

As of August 20, 2009

## **COMPENSATION COMMITTEE CHARTER**

### **Books-A-Million, Inc. & Subsidiaries**

This Compensation Committee Charter was adopted by the Board of Directors (the "Board") of Books-A-Million, Inc. (the "Company") on August 20, 2009.

#### **Purpose**

The purpose of the Committee is to discharge the Board's responsibilities relating to the compensation of the Company's executive officers, including by designing (in consultation with management or the Board), recommending to the Board for approval, and evaluating the compensation plans, policies and programs of the Company. The Committee shall ensure that compensation programs are designed to encourage high performance, promote accountability by integrating compensation with the Company's performance goals, and assure that employee interests are aligned with the interests of the Company's stockholders.

#### **Membership**

The Committee members shall be appointed by the Board of Directors on the recommendation of the Nominating and Corporate Governance Committee of the Board, and may be removed by the Board at any time with or without cause. The Committee shall consist of at least three members. Each member of the Committee shall (1) satisfy the independence requirements of the NASDAQ Stock Market, Inc., (2) be a "non-employee director" within the meaning of Rule 16b-3 of the Securities Exchange of 1934, as amended (the "Exchange Act"), and (3) be an "outside director" under regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Board shall appoint one of the members of the Committee as Chairperson.

#### **Meetings and Procedures**

The Committee shall meet at least twice each year and more frequently as the Committee deems necessary or desirable. The Chairperson (or in his or her absence, a member designated by the Chairperson) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's certificate of incorporation or bylaws that are applicable to the Committee.

The Committee may, at its discretion, include in its meetings members of the Company's management, representatives of the independent auditor, the internal auditor, any other

financial personnel employed or retained by the Company or any other person whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Chief Executive Officer may not be present during voting concerning his or her compensation, but may be present for any discussions or review of his or her proposed compensation package. Also, the Committee may exclude from its meetings any persons it deems appropriate.

The Committee shall report to the Board regarding the activities of the Committee at appropriate times and as otherwise requested by the Chairperson of the Board.

## **Responsibilities**

- The Committee shall, at least annually, review the compensation philosophy of the Company.
- The Committee shall, at least annually, review and approve the salaries and other compensation of executive officers (as defined by Rule 3b-7 of the Exchange Act). The Committee shall evaluate the performance of the executive officers prior to approving their salaries and other compensation.
- The Committee shall review and approve the employment agreements and severance arrangements of all executive officers.
- The Committee shall administer any equity compensation plans that the Company may adopt from time to time, including
  - setting performance targets relating to performance-based equity awards as appropriate and committing to writing any and all such performance targets for all executive officers who may be “covered employees” under Section 162(m) of the Code within the first 90 days of the performance period to which such target relates or, if shorter, within the period provided by Section 162(m) of the Code in order for such target to be “pre-established” within the meaning of Section 162(m);
  - certifying that any and all performance targets used for any performance-based equity compensation plans or awards have been met before vesting, payment of any award amounts or exercise of any executive award granted under any such awards or plans;
  - approving all amendments to, and terminations of, all equity compensation plans and any awards under such plans;
  - reviewing, recommending and approving any awards under any equity compensation plan to executive officers and other eligible employees; and
  - approving which executive officers are entitled to awards under the Company’s equity compensation plans.
- The Committee shall administer any annual bonus or long-term incentive cash-based compensation plans, including
  - setting performance targets as appropriate and committing to writing any and all performance targets for all executive officers who may be “covered employees” under Section 162(m) of the Code within the first 90 days of the performance period to which such target relates or, if shorter, within the period

- provided by Section 162(m) of the Code in order for such target to be “pre-established” within the meaning of Section 162(m);
- certifying that any and all performance targets used for any performance-based compensation plans have been met before payment of any executive bonus or compensation under any such plans;
  - reviewing, recommending and approving the amount of any non-performance-based incentive compensation payable to the executive officers; and
  - all amendments to, and terminations of, all cash compensation plans and any awards under such plans.
- The Committee shall monitor compliance by officers with our program of required stock ownership.
  - The Committee shall periodically review and make recommendations to the Board with respect to the compensation of the Board’s non-management directors.
  - The Committee shall advise the Board with respect to the setting of compensation for senior executives whose compensation is not otherwise determined by the Committee.
  - The Committee shall determine the Company’s policy with respect to change of control or “parachute” payments.
  - The Committee shall establish and periodically review all policies concerning executive officer perquisite benefits (including personal use of any Company aircraft).
  - The Committee shall prepare and approve the Compensation Committee report to be included as part of the Company’s annual proxy statement or Annual Report on Form 10-K, as applicable.
  - The Committee shall review and discuss with management of the Company the Compensation Discussion and Analysis (CD&A”), and based on such discussions, determine whether to recommend to the Board that the CD&A be included in the Company’s annual proxy statement or Form 10-K, as applicable.

## **General**

The Committee shall also maintain an open avenue of communication between the Board of Directors and management concerning compensation matters. The Committee shall have unrestricted access to members of management and relevant information maintained by the Company. In addition, the Committee shall have the power to retain and terminate any independent counsel, experts or other advisors as the Committee believes necessary or appropriate to assist in evaluating the compensation of the Company’s directors, CEO or other executive officers. The Company shall provide appropriate funding, as determined by the Committee, for payment for services provided by any such person employed or retained by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other

responsibilities delegated to it by the Board from time to time consistent with the Company's bylaws and applicable law.

### **Delegation of Duties**

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee, to the extent consistent with the Company's certificate of incorporation, bylaws, any applicable corporate governance guidelines and applicable law and rules of markets in which the Company's securities then trade, except that it shall not delegate any matters that involve executive compensation or any matters where it has determined such compensation is intended to comply with Section 162(m) of the Code or is intended to be exempt from Section 16(b) under the Exchange Act pursuant to Rule 16b-3 by virtue of being approved by a committee of "non-employee directors."

### **Evaluation of Performance of Compensation Committee**

The Committee shall evaluate its own performance on an annual basis, including its compliance with this Charter, and provide any written material with respect to such evaluation to the Board. The Committee shall conduct such evaluation and review in such manner as it deems appropriate. The Committee shall review and reassess this Charter at least annually and submit any recommended changes to the Board for its consideration.