ZannWell Inc
Form S-8 POS
December 08, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 2 TO FORM S-8

REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

ZANNWELL INC.

(Exact name of registrant as specified in its charter)

Nevada	8900	88-0408
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Em Identificat

1802 N. Carson Street, Suite 212 Carson City, Nevada 89701; (775) 887-0670
(Address and telephone number of Registrant's principal executive offices and principal place of business)

AMENDED AND RESTATED ZANNWELL INC. 2004 EMPLOYEE STOCK INCENTIVE PLAN
AMENDED AND RESTATED ZANNWELL INC. 2004 NON-EMPLOYEE DIRECTORS
AND CONSULTANTS RETAINER STOCK PLAN
(Full title of the Plans)

Steve Bonenberger, 1802 N. Carson Street, Suite 212 Carson City, Nevada 89701
(Name and address of agent for service)

(775) 887-0670
(Telephone number, including area code, of agent for service)

EXPLANATORY NOTE

AMENDMENT TO
AMENDED AND RESTATED ZANNWELL INC. 2004 EMPLOYEE STOCK INCENTIVE PLAN
AMENDED AND RESTATED ZANNWELL INC. 2004 NON-EMPLOYEE DIRECTORS AND
CONSULTANTS RETAINER STOCK PLAN

On June 15, 2004, our predecessor, USA Telcom Internationale, filed with the Securities and Exchange Commission (SEC) a Registration Statement No. 333-116498 on Form S-8, pertaining to the USA Telcom Internationale 2004 Employee Stock Incentive Plan and USA Telcom Internationale 2004 Non-Employee Directors and Consultants Retainer Stock Plan. On July 23, 2004, we filed with the SEC a Post-Effective Amendment No. 1 to our Form S-8 No. 333-116498. This Post-Effective Amendment No. 2 to our Form S-8 No. 333-116498 is being filed to:

- Amend the definition of "Adjustments Upon Change in Capitalization" in Paragraph 4.1.1 of the Amended and Restated Zannwell Inc. 2004 Employee Stock Incentive Plan;
- Amend the definition of "Shares Subject to this Plan" in Paragraph 1.4 of the Amended and Restated Zannwell Inc. 2004 Employee Stock Incentive Plan;
- Amend the definition of "Adjustments; Change of Control" in Paragraph 12 of the Amended and Restated Zannwell Inc. 2004 Non-Employee Directors and Consultants Retainer Stock Plan; and
- Amend the definition of "Shares Available" in Paragraph 12 of the Amended and Restated Zannwell Inc. 2004 Non-Employee Directors and Consultants Retainer Stock Plan.

Except as described above, and the current date of December 6, 2004, no other changes have been made to our Form S-8 Registration Statement No. 333-116498. For Items not modified herein, reference should be made to our Registration Statement No. 333-116498 on Form S-8 as filed with the SEC on June 15, 2004. The filing of this Post-Effective Amendment No. 2 is not an admission that our Registration Statement No. 333-116498 on Form S-8, or our Post-Effective Amendment No. 1 to our Registration Statement No. 333-116498, when filed, knowingly included any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading.

PART I
Information Required in the Section 10(a) Prospectus

ITEM 1. PLAN INFORMATION.

See Item 2 below.

ITEM 2. REGISTRANT INFORMATION AND EMPLOYEE PLAN ANNUAL INFORMATION.

The documents containing the information specified in Part I, Items 1 and 2, will be delivered to each of the participants in accordance with Form S-8 and Rule 428 promulgated under the Securities Act of 1933. The participants shall be provided a written statement notifying them that upon written or oral request they will be provided, without charge, (i) the documents incorporated by reference in Item 3 of Part II of the registration statement, and (ii) other documents required to be delivered pursuant to Rule 428(b). The statement will inform the participants that these documents are incorporated by reference in the Section 10(a) prospectus, and shall include the address (giving title or department) and telephone number to which the request is to be directed.

PART II
Information Required in the Registration Statement

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following are hereby incorporated by reference:

(a) The Registrant's latest annual report on Form 10-KSB for the fiscal year ended December 31, 2003, filed on March 19, 2004.

(b) All other reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the Form 10-KSB referred to in (a) above.

(c) A description of the Registrant's securities contained in the Registration Statement on Form 10SB12G filed by the Registrant to register the common stock under the Exchange Act, including all amendments filed for the purpose of updating such common stock description.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14, and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in the registration statement and to be part thereof from the date of filing of such documents.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTEREST OF NAMED EXPERTS AND COUNSEL.

Other than as set forth below, no named expert or counsel was hired on a contingent basis, will receive a direct or indirect interest in the small business issuer, or was a promoter, underwriter, voting trustee, director, officer, or employee of the Registrant.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Our bylaws do not contain a provision entitling any director or executive officer to indemnification against its liability under the Securities Act. The Nevada Revised Statutes allow a company to indemnify our officers, directors, employees, and agents from any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, except under certain circumstances. Indemnification may only occur if a determination has been made that the officer, director, employee, or agent acted in good faith and in a manner, which such person believed to be in the best interests of the Registrant. A determination may be made by the stockholders; by a majority of the directors who were not parties to the action, suit, or proceeding confirmed by opinion of independent legal counsel; or by opinion of independent legal counsel in the event a quorum of directors who were not a party to such action, suit, or proceeding does not exist.

Provided the terms and conditions of these provisions under Nevada law are met, officers, directors, employees, and agents of the Registrant may be indemnified against any cost, loss, or expense arising out of any liability under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy and is, therefore, unenforceable.

The Nevada Revised Statutes, stated herein, provide further for permissive indemnification of officers and directors.

"A. NRS 78.7502. Discretionary and mandatory indemnification of officers, directors, employees and agents: General provisions.

"1. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

"2. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

"3. To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2, or in defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

"B. NRS 78.751. Authorization required for discretionary indemnification; advancement of expenses; limitation on indemnification and advancement of expenses.

"1. Any discretionary indemnification under NRS 78.7502 unless ordered by a court or advanced pursuant to subsection 2, may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made:

"(a) By the stockholders;

"(b) By the board of directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding;

"c) If a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or

"(d) If a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

"2. The articles of incorporation, the bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. The provisions of this subsection do not affect any rights to advancement of expenses to which corporate personnel other than directors or officers may be entitled under any contract or otherwise by law.

"3. The indemnification and advancement of expenses authorized in NRS 78.7502 or ordered by a court pursuant to this section:

"(a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to or for the advancement of expenses made pursuant to subsection 2, may not be made to or on behalf of any director or officer if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action.

"(b) Continues for a person who has ceased to be a director, officer, employee or agent and inures to the benefit of the heirs, executors and administrators of such a person.

"C. NRS 78.752. Insurance and other financial arrangements against liability of directors, officers, employees and agents.

"1. A corporation may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as such, whether or not the corporation has the authority to indemnify him against such liability and expenses.

"2. The other financial arrangements made by the corporation pursuant to subsection 1 may include the following:

"(a) The creation of a trust fund.

"(b) The establishment of a program of self-insurance.

"(c) The securing of its obligation of indemnification by granting a security interest or other lien on any assets of the corporation.

"(d) The establishment of a letter of credit, guaranty or surety. No financial arrangement made pursuant to this subsection may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

"3. Any insurance or other financial arrangement made on behalf of a person pursuant to this section may be provided by the corporation or any other person approved by the board of directors, even if all or part of the other person's stock or other securities is owned by the corporation.

"4. In the absence of fraud:

"(a) The decision of the board of directors as to the propriety of the terms and conditions of any insurance or other financial arrangement made pursuant to this section and the choice of the person to provide the insurance or other financial arrangement is conclusive; and

"(b) The insurance or other financial arrangement:

"1. Is not void or voidable; and

"2. Does not subject any director approving it to personal liability for his action, even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

"5. A corporation or its subsidiary which provides self-insurance for itself or for another affiliated corporation pursuant to this section is not subject to the provisions of Title 57 of the Nevada Revised Statutes."

The Registrant, with approval of the Registrant's Board of Directors, may obtain directors' and officers' liability insurance.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

The Exhibits required by Item 601 of Regulation S-B, and an index thereto, are attached.

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(a) (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) To deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

(d) That insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Post-Effective Amendment No. 2 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Carson City, Nevada on December 6, 2004.

ZANNWELL INC.

By /s/ Steve Bonenberger

Steve Bonenberger, President

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 2 to registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Steven Bonenberger	President, Chief Executive Officer and Director	December 6, 200
/s/Brent Fouch	Secretary, Chief Financial Officer and Director	December 6, 200

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
4.1	Amended and Restated Zannwell Inc. 2004 Employee Stock Incentive Plan.

4.2	Amended and Restated Zannwell Inc. 2004 Non-Employee Directors and Consultants Retainer Stock Plan.
5	Opinion Re: Legality.
23.1	Consent of Accountant.
23.2	Consent of Counsel.

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602

Intersegment

Elimination of

Certain Costs

160)

(215)

(371)

(338)

Total Operating

Income

$

1,580

$

4,865

$

3,597

$

8,319

As of

August 2, 2008

As of

February 2, 2008

Assets

Retail Trade

$

292,774

$

283,452

Electronic Commerce

Trade

1,311

1,381

Intersegment Asset

Elimination

--

--

Total Assets

$

294,085

$

284,833

13

BOOKS-A-MILLION, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

8. Recent Accounting Pronouncements

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

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, including interim periods within that fiscal year. The Company did not elect the fair value option for any of its existing financial instruments as of March 31, 2008 and the Company has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

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

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

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

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

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

BOOKS-A-MILLION, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In June 2008, the FASB ratified EITF Issue No. 08-3, *Accounting for Lessees for Maintenance Deposits Under Lease Arrangements* ("EITF No. 08-3").EITF No. 08-3 requires that all nonrefundable maintenance deposits be accounted for as a deposit with the deposit expensed or capitalized in accordance with the lessee's maintenance accounting policy when the underlying maintenance is performed. Once it is determined that an amount on deposit is not probable of being used to fund future maintenance expense, it is to be recognized as additional expense at the time such determination is made. EITF No. 08-3 is effective for the Company as of the beginning of its fiscal year that begins after December 15, 2008. The Company is currently

assessing the potential impact of EITF No. 08-3 on its results of operations and financial position.

9. Discontinued Operations

The Company did not close any stores during the twenty-six weeks ended August 2, 2008 or the twenty-six weeks ended August 4, 2007 in a market where the Company does not expect to retain the closed stores' customers at another store in the same market.

10. Debt and Lines of Credit

The Company's current credit facility allows for unsecured borrowings of up to $100 million for which no principal payments are due until the facility expires in July 2011. Availability under the facility is reduced by outstanding letters of credit issued thereunder. Interest on borrowings under the credit facility is determined based upon applicable LIBOR rates and the Company's rate spread, which varies depending on the maintenance of certain covenants. The credit facility contains financial and non-financial covenants, the most restrictive of which is the maintenance of a minimum fixed charge coverage ratio. The Company was in compliance with all covenants for the twenty-six weeks ended August 2, 2008 and as of August 2, 2008. As of August 2, 2008 and February 2, 2008 there were outstanding borrowings under this credit facility of $47.2 million and $28.0 million, respectively, and the face amount of letters of credit issued under the credit facility on such dates were $2.4 million and $2.4 million, respectively. The maximum and average outstanding borrowings under the credit facility (excluding letters of credit issued there-under) during the twenty-six weeks ended August 2, 2008 were $53.9 million and $41.8 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 a Bond, which was secured by a mortgage interest in these facilities. As of August 2, 2008 and February 2, 2008, there was $7.0 million of borrowings outstanding under these arrangements which bear interest at variable rates (3.50% as of August 2, 2008). The Bond has a maturity date of December 1, 2019, but also has a purchase provision obligating the Company to repurchase the Bond at an earlier date. In fiscal 2007, the current bondholder extended the date of the Company's purchase obligation of the Bond until July 1, 2011 and did not require a mortgage interest to secure the Bond. Such an extension may be renewed annually by the bondholder, at the Company's request, to a date no more than five years from the renewal date.

Net interest expense for the thirteen weeks ended August 2, 2008 and August 4, 2007 includes interest expense of $503,000 and $326,000, respectively. Net interest expense for the twenty-six weeks ended August 2, 2008 and August 4, 2007 includes interest expense of $1.0 million and $526,000, respectively.

11. Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for fiscal years prior to fiscal 2004. The Company has not been notified of any ongoing income tax examinations of any of the open years.

With respect to state and local jurisdictions, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for fiscal years prior to fiscal 2003. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that are expected to result from the open years for any federal, state or local jurisdictions.

BOOKS-A-MILLION, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company adopted the provisions of FIN 48 effective February 4, 2007. As a result of the implementation of FIN 48, the Company recorded an increase of $1,987,000 in other long-term liabilities, including interest and penalties, which was accounted for as a cumulative effect reduction to the February 4, 2007 balance of retained earnings.

As of August 2, 2008, the gross amount of unrecognized tax benefits was $1,565,000, all of which would affect the effective tax rate if recognized. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company had approximately $735,000 in interest and penalties related to unrecognized tax benefits accrued as of August 2, 2008. The Company's total liability for unrecognized tax benefits, including interest and penalties, as of August 2, 2008 was $2,301,000.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next 12 months. These changes may be the result of new audits by federal, state or local jurisdictions, settlement of ongoing audits or the expiration of the statute of limitations related to certain tax periods currently still open with the taxing jurisdictions. The amount of unrecognized tax benefits, including interest and penalties, that would no longer need to be accrued due to the passage of various statutes of limitations in the next 12 months is $452,000. The balance of the unrecognized tax benefits is primarily related to uncertain tax positions for which there are no current ongoing federal or state audits and therefore, an estimate of the range of the reasonably possible outcomes cannot be made.

The Company's effective tax rate for the twenty-six weeks ended August 2, 2008 was 40.4% versus an effective tax rate of 37.8% for the twenty-six weeks ended August 4, 2007. The increase in the effective tax rate is due to an increase in accruals for uncertain tax positions under FIN 48.

12. Special Dividend

On June 4, 2007, the Company's board of directors declared a special one-time cash dividend of $3.00 per common share. The dividend was paid on July 5, 2007 to stockholders of record at the close of business on June 20, 2007. A total of $50.9 million was paid on the Company's 16,958,000 then outstanding shares of common stock as a result of the special dividend.

13. Fair Value Measurements

Effective February 3, 2008, the Company adopted SFAS No. 157, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

• Level 1 — Quoted prices in active markets for identical assets or liabilities.

• Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

• Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's adoption of SFAS No. 157 did not have a material impact on its consolidated financial statements. The Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. FASB Staff Position No. 157-2 delayed the effective date for all nonfinancial assets and liabilities until February 1, 2009, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

BOOKS-A-MILLION, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

There are no assets or liabilities at August 2, 2008 which are required to be disclosed under the provisions of SFAS No. 157.

14. Revenue Recognition

The Company sells gift cards to its customers in its retail stores. The gift cards do not have an expiration date. Income is recognized from gift cards when: (1) the gift card is redeemed by the customer; or (2) the likelihood of the gift card being redeemed by the customer is remote (gift card breakage) and there is no legal obligation to remit the value of the unredeemed gift cards to the relevant jurisdictions. The gift card breakage rate is determined based upon historical redemption patterns. Based on this historical information, the likelihood of a gift card remaining unredeemed can be determined after 24 months of card inactivity. At that time, breakage income is recognized for those cards for which the likelihood of redemption is deemed to be remote and for which there is no legal obligation to remit the value of such unredeemed gift cards to the relevant jurisdictions. In fiscal 2007, the Company formed a gift card subsidiary, BAM Card Services, LLC, to administer the Company's gift card program and to provide a more advantageous legal structure. Breakage income for the thirteen weeks ended August 2, 2008 and August 4, 2007 was $285,000 and $266,000, respectively. Breakage income for the twenty-six weeks ended August 2, 2008 and August 4, 2007 was $399,000 and $439,000, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

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

General

We were founded in 1917 and currently operate 212 retail bookstores, including 191 superstores, concentrated in the southeastern United States. Our growth strategy is focused on opening superstores in new and existing market areas, particularly in the Southeast. In addition to opening new stores, management intends to continue its practice of reviewing the profitability trends and prospects of existing stores and closing or relocating under-performing stores or converting stores to different formats.

Comparable store sales are determined each fiscal quarter during the year based on all stores that have been open at least 12 full months as of the first day of the fiscal quarter. Any stores closed during a fiscal quarter are excluded from comparable store sales as of the first day of the quarter in which they close.

Results of Operations

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	28.6%	28.4%	29.0%	28.7%
Operating, selling and administrative expenses	24.3%	22.1%	24.5%	22.6%
Depreciation and amortization	2.9%	2.6%	3.0%	2.7%
Operating income	1.3%	3.7%	1.5%	3.4%
Interest expense, net	0.4%	0.1%	0.4%	0.0%
Income from continuing operations before income taxes	0.9%	3.6%	1.1%	3.4%
Income tax provision	0.4%	1.3 %	0.4%	1.3%
Net income	0.5%	2.3%	0.7%	2.1%

The following table sets forth net sales data by segment for the periods presented:

Segment Information *(in thousands)*								
Net Sales	Thirteen Weeks Ended				Twenty-Six Weeks Ended			
	August 2, 2008	August 4, 2007	$ Change	% Change	August 2, 2008	August 4, 2007	$ Change	% Change
Retail Trade	$121,095	$131,556	$(10,461)	(8.0%)	$235,679	$246,196	$(10,517)	(4.3%)
Electronic Commerce Trade	6,097	6,502	(405)	(6.2%)	12,423	12,641	(218)	(1.7%)
Intersegment Sales	(4,389)	(5,256)	867	16.5%	(9,818)	(9,717)	(101)	(1.0%)

Elimination								
Net Sales	$122,803	$132,802	$(9,999)	(7.5%)	$238,284	$249,120	$(10,836)	(4.3%)

The decrease in net sales for the retail trade segment for the thirteen weeks ended August 2, 2008 compared to the thirteen weeks ended August 4, 2007 was primarily due to a decrease in comparable store sales and the anniversary of the release of *Harry Potter and the Deathly Hallows* in the prior year. This was partially offset by additional sales from an increase in our total number of superstores. Comparable store sales for the thirteen weeks ended August 2, 2008 decreased 10.4% when compared with the same thirteen week period for the prior year. The decrease in comparable store sales for the thirteen week period was primarily due to sales of *Harry Potter and the Deathly Hallows* in the prior yearas well as difficult macro-economic conditions and a quiet media cycle in the current year. For the twenty-six weeks ended August 2, 2008 compared to the twenty-six weeks ended August 4, 2007, the decrease in net sales for the retail trade segment was also due to a decrease in comparable store sales, the anniversary of *Harry Potter and the Deathly Hallows*, difficult macro-economic conditions and a quiet media cycle. Comparable store sales for the twenty-six weeks ended August 2, 2008 decreased 7.1% when compared with the same period for the prior year. During the twenty-six weeks ended August 2, 2008, we opened seven superstores and closed three smaller stores. The decrease in net sales for the electronic commerce segment was primarily due to the anniversary of the release of *Harry Potter and the Deathly Hallows* as well as difficult macro-economic conditions and a quiet media cycle. These decreases were somewhat offset by improved business-to-business sales.

Gross profit decreased $2.6 million, or 6.9%, to $35.1 million in the thirteen weeks ended August 2, 2008 when compared with $37.7 million in the same thirteen week period for the prior year. For the twenty-six weeks ended August 2, 2008, gross profit decreased $2.4 million, or 3.4%, to $69.0 million from $71.5 million in the prior year period. Gross profit as a percentage of net sales for the thirteen weeks ended August 2, 2008 and August 4, 2007 was 28.6% and 28.4%, respectively. Gross profit as a percentage of net sales for the twenty-six weeks ended August 2, 2008 and August 4, 2007 was 29.0% and 28.7%, respectively. The increase in gross profit as a percentage of net sales for the thirteen week period ended August 2, 2008 was primarily due to lower promotional discounts than the same period last year, partially offset by an increase in occupancy costs. Occupancy as a percentage of sales has increased in the thirteen weeks ended August 2, 2008 when compared to the same thirteen week period from the prior year due to an increase in the number of stores. The increase in gross profit as a percentage of net sales for the twenty-six week period ended August 2, 2008 was primarily the result of lower markdowns and promotional discounts than the same period last year. These were partially offset by an increase in occupancy costs resulting from an increase in the number of stores.

Operating, selling and administrative expenses were $29.9 million in the thirteen weeks ended August 2, 2008, compared to $29.3 million in the same period last year. Operating, selling and administrative expenses as a percentage of net sales for the thirteen weeks ended August 2, 2008 increased to 24.3% from 22.1% in the same period last year. The increase in operating, selling and administrative expenses stated as a percentage of sales for the thirteen-week period ended August 2, 2008 was primarily due to the weak comparable store sales for the period, as well as costs associated with store openings and closings. Improvements in store and corporate expenses were not sufficient to offset the decline in sales. For the twenty-six weeks ended August 2, 2008, operating, selling and administrative expenses were $58.3 million, compared to $56.3 million in the prior year period. Operating, selling and administrative expenses as a percentage of net sales for the twenty six weeks ended August 2, 2008 increased to 24.5% from 22.6% from the same period last year. The increase in operating, selling and administrative expenses as a percentage of net sales for the twenty-six week period ended August 2, 2008 was also primarily due to the weak comparable store sales for the period, as well as costs associated with store openings and closings and the one-time charge for severance related to corporate staff reductions of $406,000 ($241,000 net of taxes) recorded in the first quarter ended May 3, 2008.

Depreciation and amortization expense increased 3.5% to $3.6 million in the thirteen week period ended August 2, 2008 compared to $3.5 million in the same period last year. In the twenty-six week period ended August 2, 2008, depreciation and amortization expense increased 3.5% to $7.1 million from $6.8 million in the same period last year. The increase in depreciation and amortization expense was due to the expanding store base year over year.

The following table sets forth operating income data by segment for the periods presented:

Segment Information *(in thousands)*								
Operating Income	Thirteen Weeks Ended				Twenty-Six Weeks Ended			
	August 2, 2008	August 4, 2007	$ Change	% Change	August 2, 2008	August 4, 2007	$ Change	% Change

Retail Trade	$1,500	$4,769	$(3,269)	(68.5%)	$3,402	$8,055	$(4,653)	(57.8%)
Electronic Commerce Trade	240	311	(71)	(22.8%)	566	602	(36)	(6.0%)
Intersegment Elimination of Certain Costs	(160)	(215)	55	25.6%	(371)	(338)	(33)	(9.8%)
Total Operating Income	$1,580	$4,865	$(3,285)	(67.5%)	$3,597	$8,319	$(4,722)	(56.7%)

The decrease in operating income for the retail trade segment for the thirteen week period ended August 2, 2008 was primarily due to lower retail sales, as well as higher occupancy and new and closed store costs compared to the same thirteen week period in the prior year. The decrease in operating results for the retail trade segment for the twenty-six week period ended August 2, 2008 was primarily due to lower retail sales, as well as higher occupancy, new and closed store costs and the one-time charge for severance related to corporate staff reductions. Operating results for the electronic commerce segment for the thirteen week period ended August 2, 2008 decreased compared with the same period last year primarily due to lower sales, increased website maintenance, and increased salaries partially offset by a higher gross margin percentage. Operating results for the electronic commerce segment for the twenty-six week period ended August 2, 2008 decreased compared with the same period last year primarily due to increased salaries, increased website maintenance and lower sales partially offset by a higher gross margin percentage. Gross margin as a percent of sales has increased for the thirteen and twenty-six week period ending August 2, 2008 due to lower promotional discounts.

Net interest expense was $0.5 million in the thirteen weeks ended August 2, 2008, versus $0.1 million in the same period in the prior year and was $1.0 million in the twenty-six weeks ended August 2, 2008 versus $0.1 million in the same period in the prior year. The increase in net interest expense was due to borrowing from our revolving credit facility primarily as a result of lower sales, the special dividend paid on July 5, 2007 and our share repurchase program.

The Company did not close any stores during the twenty-six weeks ended August 2, 2008 or the twenty-six weeks ended August 4, 2007 in a market where the Company does not expect to retain the closed stores' customers at another store in the same market.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations, including credit terms from vendors, and borrowings under our credit facility. We have an unsecured revolving credit facility that allows borrowings of up to $100 million, for which no principal repayments are due until the facility expires in July 2011. The credit facility has certain financial and non-financial covenants, the most restrictive of which is the maintenance of a minimum fixed charge coverage ratio. We were in compliance with all of the covenants, including the minimum fixed charge coverage ratio, as of August 2, 2008. As of August 2, 2008 and February 2, 2008 there were outstanding borrowings under this credit facility of $47.2 million and $28.0 million, respectively, and the face amount of letters of credit issued under the credit facility as of such dates were $2.4 million and $2.4 million, respectively. The maximum and average outstanding balances during the thirteen weeks ended August 2, 2008 were $53.9 million and $43.1 million, respectively, compared to $34.5 million and $14.8 million, respectively, for the same period in the prior year. The maximum and average outstanding balances during the twenty-six weeks ended August 2, 2008 were $53.9 million and $41.8 million, respectively, compared to $34.5 million and $4.9 million, respectively for the same period in the prior year. The increase in the maximum and average outstanding balances from the prior year was due to borrowing associated with the special dividend and share repurchase program.

During fiscal 1996 and fiscal 1995, the Company acquired and constructed certain warehouse and distribution facilities with the proceeds of loans made pursuant to a Bond, which was secured by a mortgage interest in these facilities. As of August 2, 2008 and February 2, 2008, there was $7.0 million of borrowings outstanding under these arrangements which bear interest at variable rates (3.50% as of August 2, 2008). The Bond has a maturity date of December 1, 2019, but also has a purchase provision obligating the Company to repurchase the Bond at an earlier date. In fiscal 2007, the current bondholder extended the date of the Company's purchase obligation of the Bond until July 1, 2011 and did not require a mortgage interest to secure the Bond. Such an extension may be renewed annually by the bondholder, at the Company's request, to a date no more than five years from the renewal date.

On June 4, 2007, our board of directors declared a special one-time cash dividend of $3.00 per common share. The dividend was paid on July 5, 2007, to stockholders of record at the close of business on June 20, 2007. A total of $50.9 million was paid on our 16,958,000 then outstanding shares of common stock as a result of the special dividend.

Financial Position

Inventory balances were $215.5 million as of August 2, 2008, compared to $206.8 million as of February 2, 2008. The inventory increase was primarily due to seasonal fluctuations in inventory. Inventory levels are generally the lowest at the end of the fiscal year due to holiday sales and large post holiday returns to vendors. Trade accounts payable balances were $83.4 million as of August 2, 2008, compared to $89.0 million as of February 2, 2008. The decrease in accounts payable was primarily due to lower inventory turn as a result of lower sales and improvements in our systems and processes for the matching and payment of vendor invoices. Accrued expenses were $36.7 million as of August 2, 2008, compared to $41.5 million as of February 2, 2008. Accrued expenses decreased primarily due to payment of fiscal 2008 management bonuses in the first quarter of fiscal 2009 and redemption of gift cards sold to customers during the fourth quarter of fiscal 2008.

Future Commitments

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

Payments Due Under Contractual Obligations							
	Total	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Thereafter
Short-term borrowings	$47,200	$47,200	$ --	$ --	$ --	$ --	$ --
Long-term debt - industrial revenue bond	6,975	--	--	--	6,975	--	--
Subtotal of debt	54,175	47,200	--	--	--	--	--
Operating leases	141,332	16,120	27,140	22,335	16,957	13,749	45,031
Total of obligations	$195,507	$63,320	$27,140	$22,335	$23,932	$13,749	$45,031

Guarantees

From time to time, we enter into certain types of agreements that require us to indemnify parties against third-party claims. Generally, these agreements relate to: (a) agreements with vendors and suppliers, under which we may provide customary indemnification to our vendors and suppliers in respect of actions they take at our request or otherwise on our behalf, (b) agreements with vendors who publish books or manufacture merchandise specifically for us to indemnify the vendors against trademark and copyright infringement claims concerning the books published or merchandise manufactured on our behalf, (c) real estate leases, under which we may agree to indemnify the lessors for claims arising from our use of the property, and (d) agreements with our directors, officers and employees, under which we may agree to indemnify such persons for liabilities arising out of their relationship with us. Currently, no such agreements are in place. We maintain a Directors and Officers Liability Insurance Policy, which, subject to the policy's conditions, provides insurance coverage for indemnification amounts payable by us with respect to our directors and officers up to specified limits and subject to certain deductibles.

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

Cash Flows

Operating activities used cash of $3.4 million and provided cash of $8.8 million in the twenty-six week periods ended August 2, 2008 and August 4, 2007, respectively, and included the following effects:

- Cash used for inventories in the twenty-six week periods ended August 2, 2008 and August 4, 2007 was $9.0 million and $18.0 million, respectively. The change versus the prior year was primarily due to lower purchases.

- Cash provided (used) for accounts payable in the twenty-six week periods ended August 2, 2008 and August 4, 2007 was $(6.0) million and $17.0 million, respectively. The change versus the prior year was due to the timing of payments for merchandise purchases from vendors.

- Depreciation and amortization expenses increased in the twenty-six week period ending August 2, 2008 to $7.0 million compared to $6.8 million in the twenty-six week period ended August 4, 2007. The increase was due to new store openings and remodels.

Cash flows used in investing activities reflected a $10.8 million and $6.8 million net use of cash for the twenty-six week periods ended August 2, 2008 and August 4, 2007, respectively. Cash was used primarily to fund capital expenditures for new stores, store relocations, renovation and improvements to existing stores, and investments in management information systems.

Financing activities provided cash of $14.8 million and used cash of $30.0 million in the twenty-six week periods ended August 2, 2008 and August 4, 2007, respectively. Financing activities provided cash in the twenty-six week period ended August 2, 2008 primarily from $19.2 million of borrowings under our credit facility, offset by dividend payments ($2.8 million) and the purchase of treasury stock ($1.7 million). Financing activities used cash in the twenty-six week period ended August 4, 2007 primarily for dividend payments ($53.9 million) and to purchase treasury stock ($10.0 million), partially offset by net borrowings on the revolving credit facility ($31.3 million).

Related Party Activities

See Note 3, Related Party Transactions, to the Condensed Consolidated Financial Statements for information regarding related party activities.

Critical Accounting Policies

A summary of our critical accounting policies is included in the Management Discussion and Analysis section of our Form 10-K for the year ended February 2, 2008 filed with the Securities and Exchange Commission. No changes to these policies have occurred during the twenty-six weeks ended August 2, 2008.

New Accounting Pronouncements

See Note 8, Recent Accounting Pronouncements, to the Condensed Consolidated Financial Statements for information regarding new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are subject to interest rate fluctuations involving our credit facility and debt related to the Bond. To illustrate the sensitivity of the results of operations to changes in interest rates on our debt, we estimate that a 66% increase or decrease in LIBOR rates would have changed interest expense by $813,000 for the thirteen weeks ended August 2, 2008 due to average debt of $43,100,000. For the twenty-six week period ended August 2, 2008, our average debt was $41,800,000. Similar changes in interest rates during this twenty-six period would have resulted in additional interest expense of $791,000. This hypothetical change in LIBOR rates was calculated based on the fluctuation in LIBOR in 2002, which was the maximum LIBOR fluctuation in the last ten years.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We are committed to maintaining disclosure controls and procedures designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Executive Chairman, Chief Executive Officer, Chief Financial Officer and our Board of Directors, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures and implementing controls and procedures based on the application of management’s judgment.

As required by Rule 13a-15 under the Exchange Act, management, with the participation of our Executive Chairman, Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon their evaluation and subject to the foregoing, the Executive Chairman, the Chief Executive Officer and the Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities and migrating processes.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed under Part I, Item 1A, “Risk Factors” in our Form 10-K for the fiscal year ended February 2, 2008. Please refer to that section for disclosures regarding the risks and uncertainties related to our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Securities

On March 26, 2008, our board of directors approved a new stock repurchase program (the “2008 Repurchase Program”) that replaced the 2006 Repurchase Program, under which we were previously authorized to purchase up to $35 million of our common stock. Pursuant to the 2008 Repurchase Program, we are authorized to purchase up to $5 million of our common stock. The following table shows common stock repurchases under the 2008 Repurchase Program during the thirteen weeks ended August 2, 2008.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value Of Shares that May Yet Be Purchased Under the Program at End of Period
May 4, 2008 through May 31, 2008	87,000	$7.66	190,000	$3,400,000
June 1, 2008 through July 5, 2008	24,000	$7.34	214,000	$3,300,000
July 6, 2008 through August 2, 2008	--	--	214,000	$3,300,000
Total	111,000	$7.62	214,000	$3,300,000

As of August 2, 2008, we may purchase up to $3.3 million of additional shares of our common stock under the 2008 Repurchase Program.

Item 3. Defaults Upon Senior Securities

None

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Item 4. Submission of Matters to a Vote of Security-Holders

At the Annual Meeting of Stockholders held on May 29, 2008, the following proposals were submitted to the stockholders with the following results:

Proposal 1. To elect the following two persons to a class of directors to serve a three-year term expiring in 2011:

Election of	Number of Votes Cast For	Number of Votes Withholding Authority to Vote	Number of Broker Non-Votes
Terry C. Anderson	13,205,220	1,954,645	0
Albert C. Johnson	14,843,762	316,103	0

In addition to the directors elected above, the following directors' terms of office continued after the meeting:

- Clyde B. Anderson (term expiring 2009)
- Sandra B. Cochran (term expiring 2009)
- Ronald G. Bruno (term expiring 2009)
- J. Barry Mason (term expiring 2010)
- William H. Rogers, Jr. (term expiring 2010)

Proposal 2. To approve the Second Amendment to the Company's 2005 Incentive Award Plan:

Number of Votes Cast For	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker Non-Votes
12,818,329	407,069	23,351	1,919,761

Proposal 3. To ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the 2009 fiscal year:

Number of Votes Cast For	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker Non-Votes
15,114,247	17,376	28,396	0

Item 5. Other Information

None

Item 6. Exhibits

(A) Exhibits

Exhibit 3.1 Certificate of Incorporation of Books-A-Million, Inc. (incorporated herein by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (Capital Registration No. 33-52256)

Exhibit 3.2 By-Laws of Books-A-Million, Inc. (incorporated herein by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (Capital Registration No. 33-52256))

Exhibit 10.1 Books-A-Million, Inc. 2005 Incentive Award Plan, as amended by the Second Amendment, effective May 29, 2008 (incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on June 2, 2008)

Exhibit 31.1 Certification of Clyde B. Anderson, Executive Chairman of the Board of Books-A-Million, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

Exhibit 31.2 Certification of Sandra B. Cochran, President and Chief Executive Officer of Books-A-Million, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

Exhibit 31.3 Certification of Douglas G. Markham, Chief Financial Officer of Books-A-Million, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

Exhibit 32.1 Certification of Clyde B. Anderson, Executive Chairman of the Board of Books-A-Million, Inc., pursuant to 18 U.S.C. Section 1350

Exhibit 32.2 Certification of Sandra B. Cochran, President and Chief Executive Officer of Books-A-Million, Inc., pursuant to 18 U.S.C. Section 1350

Exhibit 32.3 Certification of Douglas G. Markham, Chief Financial Officer of Books-A-Million, Inc., pursuant to 18 U.S.C. Section 1350

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized.

BOOKS-A-MILLION, INC.

Date: September 9, 2008	by:/s/ Clyde B. Anderson Clyde B. Anderson Executive Chairman of the Board
Date: September 9, 2008	by:/s/ Sandra B. Cochran Sandra B. Cochran President and Chief Executive Officer
Date: September 9, 2008	by:/s/ Douglas G. Markham Douglas G. Markham Chief Financial Officer