2.00% for LIBOR loans and 0.50% - 1.00% on prime rate loans, and (iii) to lower the fee imposed on the unused portion of the loan to 0.25%. As of August 1, 2015, the maximum principal amount available under the Credit Facility was $115.5 million, based on the calculated borrowing base availability at that time. Interest on borrowings under the Credit Facility is determined based upon the LIBOR rate plus an applicable margin (as specified in the Amended and Restated Credit Agreement). Pursuant to the Amended and Restated Credit Agreement, the participating financial institutions have agreed to make revolving loans to the Company and to issue, up to a $35.0 million sublimit, letters of credit for the Company. Under the Amended and Restated Credit Agreement, Bank of America, in its capacity as Swing Line Lender, has also agreed to make same day advances to the Company in the form of swing line loans up to a $15.0 million sublimit. The obligations of the Company under the Amended and Restated Credit Agreement are secured by the inventories, accounts receivable and certain other personal property of the Company, pursuant to the terms of a security agreement with Bank of America and the other lenders. Additionally, the Amended and Restated Credit Agreement contains certain non-financial covenants. The Company was in compliance with these covenants as of August 1, 2015.

As of August 1, 2015, there were outstanding borrowings under the Credit Facility (excluding the face amount of letters of credit issued thereunder) of $20.1 million, which bear interest at variable rates (with a weighted average of 1.65% as of August 1, 2015 based on the 7-day LIBOR rate plus the applicable margin as of such date). The Company had $9.8 million in borrowings outstanding under the Credit Facility (excluding the face amount of letters of credit issued thereunder) as of January 31, 2015. The face amount of letters of credit issued under the Credit Facility as of both August 1, 2015 and January 31, 2015 was $5.6 million. The maximum and average outstanding borrowings under the Credit Facility (excluding the face amount of letters of credit issued thereunder) during the twenty-six weeks ended August 1, 2015 were $40.0 million and $48.5 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 both August 1, 2015 and January 31, 2015, there was $3.7 million outstanding under the Bond, which bears interest at a variable rate. The interest rate on the Bond was 1.25% at both August 1, 2015 and January 31, 2015. The Bond is held by Wells Fargo Bank, National Association (Wells Fargo). Pursuant to an Amended and Restated Bond Agreement dated June 30, 2011, the Company s subsidiary, American Wholesale Book Company, Inc. (American Wholesale), and Wells Fargo agreed, among other things, (i) to extend the period during which Wells Fargo will hold the Bond until March 13, 2016, (ii) to replace the original guaranty with a new Continuing Guaranty executed by the Company and certain of its subsidiaries, including booksamillion.com, inc. and BAM Card Services, LLC, which obligation provides a maximum liability of $5,880,000 for the Company and its affiliates, jointly and severally, and (iii) that American Wholesale will maintain a standby letter of credit equal at all times to at least the outstanding principal amount of the Bond, which was $3.7 million and included in the aggregate letters of credit mentioned above as of August 1, 2015, for the benefit of Wells Fargo. The Company is obligated to repurchase the Bond on March 13, 2016, unless Wells Fargo exercises the option to extend the Bond s maturity date up to December 1, 2019.

On July 18, 2013, the Company, through its subsidiary PGP Florence, LLC (PGP Florence), entered into a $12.6 million loan agreement for the purpose of financing PGP Florence s real estate development and leasing operations. The loan matures on August 1, 2033 and bears a fixed interest rate of 4.0%. The Company is required to make periodic payments of principal and interest over the term of the loan. The loan is secured by PGP Florence s real estate property, the Renaissance City Center located in Florence, Alabama. The loan agreement contains certain non-financial covenants. The Company was in compliance with these covenants at August 1, 2015. As of August 1, 2015, the outstanding balance of the loan was $11.7 million, of which $0.5 million was classified as short-term borrowings.

On May 30, 2014, PGP Gardendale, LLC, a subsidiary of the Company (PGP Gardendale), entered into a $17.3 million loan agreement for the purpose of financing PGP Gardendale s real estate development and leasing operations. The loan is funded in increments with a first funding, as of May 30, 2014, in the principal amount of $5.0 million. The loan included a Holdback Agreement that provided for additional funding up to $12.3 million based on the scope of the project. During the quarter ended November 1, 2014, the scope of the project was revised to qualify for the Reduced Holdback Amount of $10.0 million. The second funding from the Holdback Agreement was funded on May 19, 2015 increasing the total principal amount by $10.0 million to $15.0 million. The loan matures on June 1, 2034 and bears a fixed interest rate of 5.0%. The Company is required to make periodic payments of principal and interest over the term of the loan beginning on July 1, 2015. The loan is secured by PGP Gardendale s real estate property, the Magnolia City Place located in Gardendale, Alabama. As of August 1, 2015, the outstanding balance of the loan was $14.9 million, of which $0.5 million was classified as short-term borrowings.

On August 18, 2014, PGP Fayetteville, LLC (PGP Fayetteville), a wholly owned subsidiary of the Company, entered into a $3.2 million loan agreement for the purpose of financing PGP Fayetteville s real estate development and leasing operations. The loan matures on September 1, 2029 and bears a fixed interest rate of 4.625%. The Company is required to make periodic payments of principal and interest over the term of the loan beginning on October 1, 2014. The loan is secured by PGP Fayetteville s real estate property, the La Fayette City Place located in Fayetteville, North Carolina. As of August 1, 2015, the outstanding balance of the loan was $3.1 million, of which $0.2 million was classified as short-term borrowings.

Rollover Financing

On July 13, 2015, the Anderson Family entered into the rollover agreement with Parent (the Rollover Agreement), pursuant to which the Anderson Family collectively committed to contribute, immediately prior to the consummation of the Merger, an aggregate amount of 8,879,940 shares of Common Stock to Parent (the equivalent of a $28.9 million investment based on the $3.25 per share Merger Consideration) in exchange for certain equity securities of Parent. Terrance Finley, R. Todd Noden and James Turner (the Management Rollover Stockholders) have entered into a Rollover Agreement with Parent (the Management Rollover Agreement). Pursuant to each Management Rollover Agreement, the Management Rollover Stockholders would, immediately prior to the effective time of the Merger, contribute all or a portion of their shares of Common Stock (including restricted shares), representing approximately 954,860 shares of Common Stock, the equivalent of an investment of approximately $3.1 million based upon the $3.25 Merger Consideration, to Parent in exchange for equity interests in Parent. The Company is not a party to the Rollover Agreement and will not be a party to any Management Rollover Agreement.

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

In considering the recommendation of the Board that you vote to adopt 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. The members of the Special Committee were aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in making it recommendations to the Board, which was also aware of and took into account these interests, among other matters, when making its recommendation to the stockholders of the Company that the Merger Agreement be adopted. See *Special Factors Background of the Merger* beginning on page [ ], and *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page [ ].

The Company s stockholders should take these interests into account in deciding whether to vote FOR the adoption of the Merger Agreement. These interests are described in more detail below, and certain of them are quantified in the narrative and the table below.

Clyde B. Anderson and Terrence C. Anderson

As of the closing of the Merger, the Company will be owned by Parent. Clyde B. Anderson, the executive chairman and a director of the Company, and Terrence C. Anderson, a director of the Company, along with the other Purchaser Group Members, will own all of the Common Stock of Parent. For a description of the treatment of the Common Stock beneficially owned by Clyde B. Anderson, Terrence C. Anderson and the other Purchaser Group Members in the Merger and a discussion of their continuing interest in the Company, see *Special Factors Certain Effects of the Merge*r beginning on page [ ].

Management Rollover Stockholders

Subsequent to the execution of the Merger Agreement, Terrance G. Finley, R. Todd Noden and James F. Turner each entered into a Management Rollover Agreement, pursuant to which, each 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. For a description of the treatment of the Common Stock beneficially owned by Messrs. Finley, Noden and Turner and the other Purchaser Group Members, see *Special Factors Certain Effects of the Merger* beginning on page [ ].

Restricted Common Stock

If the Merger is completed, each share of Common Stock subject to restricted stock awards granted under the Company s Equity Plan 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.

We estimate the aggregate amount that would be payable to the Company s directors and executive officers (other than Clyde B. Anderson, Terrence C. Anderson and Terrance G. Finley, R. Todd Noden and James F. Turner) as a result of the full vesting and settlement of outstanding restricted shares is approximately $211,767.

For additional information about beneficial ownership of Common Stock by directors and executive officers, see *Important Information Regarding Books-A-Million Security Ownership of Management and Certain Beneficial Owners* beginning on page [ ].

Indemnification/ Insurance

The Company s bylaws provide for indemnification of directors and executive officers against certain liabilities that may arise by reason of their status or service as directors or officers. In addition, pursuant to the Merger Agreement, the Company s directors and executive officers will be entitled to certain ongoing indemnification from Parent and the surviving corporation and coverage under directors and officers liability insurance policies. The indemnification and insurance provisions in the Merger Agreement are further described in the section entitled *The Merger Agreement Other Covenants and Agreements Indemnification; Directors and Officers Insurance* on page [ ].

Compensation of the Special Committee

The Special Committee consists of two independent members of the Board, Edward W. Wilhelm and Ronald J. Domanico. At a meeting of the Board held on February 25, 2015, the Board adopted resolutions providing for the following compensation structure for each member of the Special Committee:

A one-time fee of $35,000, paid in cash.

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In recommending and approving the compensation structure, the Board considered, among other things, precedent compensation structures for special committees formed for purposes comparable to those for which the Special Committee was formed. The Board considered the nature and scope of the proposed transaction and the time expected to be required by the Special Committee member and chair. The Board also considered the advantages and disadvantages of alternative arrangements, including retainers and per-meeting fees, and determined that the fee structure chosen was consistent with the precedent for comparable transactions that it reviewed with counsel.

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

The following is a general discussion of the material U.S. federal income tax consequences of the Merger to U.S. holders (as defined below) of Common Stock whose shares are exchanged for cash pursuant to the Merger. This discussion does not address U.S. federal income tax consequences with respect to non-U.S. holders. This discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable U.S. Treasury regulations, judicial opinions, and administrative rulings and published positions of the Internal Revenue Service, each as in effect as of the date hereof. These authorities are subject to change, possibly on a retroactive basis, and any such change could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion does not address any tax considerations under state, local or foreign laws or U.S. federal laws other than those pertaining to the U.S. federal income tax. This discussion is not binding on the Internal Revenue Service or the courts and therefore could be subject to challenge, which could be sustained. We do not intend to seek any ruling from the Internal Revenue Service with respect to the Merger.

For purposes of this discussion, the term U.S. holder means a beneficial owner of Common Stock that is:

- a citizen or individual resident of the United States;
- a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- a trust if (1) a court within the United States is able to exercise primary supervision over the trust s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or
- an estate, the income of which is subject to U.S. federal income tax regardless of its source.

This discussion applies only to U.S. holders of Common Stock who hold such shares as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that may be relevant to a U.S. holder in light of its particular circumstances, or that may apply to a U.S. holder that is subject to special treatment under the U.S. federal income tax laws, including, for example, insurance companies, dealers or brokers in securities or foreign currencies, traders in securities who elect the mark-to-market method of accounting, U.S. holders subject to the alternative minimum tax, persons that have a functional currency other than the U.S. dollar, tax-exempt organizations, banks and certain other financial institutions, mutual funds, certain expatriates, partnerships or other pass-through entities or investors in partnerships or such other entities, U.S. holders who hold Common Stock as part of a hedge, straddle, constructive sale or conversion transaction, U.S. holders who will hold, directly or indirectly, an equity interest in the surviving corporation, and U.S. holders who acquired their Common Stock through the exercise of employee stock options or other compensation arrangements.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Common Stock, the tax treatment of a partner in that partnership will generally depend on the status of the partners and the activities of the partnership. If you are a partner of a partnership holding Common Stock, you should consult your tax advisor.

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Holders of Common Stock are urged to consult their own tax advisors to determine the particular tax consequences to them of the Merger, including the applicability and effect of the alternative minimum tax and any state, local, foreign or other tax laws.

The receipt of cash by U.S. holders in exchange for Common Stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. holder that receives cash in exchange for Common Stock pursuant to the Merger will recognize gain or loss in an amount equal to the difference, if any, between (1) the amount of cash received and (2) the U.S. holder s adjusted tax basis in those shares.

If a U.S. holder s holding period in the Common Stock surrendered in the Merger is greater than one year as of the effective date of the Merger, the gain or loss will be long-term capital gain or loss. Long-term capital gains of certain non-corporate holders, including individuals, are generally subject to U.S. federal income tax at preferential rates. The deductibility of a capital loss recognized on the exchange is subject to limitations. If a U.S. holder acquired different blocks of Common Stock at different times and different prices, that holder must determine its adjusted tax basis and holding period separately with respect to each block of Common Stock.

Medicare Tax on Unearned Income

For taxable years beginning after December 31, 2012, certain taxable U.S. holders that are individuals, trusts, or estates with adjusted gross income in excess of certain thresholds are subject to a 3.8% tax on all or a portion of net investment income, which includes gains recognized upon a disposition of stock. U.S. holders that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to any gain recognized pursuant to the Merger.

Information Reporting and Backup Withholding

Payments made to U.S. holders in exchange for Common Stock pursuant to the Merger may be subject, under certain circumstances, to information reporting and backup withholding (currently at a rate of 28%). To avoid backup withholding, a U.S. holder that does not otherwise establish an exemption should complete and return Internal Revenue Service Form W-9, certifying the holder is a U.S. person, the taxpayer identification number provided is correct and the holder is not subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. holder s U.S. federal income tax liability, if any, if that holder furnishes the required information to the Internal Revenue Service in a timely manner.

Fees and Expenses

Except as described under *The Merger Agreement* *Fees and Expenses* *Expense Reimbursement Provisions*, if the Merger is not completed, all fees and expenses incurred in connection with the Merger will be paid by the party incurring those fees and expenses, except that the Company will pay the costs of proxy solicitation and printing and mailing this proxy statement and the Schedule 13E-3 and all SEC filing fees with respect to the transaction. Total fees and expenses incurred or to be incurred by the Company in connection with the Merger are estimated at this time to be as follows:

		Amount to be Paid
Financial advisory fee and expenses	$	
Legal, accounting and other professional fees	$	
SEC filing fees	$	5,819.26
Proxy solicitation, printing and mailing costs	$	
Transfer agent and paying agent fees and expenses	$	
Total	$	

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Anticipated Accounting Treatment of the Merger

The Merger will be accounted for in accordance with U.S. generally accepted accounting principles. The Company is currently researching whether the Merger constitutes a change of control under U.S. generally accepted accounting principles, which will impact whether the purchase method of accounting or historical book values will be used to account for the transaction.

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 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.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents incorporated by reference in this proxy statement, include forward-looking statements that reflect our current views as to the expected completion and timing of the Merger and other information relating to the Merger. These statements can be identified by the fact that they do not relate strictly to historical or current facts. There are forward-looking statements throughout this proxy statement, including under the headings, among others, *Summary Term Sheet*, *Questions and Answers About the Special Meeting and the Merger*, *The Special Meeting*, *Special Factors*, and *Important Information Regarding Books-A-Million*, and in statements containing the words aim, anticipate, are confident, estimate, expect, will be, will continue, will likely result, project believe and other words and terms of similar meaning in conjunction with a discussion of future operating or financial performance or other future events. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise, except as required by law. In addition to other factors and matters referred to or incorporated by reference in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement;
- the outcome of any legal proceedings that have been or may be instituted against the Company or others relating to the Merger Agreement;
- the inability to complete the Merger because of the failure to obtain the Company stockholder approval or the majority of the minority approval, failure of the Company to draw funds from the Company s existing credit facility required to fund the Merger Consideration or the failure to satisfy other conditions to consummation of the Merger;
- the failure of the Merger to close for any other reason;
- the risk that the pendency of the Merger disrupts current plans and operations and potential difficulties in employee retention as a result of the pendency of the Merger;
- the effect of the announcement of the Merger on our business relationships, operating results and business generally;
- the amount of the costs, fees, expenses and charges related to the Merger;

and other risks detailed in our filings with the SEC, including our most recent filings on Forms 10-Q and 10-K. See *Where You Can Find Additional Information* beginning on page [ ]. Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect management s views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements.

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THE PARTIES TO THE MERGER

Books-A-Million, Inc.

For information about the Company, see *Important Information Regarding Books-A-Million Company Background* beginning on page [ ] and *Where You Can Find Additional Information* beginning on page [ ].

Family Acquisition Holdings, Inc.

Family Acquisition Holdings, Inc. (or 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.

Family Merger Sub, Inc.

Family Merger Sub, Inc. (or 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.

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THE SPECIAL MEETING

Date, Time and Place

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by the Board for use at the special meeting to be held on [ ], 2015, starting at [ ], Central Time, at our corporate office annex located at 121 West Park Drive, Birmingham, Alabama 35211, or at any adjournment or postponement thereof.

The purpose of the special meeting is for our stockholders to consider and vote upon the adoption of the Merger Agreement. Both the Company stockholder approval and the majority of the minority stockholder approval must be obtained for the Merger to occur. A copy of the Merger Agreement is attached to this proxy statement as Annex A. This proxy statement and the enclosed form of proxy are first being mailed to our stockholders on [ ], 2015.

In addition, in accordance with Section 14A of the Exchange Act, the Company is providing its stockholders with the opportunity to cast a non-binding, advisory vote on the compensation that may be payable to its named executive officers in connection with the Merger, the value of which is disclosed in the table in the section of the proxy statement entitled *Advisory Vote on Merger Related Compensation* beginning on page [ ]. The vote on executive compensation payable in connection with the Merger is a vote separate and apart from the vote to adopt the Merger Agreement. Accordingly, a stockholder may vote to approve the executive compensation and vote against adoption of the Merger Agreement, or vice versa. Because the vote on executive compensation is advisory in nature only, it will not be binding on either the Company or Parent. Accordingly, because the Company is contractually obligated to pay the compensation if the Merger is approved, the compensation will become payable if the Merger closes, subject only to the conditions applicable thereto, regardless of the outcome of the advisory vote.

Record Date and Quorum

The holders of record of Common Stock as of the close of business on [ ], 2015, the record date for the 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. On the record date, [ ] shares of Common Stock were issued and outstanding.

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. Proxies received but marked as abstentions will be included in the calculation of the number of shares considered to be present at the special meeting. Broker non-votes, as described below under *The Special Meeting Required Vote Broker Non-Votes*, will not be considered to be present for purposes of determining whether a quorum exists.

Required Vote

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 any Purchaser Group Members or any 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.

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 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 the majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter.

Broker Non-Votes

In accordance with the rules of the NASDAQ, banks, brokers and other nominees who hold Common Stock in street name for their customers do not have discretionary authority to vote those shares with respect to the adoption of the Merger Agreement, the advisory (non-binding) proposal on executive compensation payable to the Company s named executive officers in connection with the Merger, or 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. Accordingly, if banks, brokers or other nominees do not receive specific voting instructions from the beneficial owners of those shares, they are not permitted to vote those shares with respect to any of the proposals to be presented at the special meeting (this is known as a broker non-vote). As a result, if you hold your Common Stock in street name and you do not provide voting instructions, your Common Stock 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. Assuming a quorum is present, however, broker non-votes will have no effect on the advisory (non-binding) proposal on executive compensation payable to the Company s named executive officers in connection with the Merger or the adjournment proposal.

Abstentions

Proxies received but marked as abstentions will be included in the calculation of the number of shares of Common Stock represented at the special meeting for purposes of determining whether a quorum is present. Such proxies will have the same effect as a vote AGAINST the proposal to adopt the Merger Agreement, the advisory (non-binding) vote on the compensation that may be payable to the named executive officers 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.

Voting; Proxies; Revocation

Attendance

All holders of Common Stock as of the close of business on [ ], 2015, the record date for voting at the special meeting, including stockholders of record and beneficial owners of Common Stock registered in the street name of a bank, broker or other nominee, are invited to attend the special meeting. If you are a stockholder of record, please be prepared to provide proper identification, such as a driver s license. If you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or letter from your bank, broker or other nominee, along with proper identification.

Voting in Person

Stockholders of record will be able to vote in person at the special meeting. If you are not a stockholder of record, but instead hold your shares in street name through a bank, broker or other nominee, you must provide a proxy executed in your favor from your bank, broker or other nominee in order to be able to vote in person at the special meeting.

Providing Voting Instructions by Proxy

To ensure that your shares are represented at the special meeting, we recommend that you provide voting instructions promptly by proxy, even if you plan to attend the special meeting in person.

Record Holders

If you are a stockholder of record, you may provide voting instructions by proxy using one of the methods described below.

Submit a Proxy by Telephone or via the Internet. This proxy statement is accompanied by a proxy and voting instruction card with instructions for submitting voting instructions. You may vote by telephone by calling the toll-free number or via the Internet by accessing the Internet address as specified on the enclosed proxy and voting instruction card by the deadlines set forth on the card. Your shares will be voted as you direct in the same manner as if you had completed, signed, dated and returned your proxy and voting instruction card, as described below.

Submit a Proxy and Voting Instruction Card. If you complete, sign, date and return the enclosed proxy and voting instruction card by mail so that it is received before the special meeting, your shares will be voted in the manner directed by you on your proxy and voting instruction card.

If you sign, date and return your proxy and voting instruction card without indicating how you wish to vote, your proxy will be voted in favor of the proposal to adopt the Merger Agreement, the proposal 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. If you fail to return your proxy and voting instruction card, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting (unless you are a record holder as of the record date and attend the special meeting in person) and will have the same effect as a vote against the adoption of the Merger Agreement, but will not affect the vote regarding the advisory (non-binding) proposal on executive compensation payable to the Company s named executive officers 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 obtain the majority of the minority stockholder approval.

Street Name Shares

If your shares are held by a bank, broker or other nominee on your behalf in street name, your bank, broker or other nominee will send you instructions as to how to provide voting instructions for your shares by proxy. Many banks and brokerage firms have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by proxy card.

Revocation of Proxies

Your proxy is revocable. If you are a stockholder of record, you may revoke your proxy at any time before the vote is taken at the special meeting by:

submitting a new proxy with a later date, by using the telephone or Internet proxy submission procedures described above, or by completing, signing, dating and returning a new proxy and voting instruction card by mail to the Company;

attending the special meeting and voting in person; or

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giving written notice of revocation to the Secretary of the Company at 402 Industrial Lane, Birmingham, Alabama 35211 or by giving notice of revocation in open meeting.

Attending the special meeting without taking one of the actions described above will not revoke your proxy. Please note that if you want to revoke your proxy by mailing a new proxy and voting instruction card to the Company or by sending a written notice of revocation to the Company, you should ensure that you send your new proxy and voting instruction card or written notice of revocation in sufficient time for it to be received by the Company before the day of the special meeting.

If you hold your shares in street name through a bank, broker or other nominee, you will need to follow the instructions provided to you by it in order to revoke your proxy or submit new voting instructions.

Adjournments and Postponements

The special meeting may be adjourned or postponed from time to time, including for the purpose of soliciting 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, although this is not currently expected. If there is present, in person or by proxy, sufficient favorable voting power to secure the vote of the stockholders of the Company necessary to adopt the Merger Agreement, the Company does not anticipate that it will adjourn or postpone the special meeting. Any signed proxies received by the Company in which no voting instructions are provided on the adjournment proposal will be voted in favor of adjournment, if the proposal is introduced.

Solicitation of Proxies

We will bear the cost of our solicitation of proxies. This includes the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding Common Stock. We may solicit proxies by mail, personal interview, email, telephone, or via the Internet. The Company has retained Okapi Partners LLC (Okapi Partners), a proxy solicitation firm, to assist it in the solicitation of proxies for the special meeting and will pay Okapi Partners a fee of $[ ], plus reimbursement of out-of-pocket expenses. In addition, the Company has agreed to indemnify Okapi Partners against certain liabilities including liabilities arising under the federal securities laws. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to beneficial owners and will be reimbursed for their reasonable out-of-pocket expenses incurred in sending proxy materials to beneficial owners.

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THE MERGER AGREEMENT

The following is a summary of the material provisions of the Merger Agreement, a copy of which is attached to this proxy statement as Annex A, and which we incorporate by reference into this proxy statement. The provisions of the Merger Agreement are extensive and not easily summarized. We encourage you to read carefully the Merger Agreement in its entirety, as the rights and obligations of the parties to the Merger Agreement are governed by the express terms of the Merger Agreement and not by this summary or any other information contained in this proxy statement. In addition, you should read Agreements Involving Common Stock beginning on page [ ], which summarizes the Voting Agreement and Rollover Agreement, as certain provisions of these agreements relate to certain provisions of the Merger Agreement.

Explanatory Note Regarding the Merger Agreement

The Merger Agreement and this summary of its terms have been included to provide you with information regarding the terms of the Merger Agreement. Factual disclosures about the Company contained in this Proxy Statement or in the Company s public reports filed with the SEC may supplement, update or modify the factual disclosures about the Company contained in the Merger Agreement and described in this summary. The representations, warranties and covenants made in the Merger Agreement by the Company, Parent and Sub to the other parties to the Merger Agreement were qualified and subject to important limitations agreed to by the Company, Parent and Sub in connection with negotiating the terms of the Merger Agreement. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the Merger Agreement may have the right not to close the Merger if the representations and warranties of the other party prove to be untrue, due to a change in circumstance or otherwise, and allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed with the SEC, and in some cases were qualified by disclosures that were made by each party to the Merger Agreement to the other, which disclosures are not reflected in the Merger Agreement. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this Proxy Statement, may have changed since the date of the Merger Agreement, July 13, 2015. Additional information about the Company may be found elsewhere in this proxy statement and in the Company s other public filings. See *Where You Can Find Additional Information* beginning on page [ ].

Structure of the Merger

At the effective time of the Merger, Sub will merge with and into the Company and the separate corporate existence of Sub will cease. The Company will be the surviving corporation in the Merger and will continue to be a Delaware corporation after the Merger. At the closing of the Merger, the certificate of incorporation and the bylaws of the Company, as amended and restated pursuant to the Merger Agreement, will be the certificate of incorporation and bylaws of the surviving corporation.

The directors of Sub immediately prior to the effective time of the Merger will be the initial directors of the surviving corporation and will serve until their earlier death, resignation or removal in accordance with the articles of incorporation and the bylaws of the surviving corporation. The officers of the Company immediately prior to the effective time will be the initial officers of the surviving corporation and will serve until their successors are duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the articles of incorporation and the code of regulations of the surviving corporation.

When the Merger Becomes Effective

The closing of the Merger will take place no later than the second business day after the satisfaction or waiver of the conditions to closing provided for in the Merger Agreement (other than any condition that by its nature cannot be satisfied until the closing of the Merger, but subject to satisfaction of any such condition), at a place to be agreed by the Company and Parent. The Merger will become effective at the time (which we refer to as the effective time) when the parties file a certificate of merger with the Secretary of State of the State of Delaware, to be executed, acknowledged and filed in accordance with the relevant provisions of Delaware law, or at such later date or time as may be agreed by Parent and the Company in writing and specified in the certificate of merger in accordance with Delaware law.

Effect of the Merger on the Common Shares of the Company and Sub

At the effective time, each outstanding common share of the Company (other than any cancelled shares (as described below, including Rollover Shares) and any dissenting shares) will be converted automatically into and will represent the right to receive $3.25 in cash per share, without interest (the Merger Consideration).

Each share of Common Stock of the Company that is held by the Company, Parent or Sub immediately prior to the effective time (which we refer to as a cancelled share) will be cancelled automatically and will cease to exist, and no consideration will be delivered in exchange for such cancellation.

Each share of Common Stock of the Company that is issued and outstanding immediately prior to the effective time that is held by any stockholder who delivers to the Company, in accordance with Delaware law, a written demand for payment of the fair cash value for that dissenting share will not be converted into the right to receive the Merger Consideration, unless and until the stockholder loses its rights as a dissenting stockholder.

At the effective time, each common share of Sub issued and outstanding immediately prior to the effective time will be converted into one common share of the surviving corporation.

Treatment of Company Equity Awards

Each share of Common Stock subject to restricted stock awards granted under the Company Equity Plan, (which shares are also referred to as restricted shares) and outstanding immediately prior to the effective time (other than any share that is a Rollover Share) 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 of restricted stock will be subject to any required withholding taxes, and will be paid by the surviving corporation.

Payment for the Common Stock in the Merger

At the effective time, Parent will deposit, or will cause to be deposited, with Wells Fargo Shareowner Services or such other bank or trust company that may be jointly designated by the Company and Parent as the paying agent, in trust for the benefit of holders of Common Stock (other than any cancelled shares, including Rollover Shares, and dissenting shares), sufficient funds for timely payment of the Merger Consideration.

As soon as reasonably practicable and not later than the second business day following the effective time, the surviving corporation will cause the paying agent to mail to each holder of record of Common Stock whose shares of Common Stock were converted into the right to receive Merger Consideration a letter of transmittal and instructions for use in effecting the surrender of certificates (or affidavits of loss in lieu of certificates) that formerly represented Common Stock or non-certificated shares represented by book-entry in exchange for the Merger Consideration.

Representations and Warranties

The Merger Agreement contains representations and warranties of the Company as to, among other things:

- corporate organization, existence and good standing, including with respect to the Company s subsidiaries;

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the capitalization of the Company, including in particular the number of shares of Common Stock and restricted stock awards outstanding and the existence of any preemptive rights or rights of first refusal with respect to the Common Stock;

corporate power and authority to enter into the Merger Agreement and to consummate the transactions contemplated by it;

required regulatory filings and authorizations, consents or approvals of government entities and consents or approvals required of other third parties;

the absence of certain violations, defaults or consent requirements under certain contracts, organizational documents and law, in each case arising out of the execution and delivery of, and consummation of, the Contemplated Transactions;

the accuracy of the Company s and its subsidiaries filings with the SEC and of the financial statements included in the SEC filings;

the truth and accuracy of the Company s proxy statement and Schedule 13E-3 to be filed with the SEC;

the absence of certain undisclosed liabilities for the Company and its subsidiaries;

conduct of the Company s business and the absence of a Company Material Adverse Effect (as defined below) since January 31, 2015;

pending or threatened legal proceedings;

compliance with laws;

the payment of taxes, the filing of tax returns and other tax matters related to the Company and its subsidiaries;

material contracts of the Company and its subsidiaries;

intellectual property owned, licensed or used by the Company or its subsidiaries;

- title to all real property owned by the Company or its subsidiaries, leasehold interests under enforceable leases in all of the properties leased by the Company or its subsidiaries and other matters pertaining to real property;
- the existing credit agreement of the Company and the absence of any impediments to the drawdown of approximately $21 million from the Company s credit facility to fund the Merger Consideration
- the absence of any fees or commissions owed to investment bankers, finders or brokers in connection with the Merger;
- receipt of an opinion from the Special Committee s financial advisor;
- the Company s use of all necessary action to ensure that anti-takeover provisions of applicable law will not apply to the Merger; and
- the Company stockholder approval.

The Merger Agreement also contains representations and warranties of Parent and Sub as to, among other things:

- corporate organization and good standing;
- power and authority to enter into the Merger Agreement and to consummate the transactions contemplated by it;
- required regulatory filings and authorizations, consents or approvals of government entities and consents or approvals required of other third parties;

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- the accuracy of the information provided by Parent and Sub to be included in the proxy statement and Schedule 13E-3;
- Sub s operations;
- the absence of any fees or commissions owed to investment bankers, finders or brokers in connection with the Merger;
- Parent s and Sub s share ownership; and
- Parent s delivery of the Rollover Agreements and the Voting Agreement, and the lack of other agreements, contracts, arrangements or understandings between Parent, Sub or any of their affiliates on the one hand, and any of the Company s or its subsidiaries directors, officers, employees or stockholders on the other hand, that relate to the Contemplated Transactions.

Many of the representations and warranties in the Merger Agreement are qualified by knowledge or materiality qualifications or a material adverse effect clause.

For purposes of the Merger Agreement, a Company Material Adverse Effect, means any effect, event, fact, development, circumstance, condition or change (a Effect) that, considered together with all other Effects, has had or would reasonably be expected to have or result in a material adverse effect on:

- the business, condition (financial or otherwise, including cash condition), operations, assets or financial performance of the Company and its subsidiaries taken as a whole, other than any such Effect resulting from
  - any decrease in the market price of the Common Stock (but not any effect underlying such decrease to the extent that such Effect would otherwise constitute a Company Material Adverse Effect);
  - conditions generally affecting the economy or financial markets generally or the industry in which the Company and its subsidiaries operate;
  - any Effect resulting from the announcement or pendency of the Merger Agreement or the transactions contemplated by the Merger Agreement, including the initiation or continuation of litigation by any person with respect to or related to the subject matter of the Merger Agreement (including any litigation, action, suit, proceeding or investigation made or brought by any of the current or former stockholders of the Company (on their own behalf or on behalf of the Company) that assert allegations of a breach of fiduciary duty relating to the Merger Agreement, or violations of securities laws in connection with the proxy statement);

changes in law or generally accepted accounting principles, interpretations or enforcement thereof;

the occurrence, escalation, outbreak or worsening of any acts of war, armed hostilities, sabotage or terrorism (including cyber-terrorism or cyber-attacks) threatened or underway as of the date of the Merger Agreement;

the existence, occurrence or continuation of any force majeure event, including any earthquakes, floods, hurricanes, tropical storms, fires or other national disasters;

any failure by the Company to meet any published analyst estimates or expectations of the Company s revenue, earnings or other financial performance or results of operations for any period, in and of itself, or any failure by the Company to meet its internal or published projections, budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations, in and of itself (however, the Effects underlying any such failure (if not otherwise falling within one of the other listed exceptions) may be taken into account in determining whether a Company Material Adverse Effect has occurred);

any action taken or not taken by the Company or any of its subsidiaries, in each case that is required or specifically contemplated by the Merger Agreement; or

any action taken or not taken by or at the request of Parent or Clyde B. Anderson or Terrence C. Anderson;

provided that any Effect resulting from any of the matters described in the second, fourth, fifth or sixth bullets may be taken into account in determining whether or not there has been, or is reasonably expected to be, a Company Material Adverse Effect if, but only if, such Effect has a disproportionate adverse effect (and solely to the extent of such disproportionate adverse effect) on the Company and its subsidiaries, taken as a whole, as compared to other companies in the industry in which the Company and its subsidiaries operate; or

the ability of the Company to consummate the Contemplated Transactions or to perform any of its covenants or obligations under this Agreement, other than any such Effect resulting from any of the matters described in the immediately preceding eighth and ninth bullets.

For the purpose of the Merger Agreement, a material adverse effect, with respect to Parent or Sub, means any Effect that, considered together with all other Effects, has had or would reasonably be expected to have a material adverse effect on the ability of Parent or Sub to consummate the Merger or to consummate the Contemplated Transactions.

Conduct of Business Pending the Merger

The Merger Agreement provides that, subject to certain exceptions or Parent s consent, during the period from the signing of the Merger Agreement to the effective time, the Company must, and will cause each of its subsidiaries to, ensure that the business and operations of the Company and each of its subsidiaries be conducted in the ordinary course of business and in accordance with past practice, and in compliance with all applicable laws and the requirements of the Company s material contracts (including the Company s credit agreement) . In addition, subject to certain exceptions or Parent s written consent, the Company must not and shall cause each of its subsidiaries not to:

issue, deliver, sell, grant, dispose of, pledge or otherwise encumber, or authorize or propose the issuance, sale, grant, disposition, pledge or other encumbrance of any shares of its capital stock or any other ownership interest of the Company or any subsidiaries or any securities convertible into or exchangeable for any such shares or any other ownership interest, or any rights, warrants or options to acquire any such shares or any other ownership interest or any convertible or exchangeable securities, or any other securities of the Company or any of its subsidiaries in lieu of outstanding Common Stock;

redeem, purchase or otherwise acquire any outstanding shares of capital stock or other securities of the Company or its subsidiaries, or propose to do so;

split, combine, subdivide or reclassify any Common Stock or declare, accrue, set aside for payment or pay any dividend in respect of any Common Stock, except for dividends by certain subsidiaries in the ordinary course of business and consistent with past practices;

acquire, sell, lease, license, or dispose of any assets or right other than in the ordinary course of business and consistent with past practices;

(i) incur, issue or assume any indebtedness or guarantee or otherwise become liable for any indebtedness (including increasing the indebtedness under Company contracts in existence as of the date of the Merger Agreement), other than certain loans and letters of credit under the Company s credit agreement, subject to certain conditions, (ii) make any loans, advances (other than certain expense advances to employees in the ordinary course) or capital contributions to, or investments in, any other person or entity, other than to the Company or a wholly owned subsidiary, or (iii) sell or transfer, or create, assume or suffer to exist any lien on any accounts receivable (other than in the ordinary course of business and consistent with past practices);

modify, amend, supplement or terminate, or waive any provision of, the Company s credit agreement or any other loan document;

establish, adopt or enter into any benefit plan, pay any bonus or increase the salary or other compensation payable to any of its directors or any of its officers, other than as required by law or by written agreement in effect on or prior to the date of the Merger Agreement;

enter into or become bound by, or terminate or amend any of the Company s material contracts, other than in the ordinary course of business and consistent with past practices;

change any of our accounting benefits other than as required by law or generally accepted accounting principles;

amend our charter or bylaws, or form any subsidiary;

acquire any equity interest or other interest in any other entity or effect or become a party to any merger, consolidation, plan of arrangement, share exchange, business combination stock split, reverse stock split or similar transaction;

make any capital expenditure in excess of $9,300,000 in the aggregate;

make any pledge of any of its assets or permit any of its assets to become subject to any liens, subject to certain exceptions;

promote any employee or change any employee s title except for employees having a title of Vice President or below, or hire any employee or independent contractor with annual target cash compensation in excess of $200,000;

make or change any material tax election, except in the ordinary course of business and consistent with past practices;

commence any legal proceeding except with respect to routine collection matters in the ordinary course of business and consistent with past practices, legal proceedings to enforce the Merger Agreement or the Voting Agreement, legal proceedings in connection with the Merger Agreement undertaken in accordance certain agreed-on control of defense procedures or legal proceedings in connection with the Voting Agreement;

- settle any legal proceeding; or

- enter into any contract to do any of the above.

Other Covenants and Agreements

Access and Information

During normal business hours throughout the period prior to the effective time, the Company must, and must cause its representatives to, provide Parent and Parent s representatives reasonable access to the Company s properties, books, records, tax returns, work papers, documents and such other information as Parent reasonably requests. Prior to the effective time, the Company must provide to Parent and Parent s representatives all information concerning the business, properties and personnel of the Company and its subsidiaries as Parent reasonably requests, and provide copies of certain material notices sent to the Company or its subsidiaries.

No Solicitation

Pursuant to the Merger Agreement, except as described below, the Company and its subsidiaries have agreed not to, and to instruct 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, 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; or

- take any action that would render any of the restrictions of any of the Takeover Statutes inapplicable to any person (other than Parent, Sub or any Purchaser Group Members).

An Acquisition Proposal is any inquiry, indication of interest, proposal or offer made by any person (other than Parent or any of its affiliates) contemplating or otherwise relating to any Acquisition Transaction.

An Acquisition Transaction is any transaction or series of related transactions involving: (a) any merger, exchange, consolidation, business combination, plan of arrangement, issuance of securities, acquisition of securities, reorganization, recapitalization, takeover offer, tender offer, exchange offer or other similar transaction: (i) in which a person or group (as defined in the Exchange Act) of persons directly or indirectly acquires beneficial or record ownership of securities representing more than 20% of the outstanding securities of any class of voting securities of the Company or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the consolidated assets of the Company (as determined on a book value basis); or (ii) in which any of the Company or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the consolidated assets of the Company (as determined on a book value basis) issues securities representing more than 20% of the outstanding securities of any class of the Company s or such subsidiary s voting securities; (b) any sale, lease, exchange, transfer, license or disposition of any business or businesses or assets that constitute or account for 20% or more of the consolidated net revenues, consolidated net income or consolidated assets of the Company and its subsidiaries taken as a whole; or (c) any liquidation or dissolution of any of the Company or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the consolidated assets of the Company (as determined on a book value basis).

Takeover Statutes means any fair price, moratorium, control share acquisition or any other takeover or anti-takeove statute or similar federal or state law, including the restrictions on business combinations set forth in Section 203 of the DGCL.

If, prior to the receipt of the Company stockholder approval and the majority of the minority stockholder approval, (i) the Company receives an unsolicited Acquisition Proposal that the Board or an independent committee (including the Special Committee) determines in good faith is or could reasonably be expected to result in a Superior Proposal, (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 (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 provided that such person and its representatives enter into a customary confidentiality 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, or enter into discussion with, such person;

waive any standstill provision that would prohibit a person or group from communicating an Acquisition Proposal to the Company, the Board or an independent committee; provided that the

Company concurrently gives notice to Parent of the existence of such standstill provision and the identity of the person or group subject to such standstill provision; and

participate in discussions or negotiations with that person and its representatives regarding the unsolicited Acquisition Proposal.

For purposes of this proxy statement, a Superior Proposal is an unsolicited *bona fide* written offer by a third party to acquire, directly or indirectly, by merger or otherwise, a majority of the outstanding shares of Common Stock or businesses or assets that constitute or account for a majority of the consolidated net revenues, consolidated net income or consolidated assets of the Company and its subsidiaries, taken collectively, that: (a) did not result from a breach of the non-solicitation provisions of the Merger Agreement (other than any such breach caused by Parent or Clyde B. Anderson or Terrence C. Anderson); (b) is not subject to a financing contingency and in respect of which any required financing is then committed; and (c) is determined by the Board or an independent committee of the Board (including the Special Committee), in its good faith judgment, after obtaining and taking into account the advice of an independent financial advisor of nationally recognized reputation and after taking into account, among other things, all legal, financial, regulatory and other aspects of the offer, including any conditions, and the identity of the offeror and the likelihood and anticipated timing of consummation, to be more favorable from a financial point of view to the stockholders of the Company (other than Purchaser Group Members) than the Contemplated Transactions.

The Company must promptly provide to Parent any nonpublic information concerning the Company or any of its subsidiaries that is provided to the person making the unsolicited Acquisition 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 unsolicited Acquisition Proposal, including the identity of the party making such alternative 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;

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.

For purposes of this proxy statement, Company Recommendation means the Board s determination that the Merger Agreement and the Contemplated Transactions, including the Merger, are advisable and in the best interests of the Company s stockholders (other than any Purchaser Group Members and the Section 16 officers of the Company); the Board s approval of the Merger Agreement and the Contemplated Transactions, including the Merger; and the recommendation that the stockholders of the Company approve the adoption of the Merger Agreement and the Merger.

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 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

make a change- in-recommendation in response to a Superior Proposal, if the Board or an independent committee of the Board (including the Special Committee) determines in good faith, after consultation with its outside legal 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 an independent committee of the Board (including the Special Committee) may only make a change-in-recommendation if the Board or an independent committee of the Board (including the 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.

Nothing in the Merger Agreement will prohibit the Company or the Board (or any committee thereof) from (i) disclosing to its stockholders a position contemplated by Rules 14d-9 and 14e-2(a) promulgated under the Exchange Act, or from issuing a stop, look and listen statement pending disclosure of its position thereunder or (ii) making any disclosure to its stockholders if the Board determines in good faith, after consultation with its outside legal counsel, that the failure of the Board to make such disclosure would be reasonably likely to violate U.S. federal or state securities laws or would be inconsistent with the directors exercise of their fiduciary obligations to the Company s stockholders under applicable law; provided, however, that in no event may the board effect a change-in-recommendation except in accordance with the provisions of the Merger Agreement described above.

Stockholder Approval

The Company will take all action necessary in accordance with Delaware law and its articles of incorporation and bylaws to duly call, give notice of, convene and hold a meeting of its stockholders as promptly as practicable following the mailing of this proxy statement for the purpose of obtaining the Company stockholder approval and the majority of the minority stockholder approval and, subject to certain limitations described in *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page [ ], use all reasonable efforts to solicit from its stockholders proxies in favor of the adoption of the Merger Agreement.

Reasonable Best Efforts

Subject to the terms and conditions of the Merger Agreement, each of the parties to the Merger Agreement will use its reasonable best efforts (subject to, and in accordance with, applicable law) to do or cause to be done promptly all things reasonably necessary, proper or advisable to consummate the Merger and the other transactions contemplated by the Merger Agreement, including:

- obtaining from governmental entities any actions, non-actions, clearances, waivers, consents, approvals, permits or orders required to be obtained;
- making all registrations, filings, notifications or submissions required under any applicable state or federal securities laws or other applicable law;
- furnishing all information required for any application or other filing to be made pursuant to any applicable law;
- keeping the other party promptly informed of any material communication received by such party from, or given by such party to, any governmental entity;
- permitting the other party to review any material communication (and considering the other party s reasonable comments to) delivered to, any consulting with the other party in advance of any meeting or conference with any governmental entity (including allowing the other party the opportunity to participate in any such meeting or conference);
- avoiding the entry of, or having vacated or terminated, any decree, order or judgment that would restrain, prevent or delay the Merger and the Contemplated Transactions; and
- executing and delivering any additional instruments necessary to consummate the Merger and the Contemplated Transactions.

Indemnification; Directors and Officers Insurance

From and after the effective time, Parent will, and will cause the surviving corporation to, indemnify and hold harmless, and provide advancement of expenses to, the present and former officers and directors of the Company and its subsidiaries (each of whom we refer to as an indemnified party) in respect of acts or omissions in their capacity as an officer or director of the Company or any of its subsidiaries or any of their respective predecessors or as an officer, director, employee, fiduciary or agent of another agent if the indemnified party was serving in such capacity at the request of the Company or any of its subsidiaries, to the fullest extent permitted by the DGCL or provided under the certificate of incorporation, bylaws and any indemnification agreements and any other governing documents of the Company and its subsidiaries in effect on the date of the Merger Agreement.

Parent will purchase a tail policy for a period from after the effective time until six years from the effective time with the same coverage, scope, amounts and terms of the current directors and officers liability insurance maintained by the Company as are in effect as of the date of the Merger Agreement (subject to a maximum aggregate premium of 250% of the cost of the current directors and officers liability insurance).

Drawdown

The Company is required to take all necessary action and execute and deliver all necessary documents and certificates, to borrow sufficient funds under the Company s existing credit agreement and to distribute such funds to the Company to fund the aggregate Merger Consideration and make other payments required to be made by the surviving corporation at the closing in connection with the Merger and the Contemplated Transactions.

Stockholder Litigation

Each party will give the other the opportunity to participate in the defense or settlement of any stockholder litigation against the any party or its directors relating to the Merger or any other transactions contemplated by the Merger Agreement, whether commenced prior to or after the execution and delivery of the Merger Agreement, and the Company will not settle any such litigation without Parent s prior written consent.

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Other Covenants

The Merger Agreement contains additional agreements between the Company, Parent and Sub relating to, among other matters:

- the filing of this proxy statement with the SEC (and cooperation in response to any comments from the SEC with respect to this proxy statement);
- the coordination of press releases and other public announcements or filings relating to the Contemplated Transactions;
- antitakeover statues or regulations that become applicable to the Contemplated Transactions;
- certain matters relating to Section 16 of the Exchange Act;
- certain restrictions on additional holders of shares of Common Stock that rollover over such shares in exchange for equity interests in Parent;
- the de-listing of the Common Stock from NASDAQ and the deregistration under the Exchange Act; and
- obtaining a solvency opinion (which was obtained on August 27, 2015) from an independent appraisal or valuation firm before the mailing of this proxy statement and a bring-down of such opinion from the valuation firm at the closing of the Merger.

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 Company stockholder approval has been obtained;
- that the non-waivable majority of the minority 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 (the Board received such solvency opinion on August 27, 2015) 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 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;

- 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; and

- that Parent shall have delivered a certificate confirming the accuracy of its representations and warranties and performance of its obligations.

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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 Company Material Adverse Effect;
- 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 Company shall have delivered a certificate confirming the accuracy of its representations and warranties and performance of its obligations;
- 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 under the Company s existing credit agreement shall be continuing.

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 with such termination, reimburses Parent for certain expenses (as described in greater detail below));
- the Merger has not been completed by 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

if the Company stockholder approval and the majority of the minority 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.

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

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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.

Fees and Expenses

Except as otherwise provided in the Merger Agreement, as described in this *The Merger Agreement Fees and Expenses* section, whether or not the Merger is consummated, all costs and expenses incurred in connection with the Merger will be paid by the party incurring or required to incur them.

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 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.

Amendments and Modification

The Merger Agreement may be amended, modified and supplemented in any and all respects, whether before or after any vote of the stockholders of the Company at any time prior to the effective time, by written agreement of the Company, Parent and Sub and by action of their respective boards of directors, with the Company acting solely through the Special Committee or a similar independent committee. However, following receipt of the Company stockholder approval and the majority of the minority approval, no amendment may be made to the Merger Agreement that by law requires further approval or authorization by the stockholders of the Company without such further approval or authorization.

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.

Governing Law

The Merger Agreement is governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law thereof or of any other jurisdiction.

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AGREEMENTS INVOLVING COMMON STOCK

Voting Agreement

In connection with the Merger Agreement, Parent, the Anderson Family and the Company entered into a Voting Agreement, dated as of the date of the Merger Agreement (the Voting Agreement). On the terms and conditions set forth in the Voting Agreement, members of the Anderson Family have agreed to vote all of the Common Stock over which they have voting power (representing an aggregate of [ ]% of the Company s total outstanding voting power as of the record date) for the adoption of the Merger Agreement.

The foregoing description of the Voting Agreement is qualified in its entirely by the full text of such agreement, a copy of which is filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on July 13, 2015 and is incorporated herein by reference.

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 (including restricted shares held by Clyde B. Anderson and Terrence C. Anderson) in exchange for equity interests in Parent.

The foregoing description of the Rollover Letter is qualified in its entirely by the full text of such agreement, a copy of which is filed as Exhibit 19 to the amended Schedule 13D filed by the Anderson Family on July 13, 2015 and is incorporated herein by reference.

Subsequent to the execution of the Merger Agreement, Terrance Finley, R. Todd Noden and James Turner (the Management 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 and restricted stock to Parent in exchange for equity interests in Parent. The form of Management Rollover Agreement is filed as Exhibit 23 to the amended Schedule 13D filed by the Purchaser Group Members on August 18, 2015 and is incorporated herein by reference. The foregoing description of the Management Rollover Agreement does not purport to be complete, and is qualified in its entirety by reference thereto.

Stockholder Agreement

Certain members of the Anderson Family, consisting of Charles C. Anderson, Joel R. Anderson, Charles C. Anderson, Jr., Terrence C. Anderson, Clyde B. Anderson, and Harold M. Anderson, are parties to the Anderson Family Stockholder Agreement, dated as of January 1, 2005 (the Family Stockholder Agreement), which by its terms would become effective upon the closing of the Merger and also be binding upon the other Anderson Family at that time. The Family Stockholder Agreement provides, among other things, for restrictions on transferability, ownership requirements, and certain put and call rights. The Anderson Family anticipates replacing the Family Stockholder Agreement before the closing of the Merger with a new stockholder agreement to which each member of the Anderson Family would be a party, although the terms of any such new agreement have not been determined.

The Family Stockholder Agreement is filed as Exhibit 22 to the amended Schedule 13D filed by Anderson BAMM Holdings, LLC on July 13, 2015 and is incorporated herein by reference. The description of the Family Stockholder

Agreement does not purport to be complete, and is qualified in its entirety by reference thereto.

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Group Administration Agreement

The Purchaser Group Members are parties to a Group Administration Agreement (the Group Administration Agreement), dated as of April 9, 2007, with Abroms & Associates, P.C. (the Group Administrator), pursuant to which each of the Purchaser Group Members have authorized the Group Administrator to coordinate and administer their transactions in the Common Stock in order to provide for the orderly purchase and disposition of their shares of Common Stock.

Kayrita M. Anderson and the Lauren A. Anderson Irrevocable Trust joined the Group Administration Agreement on September 2, 2008 and April 10, 2014, respectively, and the other Anderson Family entered into the Group Administration Agreement on April 9, 2007.

The Group Administration Agreement is filed as Exhibit 1 to the Schedule 13D filed by Anderson BAMM Holdings, LLC on April 9, 2007 and is incorporated herein by reference. The description of the Group Administration Agreement does not purport to be complete, and is qualified in its entirety by reference thereto.

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PROVISIONS FOR UNAFFILIATED STOCKHOLDERS

No provision has been made (i) to grant the Company s unaffiliated stockholders access to the corporate files of the Company, any other party to the Merger or any of their respective affiliates, or (ii) to obtain counsel or appraisal services at the expense of the Company, or any other such party or affiliate.

IMPORTANT INFORMATION REGARDING BOOKS-A-MILLION

Company Background

General

Books-A-Million, Inc. is a leading book retailer primarily located in the eastern United States and operates both superstores and traditional bookstores. Superstores, the first of which was opened in 1987, range in size from 8,000 to 39,000 square feet and operate under the names Books-A-Million, BAM!, Books and Co. and 2nd & Charles. Traditional bookstores are smaller stores operated under the names Bookland, Books-A-Million and BAM!. These stores range in size from 2,000 to 10,300 square feet and are located primarily in enclosed malls. All store formats generally offer an extensive selection of best sellers and other hardcover and paperback books, magazines, toys, games, electronics and gifts. In addition to these retail store formats, we offer our products over the internet at Booksamillion.com. Our retail operations also include the operation of Yogurt Mountain Holding, LLC, a retailer and franchisor of self-serve frozen yogurt stores. The Company owns a 50.1% ownership interest in Yogurt Mountain Holding, LLC, and we consolidate its results of operations in our results of operations. The remaining 49.9% interest in Yogurt Mountain Holding, LLC is held by Anderson Private Capital Partners I, L.P. We also develop and manage commercial real estate investments through our subsidiary Preferred Growth Properties, LLC. The Company owns a 94.9% ownership interest in Preferred Growth Properties, LLC. 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.

We were founded in 1917, originally incorporated under the laws of the State of Alabama in 1964 and reincorporated in Delaware in September 1992. Our principal executive offices are located at 402 Industrial Lane, Birmingham, Alabama 35211, and our telephone number is (205) 942-3737. Unless the context otherwise requires, references to we, our, us or the Company include our consolidated subsidiaries, American Wholesale Book Company, Inc. (American Wholesale), booksamillion.com, inc., BAM Card Services, LLC, Preferred Growth Properties, LLC (PGP), PGP Florence, LLC, PGP Gardendale, LLC, PGP Fayetteville, LLC, PGP Jacksonville, LLC, PGP Jacksonville TC, LLC, Pickering Partners, LLC and Yogurt Mountain Holding, LLC.

Our periodic and current reports filed with the Securities and Exchange Commission (SEC) are made available on our website at www.booksamillioninc.com as soon as reasonably practicable. Our code of conduct and key committee charters are also available on our website. These reports are available free of charge to stockholders upon written request. Such requests should be directed to R. Todd Noden, our Executive Vice President and Chief Financial Officer. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including us, at http://www.sec.gov.

Business Segments

We have three reportable operating segments: retail trade; electronic commerce trade; and real estate development and management. In the retail trade segment, we are primarily engaged in the retail sale of books, magazines and general merchandise, including gifts, cards, games, toys, collectibles, music, DVDs, electronic devices and accessories at our retail stores. The retail trade segment includes our distribution center operations, which predominantly supply merchandise to our retail stores, as well as Yogurt Mountain owned stores and franchises. In the electronic commerce trade segment, we are engaged in the retail sale of books and general merchandise over the internet. This segment is managed separately due to divergent technology and marketing requirements. The real estate development and management segment is managed separately from the retail trade and electronic commerce trade segments, with a focus on deriving revenues through developing and leasing commercial retail real estate for purposes of earning rental income.

Properties

Our bookstores are generally located either in enclosed malls or strip shopping centers. Our Yogurt Mountain stores are typically located in strip shopping centers as well, but some are located within our superstore locations. Substantially all of our stores are leased. Generally, these leases have terms ranging from three to ten years and require that we pay a fixed minimum rental fee and/or a rental fee based on a percentage of net sales together with certain customary costs (such as property taxes, common area maintenance and insurance). The Company owns the land and related property at the location of two of our retail stores.

Retail Stores

We developed superstores to capitalize on the growing consumer demand for the convenience, selection and value associated with the superstore retailing format. Each superstore is designed to be a receptive and open environment conducive to browsing, reading and shopping and includes ample space for promotional events open to the public, including book autograph sessions and children s storytelling. We operated 193 superstores as of August 1, 2015 (and we operated 196 superstores as of January 31, 2015).

Our superstores emphasize selection, value and customer service. Each of our superstores offers an extensive selection of books, magazines and general merchandise, including gifts, cards, games, toys, collectibles, music, DVDs, electronic devices and accessories. Each superstore has a service center staffed with associates who are knowledgeable about the store s merchandise and who are trained to answer customers questions, assist customers in locating books within the store and placing special orders. The majority of our superstores also include either a Joe Muggs café, serving Joe Muggs coffee and assorted pastries and other edible items, or a Yogurt Mountain, serving frozen yogurt with self-serve toppings.

Our traditional stores are tailored to the size, demographics and competitive conditions of the particular market area. Traditional stores are located primarily in enclosed malls and generally feature a wide selection of books, magazines, gifts and other products. We operated 63 traditional stores as of August 1, 2015 (we operated 60 traditional stores as of January 31, 2015).

Our Yogurt Mountain locations offer self serve frozen yogurt and toppings. Yogurt Mountain stores are typically located in strip shopping centers, although some are located within our superstore locations. Our locations are broken down into owned locations and franchise locations. As of August 1, 2015, there were 25 owned locations, of which 14 were located within our superstores (there were the same number of owned locations as of January 31, 2015). As of August 1, 2015, we manage 17 franchise locations, and we managed the same number of franchise locations as of January 31, 2015.

Merchandising

We employ several value-oriented merchandising strategies. Books on our best-seller list, which list is developed by us based on the sales and customer demand in our stores, are generally sold in our superstores at or below publishers suggested retail prices. In addition, customers can join the Millionaire s Club, which is a loyalty program for our customers, and save a minimum of 10% on almost all purchases in any of our retail stores, including already discounted best-sellers. Our point-of-sale computer system provides data designed to enable us to anticipate consumer demand and customize store inventory selection to reflect local customer interest.

Marketing

We promote our bookstores principally through the use of traditional direct mail, e-mail and online advertising, as well as through point-of-sale materials posted and distributed in our stores. In certain markets, radio and newspaper advertising is also used on a selective basis. We also arrange for special appearances and book autograph sessions with recognized authors to attract customers and to build and reinforce customer awareness of our stores. A substantial portion of our advertising expenses are reimbursed from publishers through their cooperative advertising programs.

Store Operations and Site Selection

In choosing specific store sites within a market area, we apply standardized site selection criteria that take into account numerous factors, including the local demographics, desirability of available leasing arrangements, proximity to our existing stores and stores of our competitors and overall level of retail activity. In general, stores are located on major high-traffic roads convenient to customers and have adequate parking. We generally negotiate short-term leases with renewal options. We also periodically review the profitability trends and prospects of each of our stores and evaluate whether any underperforming stores should be closed, converted to a different format or relocated to more desirable locations.

Internet Operations

On *booksamillion.com,* we sell a wide selection of books, magazines and general merchandise, including gifts, cards, games, toys, collectibles, music, DVDs, electronic devices and accessories and other products similar to those sold in our superstores. Our internet operations also include bulk sales to businesses. Our internet business operates in a highly competitive environment. We believe that the principal competitive factors for our internet business include selection, price and convenience, including fast and reliable fulfillment. We therefore continually evaluate these areas of the business to ensure we are remaining competitive within the marketplace.

Real Estate Development and Management Operations

The real estate development and management segment of our business is focused on developing and leasing commercial real estate properties in order to generate rental income. The success of this segment is dependent on our ability to identify undervalued properties for acquisition and successfully develop these properties in order to maximize their value. Additionally, we manage our own properties, which enables us to better control our operating expenses and establish and maintain long-term relationships with our tenants. As of August 1, 2015, we owned four commercial real estate properties (and we owned the same number of commercial real estate properties as of January 31, 2015). At that time, our properties in Florence, Alabama, Fayetteville, North Carolina and Gardendale, Alabama were fully operational and our property in Jacksonville, Florida was partially operational and under development.

Purchasing

Our merchandise purchasing decisions are made by our merchandising department on a centralized basis. Our buyers negotiate terms, discounts and cooperative advertising allowances for all of our bookstores and decide which products to purchase, in what quantity and for which stores. The buyers use current inventory and sales information provided by our in-store point-of-sale computer system to make reorder decisions.

We purchase merchandise from over 3,000 vendors. We purchase the majority of our collectors   supplies from Anderson Press, Inc. and substantially all of our magazines from Anderson Media Corporation, each of which is a related party. During the fiscal years ended January 31, 2015 and February 1, 2014, our top 5 vendors accounted for approximately 49.1% and 46.6%, respectively, of our overall merchandise purchases, with no one vendor accounting for more than 16.1% in fiscal 2015 or 13.3% in fiscal 2014 of such purchases. As of January 31, 2015 approximately 70.4% of our inventory may be returned to the vendors for credit, which substantially reduces our risk of inventory obsolescence.

Distribution Capabilities

Our subsidiary, American Wholesale, receives a substantial portion of our inventory shipments, including substantially all of our books, at its two facilities located in Florence, Alabama and Tuscumbia, Alabama. Orders from our bookstores are processed by computer and assembled for delivery to our stores on pre-determined weekly schedules. Substantially all deliveries of inventory from American Wholesale facilities are made by a dedicated transportation fleet. At the time at which deliveries are made to each of our stores, returns of slow moving or obsolete products are picked up and returned to the American Wholesale returns processing center. American Wholesale then returns these products to vendors for credit, if credit is available.

Competition

The retail book business is highly competitive, and competition within the industry is fragmented. We face direct competition from other superstores, such as Barnes & Noble, and we also face competition from mass merchandisers, such as Wal-Mart and Costco, and online retailers, such as Amazon.com, Barnes & Noble and Wal-Mart. Our bookstores also compete with specialty retail stores that offer books in particular subject areas, independent single store operators, variety discounters, drug stores, warehouse clubs, mail order clubs and other retailers offering books. In addition, our bookstores face additional competition from the market for electronic books and may face competition from other categories of retailers entering the retail book market. We believe that the key competitive factors in the retail book industry are convenience of location, selection, customer service, price and ease of access to content.

Our internet operations also face competition from online retailers such as Amazon.com, Barnes & Noble and Wal-Mart, as well as online marketplaces. The competition within this segment is largely based on price and availability of products. Many of our current and potential competitors for our internet operations have greater resources, longer histories, more customers and greater brand recognition than we do. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to technology, infrastructure, fulfillment and marketing. Other companies also may enter into business combinations or alliances that strengthen their competitive positions.

Seasonality

Similar to many retailers, our business is seasonal, with the highest retail sales, gross profit and net income historically occurring in our fourth fiscal quarter. This seasonal pattern reflects the increased demand for books and gifts during the year-end holiday selling season. Working capital requirements are generally at their highest during the third fiscal quarter and the early part of the fourth fiscal quarter due to the seasonality of our business. Consequently, our 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 likely have a material adverse effect on our results of operations for the full year. In addition to seasonality, our 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, the impact of closed stores, as well as other factors. Accordingly, the addition of a large number of new stores, or closure of stores in a particular fiscal quarter could adversely affect our results of operations for that quarter.

Trademarks

The primary trademarks of the Company are: Books-A-Million, BAM!, BAM! Books-A-Million, Bookland, Bool Co., 2nd & Charles, Books are Just the Beginning, Millionaire s Club, Sweet Water Press, Thanks-A-Million, Night Reader, Read & Save Rebate, Readables Accessories for Readers, Kids-A-Million, Toys-A-Million, Teac First, The Write Price, Bambeanos, Hold That Thought, Book$mart, BAMM, BAMM.com, BOOKSAMI

BAM.com , BOOKSAMILLION.COM, Chillatte, Joe Muggs Newsstand, Page Pets, JOEMUGGS.com,

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FAITHPOINT, Joe Muggs, Snow Joe, Summer Says, On the John University, OTJU, American Wholesale Company, AWBC , PROTECTIT and NetCentral.

Employees

As of August 1, 2015, we employed approximately 2,191 full-time associates and 2,920 part-time associates. As of January 31, 2015, we employed approximately 2,400 full-time associates and 3,000 part-time associates. The number of part-time associates employed fluctuates based upon seasonal needs. None of our associates is covered by a collective bargaining agreement. We believe that relations with our associates are good.

Directors and Executive Officers

The Board presently consists of five members. The persons listed below are the directors and executive officers of Books-A-Million as of the date of this proxy statement.

Name	Age	Current Position and Office
Clyde B. Anderson	55	Director, Executive Chairman of the Board
Terrence C. Anderson	57	Director
Ronald G. Bruno	63	Director
Ronald J. Domanico	57	Director
Edward W. Wilhelm	56	Director
Terrance G. Finley	62	Chief Executive Officer and President
R. Todd Noden	51	Chief Financial Officer
James F. Turner	52	Executive Vice President/Real Estate and Business Development

Clyde B. Anderson has served as the Executive Chairman of the Board since March 2012. Mr. Anderson served as Chairman and Chief Executive Officer of the Company from May 2009 to March 2012, when Mr. Terrance G. Finley was elected to the position of Chief Executive Officer of the Company. On August 20, 2009, Mr. Anderson was re-elected to the position of President, which position he held until August 23, 2011 when Mr. Finley was promoted to the position of President and Chief Operating Officer of the Company. Mr. Anderson served as the Executive Chairman of the Board 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 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 Hibbett Sports, Inc., a sporting goods retailer, from 1987 to 2008. Mr. Anderson is the brother of Terrence C. Anderson, a member of the Company s Board. Mr. Anderson is not an independent director under the listing standards of the NASDAQ.

Terrence C. Anderson has served as a director of the Company since April 1998. Mr. Anderson serves as the Chairman 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 Board. Mr. Anderson is not an independent director under the NASDAQ listing standards.

Ronald G. Bruno has served as the President of Bruno Capital Management Corporation, an investment company, since 1995 and as the Chairman of Bruno Event Team, LLC, a sports marketing firm, since 1996. He 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. He also served on the Board for Russell

Corporation from 1992 to 2006 and on the Board for SouthTrust Bank, N.A. from 1986 to 2004. Mr. Bruno has been determined to be independent by the Board as defined by the NASDAQ listing standards.

Ronald J. Domanico is currently SVP Strategic Initiatives and Capital Markets of Recall Corporation, a global provider of digital and physical information management services, serving in such capacity since March 2015. Mr. Domanico also serves on the board of NanoLumens, a private corporation that designs and manufactures digital LED displays, serving in such capacity since April 2015. Mr. Domanico is recently retired from HD Supply (HDS), where he served as Senior Vice President and Chief Financial Officer. While at HDS, Mr. Domanico played a key role in the company s successful initial public offering in 2013. Prior to HDS, Mr. Domanico was Senior Vice President, Chief Financial Officer, and a member of the Board of Caraustar Industries, Inc. from 2002 to 2009. Prior to Caraustar, Mr. Domanico held various senior financial management positions, most notably Senior Vice President and Chief Financial Officer of Nabisco International. Mr. Domanico has been determined to be independent by the Board as defined by Nasdaq listing standards. Mr. Domanico is a member of the Special Committee.

Edward W. Wilhelm is currently Executive Vice President, Chief Financial Officer of The Finish Line, Inc., a specialty retailer of athletic shoes, apparel, and accessories, serving in such capacity since March 2009. He has served as a director of the Company since May 2013. Previously, Mr. Wilhelm served as Executive Vice President and Chief Financial Officer of Borders Group, Inc. from 2000 to 2009. From 1997 to 2000, Mr. Wilhelm was Vice President of Planning, Reporting, and Treasury for Borders Group, Inc. and served as Vice President of Finance from 1994 through 1997. Mr. Wilhelm is a Certified Public Accountant. Mr. Wilhelm has been determined to be independent by the Board as defined by the NASDAQ listing standards. Mr. Wilhelm is the chair of the Special Committee.

Terrance G. Finley has served as the Chief Executive Officer of the Company since March 13, 2012 and as the Company s President since August 23, 2011. He served as the Company s Chief Operating Officer from August 23, 2011 until March 13, 2012. Prior to his promotion to the positions of President and Chief Operating Officer on August 23, 2011, Mr. Finley served as Executive Vice President and Chief Merchandising Officer of the Company beginning in August 2009 and as President, Books-A-Million, Inc. Merchandising Group beginning in October 2005. Mr. Finley served as Executive Vice President of Books-A-Million, Inc. from October 2001 to October 2005. Mr. Finley served in various other capacities in the merchandising department from April 1994 to December 1998. Mr. Finley served as the General Manager of Book$mart from February 1992 to April 1994. Prior to joining the Company, Mr. Finley served as the Vice President-Sales for Smithmark Publishers. Mr. Finley was appointed to the Board of Directors of Hibbett Sports, Inc., a sporting goods retailer, on March 14, 2008.

James F. Turner has served as the Executive Vice President/Real Estate and Business Development since August 23, 2011. He had previously served as the Company s Vice President/Real Estate beginning in June 2003. Prior to June 2003, Mr. Turner held several positions in the Company s finance department, including Controller. Before joining the Company, Mr. Turner served as a Division Controller for Belk, Inc.

R. Todd Noden has served as Chief Financial Officer since April 25, 2012 and was promoted to Executive Vice President on March 28, 2014. Prior to joining the Company, Mr. Noden served as Chief Financial Officer and Chief Operating Officer for Dobbs Mills, LLC, a textile manufacturing company (2011-2012), Vice President of Accounting & Financial Analysis of RaceTrac Petroleum, Inc. (2006-2011) and in various management consulting roles for more than 10 years prior to 2006.

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The following table presents the number of stores located in each state and the District of Columbia as of January 31, 2015:

State	Number of Superstores as of 1/31/15	Number of Superstores as of 8/1/15	Number of Traditional Book Stores as of 1/31/15	Number of Traditional Book Stores as of 8/1/15	Number of Yogurt Mountain Stores as of 1/31/15	Number of Yogurt Mountain Stores as of 8/1/15
Florida	30	31	1	1	11	11
Alabama	20	19			9	9
Pennsylvania	6	6	13	12		
Georgia	14	14	3	3	1	1
Tennessee	15	15	1	1	5	5
Virginia	12	11	3	2		
North Carolina	11	10	3	3	2	2
South Carolina	11	11	1	1	5	5
Ohio	7	7	5	6	1	1
Texas	8	8	2	2	1	1
Louisiana	9	9	1	1	1	1
Mississippi	6	6	3	3	1	1
West Virginia	5	5	4	5	1	1
Maryland	4	4	4	5	2	2
Kentucky	3	3	3	3	1	1
Indiana	5	5	1	1		
Illinois	3	3	2	3		
Michigan	3	3	1	1		
New Jersey	1	1	3	3		
Arkansas	3	3			1	1
Iowa	3	3				
Missouri	3	3				
Maine	2	2	1	1		
New Hampshire	2	2	1	1		
Wisconsin	1	1	2	2		
Connecticut	1	1	1	1		
Kansas	1	1	1	2		
Colorado	2	2				
Washington, DC	1	0				
Nebraska	1	1				
Oklahoma	1	1				
South Dakota	1	1				
Delaware	1	1				
Total	**196**	**193**	**60**	**63**	**42**	**42**

American Wholesale owns a wholesale distribution center located in an approximately 308,000 square foot facility in Florence, Alabama. In addition, we lease the tractor fleet operated by American Wholesale, which tractors pull the Company-owned and leased trailers and comprise our transportation fleet.

American Wholesale operates a facility located in Tuscumbia, Alabama that serves as a distribution facility and a facility used to refurbish store fixtures for use in our current stores. The square footage of the distribution facility is 178,000 square feet. The square footage of the fixture facility is 56,600 square feet. The distribution facility is leased on a ten year term ending on February 28, 2017. The fixture facility is leased on a five year term ending on December 31, 2019. Our principal executive offices are located in a 20,550 square-foot building located in Birmingham, Alabama that is leased on a ten year term ending on May 31, 2024. Each of these three leases involves related parties.

In addition, we lease approximately 4,034 square feet of office space in Franklin, Tennessee and an additional 8,320 square-foot building located in Birmingham, Alabama for additional corporate office space. The Franklin, Tennessee space is leased on a five year term ending on October 31, 2016. The Birmingham, Alabama space is leased on an eight year term ending on May 23, 2020. During the 2014 fiscal year, we purchased a 28,300 square-foot building located in Birmingham, Alabama that is used for additional corporate office space.

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The Company, through its PGP subsidiary, also owns shopping centers in Florence, Alabama, Gardendale, Alabama, Fayetteville, North Carolina and Jacksonville, Florida that it leases to tenants. The four properties combined encompass approximately 364,000 square feet.

We consider our existing properties to be adequate for our present needs and believe that our existing leases are reasonable and appropriate based on location.

The Company is a party to various legal proceedings incidental to its business. The Company accrues for costs related to these matters when a loss is probable and the amount of the ultimate liability can be reasonably estimated. In the opinion of management, after consultation with legal counsel, there were no matters that required an accrual as of January 31, 2015 or February 1, 2014, nor were there any asserted or unasserted claims for which material losses were reasonably possible.

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 that 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 were recorded for these obligations on the Company s balance sheet at each of January 31, 2015 and February 1, 2014, as such liabilities were not probable at such dates.

Prior Public Offerings

During the past three years, the Company has not made any underwritten public offering of Common Stock for cash that was registered under the Securities Act of 1933 or exempt from registration under Regulation A.

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Part I Financial Statements and Supplementary Data

The following are the financial statements of Books-A-Million, Inc. and its subsidiaries. The financial statements included below are:

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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, 2015 and February 1, 2014, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders equity, and cash flows for the years then ended. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Books-A-Million Inc. and subsidiaries as of January 31, 2015 and February 1, 2014 and the results of their operations and their cash flows for each of the two years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Atlanta, Georgia

April 17, 2015

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)

	January 31, 2015	February 1, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 5,757	$ 9,926
Accounts receivable, net	3,464	3,656
Related party receivables	31	87
Inventories	187,960	199,584
Prepayments and other	6,390	6,292
Total Current Assets	203,602	219,545
Property and Equipment, net	84,757	77,396
Equity Method Investment	2,194	2,139
Other Assets:		
Goodwill	1,224	1,224
Other	2,474	2,428
Total Other Assets	3,698	3,652
Total Assets	$ 294,251	$ 302,732
Liabilities and Stockholders Equity		
Current Liabilities:		
Trade accounts payable	$ 74,151	$ 84,411
Related party accounts payable	6,639	2,131
Accrued expenses	38,858	39,570
Deferred income taxes	18,692	18,807
Short-term borrowings and current portion of long term debt	10,483	19,140
Total Current Liabilities	148,823	164,059
Non-current Liabilities:		
Long-term debt	23,143	16,300
Related party note payable	533	567
Deferred rent	6,039	7,444
Deferred income taxes	1,223	406
Long term capital lease obligation	1,120	1,554
Liability for uncertain tax positions	106	412

Total Non-current Liabilities	32,164	26,683
Stockholders Equity:		
Preferred stock, $.01 par value; 1,000,000 shares authorized, no shares issued or outstanding		
Common stock, $.01 par value; 30,000,000 shares authorized, 23,006,826 and 22,348,072 shares issued and 14,958,856 and 15,339,007 shares outstanding at January 31, 2015 and February 1, 2014, respectively	230	223
Additional paid-in capital	96,976	96,072
Treasury stock at cost, 8,047,970 and 7,009,065 shares at January 31, 2015 and February 1, 2014, respectively	(55,089)	(52,840)
Retained earnings	68,825	65,360
Accumulated other comprehensive income	(82)	104
Total Books-A-Million Stockholders Equity	110,860	108,919
Noncontrolling interest	2,404	3,071
Total Equity	113,264	111,990
Total Liabilities and Stockholders Equity	$ 294,251	$ 302,732

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

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Fiscal Year Ended January 31, 2015 52 weeks	Fiscal Year Ended February 1, 2014 52 weeks
Revenue		
Net sales	$ 470,971	$ 468,489
Other Revenue	3,113	1,881
Total Revenues	474,084	470,370
Cost of products sold, including warehouse distribution and store occupancy costs (excluding depreciation and amortization)	333,664	334,025
Gross profit	140,420	136,345
Operating, selling and administrative expenses	118,940	118,744
Impairment charges	436	729
Depreciation and amortization	16,425	18,351
Operating income (loss) from continuing operations	4,619	(1,479)
Interest expense, net	2,194	2,079
Income (loss) from continuing operations before income taxes	2,425	(3,558)
Income tax (benefit) expense	(242)	4,832
Net income (loss) from continuing operations before equity method investment	2,667	(8,390)
Net income on equity method investment	241	157
Net income (loss) from continuing operations	2,908	(8,233)
Loss from discontinued operations		(130)
Net income (loss)	2,908	(8,363)
Less net loss attributable to noncontrolling interest	(630)	(779)
Net income (loss) attributable to Books-A-Million	$ 3,538	$ (7,584)
Net income (loss) per share attributable to Books-A-Million:		
Basic		
Net income (loss) from continuing operations	$ 0.23	$ (0.51)
Loss from discontinued operations		(0.01)
Net income (loss) per common share	$ 0.23	$ (0.52)

Weighted average number of shares outstanding	basic	14,218	14,708
Diluted			
Net income (loss) from continuing operations		$ 0.23	$ (0.51)
Loss from discontinued operations			(0.01)
Net income (loss) per common share		$ 0.23	$ (0.52)
Weighted average number of shares outstanding	diluted	14,218	14,708

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

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	Fiscal Year Ended	
	January 31, 2015 52 Weeks	February 1, 2014 52 Weeks
Net income (loss)	$ 2,908	$ (8,363)
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(186)	104
Total other comprehensive income, net of tax	(186)	104
Total comprehensive income (loss)	2,722	(8,259)
Comprehensive loss attributable to noncontrolling interest	(630)	(779)
Comprehensive income (loss) attributable to Books-A-Million	$ 3,352	$ (7,480)

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

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(In thousands, except share amounts)

	Common Stock			Treasury Stock			Accumulated		
	Shares	Amount	Additional Paid-In Capital	Shares	Amount	Retained Earnings	other comprehensive income	Non-controlling interest	Total Stockholders Equity
Balance, February 2, 2013	22,071,507	$ 221	$ 95,181	6,625,526	$ (51,829)	$ 72,944	$	$	$ 116,517
Net loss						(7,584)		(779)	(8,363)
Proceeds from sale of minority interest in PGP			213					787	1,000
Consolidation of noncontrolling interest in Yogurt Mountain Holding, LLC									