A.C. Moore Arts & Crafts, Inc.
Form PREM14A
October 25, 2011

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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 (Amendment No.____)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
þ Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

A.C. MOORE ARTS & CRAFTS, 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):
o No fee required.
þ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

Common Stock, no par value.

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

(i) 25,428,753 shares of common stock, no par value, outstanding as of October 3, 2011; and (ii) 8,485 shares of common stock issuable upon exercise of outstanding stock appreciation rights as of October 3, 2011 with an exercise price of less than $1.60.

(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):

Solely for purposes of calculating the registration fee, the maximum aggregate value of the transaction was calculated as the sum of (A) the product of 25,428,753 shares of common stock, no par value, that are proposed to be acquired in the merger multiplied by the merger consideration of $1.60 per share; plus (B) the product of 8,485 shares of common stock, no par value, issuable on account of outstanding stock appreciation rights, multiplied by the excess, if any, of the merger consideration of $1.60 over the per share exercise price of outstanding stock appreciation rights. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0001146 by the maximum aggregate value of the transaction.

(4) Proposed maximum aggregate value of transaction:

$40,699,580.80.

(5) Total fee paid:

$4,664.17.

o Fee paid previously with preliminary materials.

þ 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:

$4,664.17.

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

Schedule TO.

(3) Filing Party:

Nicole Crafts LLC, Sbar s Acquisition Corporation, Adolfo Piperno.

(4) Date Filed:

October 18, 2011.

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PRELIMINARY PROXY MATERIAL SUBJECT TO COMPLETION
A.C. MOORE ARTS & CRAFTS, INC.
130 A.C. MOORE DRIVE
BERLIN, NEW JERSEY 08009

[ ], 2011

Dear Shareholder:

On behalf of the board of directors of A.C. Moore Arts & Crafts, Inc. (A.C. Moore), I cordially invite you to attend a special meeting of shareholders of A.C. Moore, to be held on [ ], 2011 at [ ] a.m., Eastern Time, at [ ].

On October 3, 2011, A.C. Moore entered into a definitive Agreement and Plan of Merger, as amended as of October 17, 2011 (the Merger Agreement), with Nicole Crafts LLC (Parent) and Sbar s Acquisition Corporation (Purchaser). Parent and Purchaser are affiliates of Sbar s, Inc. The Merger Agreement provides that Purchaser will merge with and into A.C. Moore and will cease to exist, with A.C. Moore continuing as the surviving corporation and as a direct, wholly owned subsidiary of Parent. If the merger contemplated by the Merger Agreement is completed, you will be entitled to receive $1.60 in cash, without interest, less any applicable withholding taxes, for each share of our common stock owned by you. In addition, if the merger is completed, A.C. Moore s shares of common stock will no longer be listed on The Nasdaq Stock Market, and A.C. Moore will continue its operations as a privately held company controlled by Parent and its affiliates.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Merger Agreement and a proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies. In addition, A.C. Moore will solicit shareholder approval, on an advisory (non-binding) basis, of the existing compensatory arrangements between A.C. Moore and its named executive officers providing for golden parachute compensation payable in connection with the merger (which we refer to as the golden parachute compensation).

After careful consideration, and following the recommendation of the special committee of independent and disinterested directors of A.C. Moore s board of directors, A.C. Moore s board of directors has unanimously determined that the terms of the Merger Agreement, including the merger, are fair to and in the best interests of A.C. Moore s shareholders and approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement. **Accordingly, A.C. Moore s board of directors unanimously recommends that you vote FOR approval of the proposal to adopt the Merger Agreement and FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies.**

In addition, A.C. Moore s board of directors recommends that you vote FOR the approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to A.C. Moore s named executive officers in connection with the merger. Adoption of the Merger Agreement and approval of the golden parachute compensation are subject to separate votes by A.C. Moore s shareholders, and approval of the golden parachute compensation is not a condition to completion of the merger.

The affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon is required for the adoption of the proposal to adopt the Merger Agreement. Approval of the separate proposals to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies and to approve, on an advisory (non-binding) basis, the golden parachute compensation payable to A.C. Moore s named executive officers in connection with the merger also requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon.

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Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope, or submit your proxy by telephone or the Internet as provided in the accompanying proxy statement. Voting by proxy will ensure your representation at the special meeting if you do not attend in person. Returning the proxy card does not deprive you of your right to attend the special meeting and vote your shares in person. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted.

If your shares of common stock are held in an account through a bank, brokerage firm or other nominee, you should instruct your bank, brokerage firm or other nominee how to vote your shares by following the instructions that your bank, brokerage firm or other nominee provides you along with this proxy statement. **If you do not provide voting instructions to your bank, brokerage firm or other nominee, your shares will not be voted on any proposal on which your bank, brokerage firm or other nominee does not have discretionary authority to vote. In these cases, the bank, brokerage firm or other nominee will not be able to vote your shares on those matters for which specific authorization is required.** Banks, brokerage firms or other nominees do not have discretionary authority to vote on the proposals to adopt the Merger Agreement, to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies or to approve, on an advisory (non-binding) basis, the golden parachute compensation.

The accompanying proxy statement provides you with detailed information about the special meeting, the Merger Agreement and the merger. Copies of the Merger Agreement and Amendment No. 1 to the Merger Agreement are attached as **Annex A** and **Annex B** to the proxy statement. We encourage you to read the entire proxy statement and its annexes, including the Merger Agreement, as amended, carefully. You may also obtain additional information about A.C. Moore from documents we have filed with the Securities and Exchange Commission.

On behalf of the board of directors of A.C. Moore, we thank you for your support.

Sincerely,

Michael J. Joyce

Chairman of the Board

The proxy statement is dated [ ], 2011, and is first being mailed to our shareholders on or about [ ], 2011.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE MERGER, PASSED UPON THE MERITS OR FAIRNESS OF THE MERGER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE PROPOSED MERGER, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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PRELIMINARY PROXY MATERIAL SUBJECT TO COMPLETION
A.C. MOORE ARTS & CRAFTS, INC.
130 A.C. MOORE DRIVE
BERLIN, NEW JERSEY 08009
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held on [ ], 2011

A special meeting of shareholders of A.C. Moore Arts & Crafts, Inc., a Pennsylvania corporation (A.C. Moore), will be held on [ ], 2011 at [ ] a.m., Eastern Time, at [ ].

The special meeting will be held for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of October 3, 2011, as amended as of October 17, 2011, and as it may be further amended from time to time (the Merger Agreement), by and among A.C. Moore, Nicole Crafts LLC, a Delaware limited liability company (Parent), and Sbar s Acquisition Corporation, a Pennsylvania corporation and a wholly owned subsidiary of Parent (the Purchaser). Copies of the Merger Agreement and Amendment No. 1 to the Merger Agreement are attached as **Annex A** and **Annex B** to the accompanying proxy statement;

2. To consider and vote on a proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement;

3. To consider and cast an advisory (non-binding) vote on a proposal to approve certain agreements or understandings with and items of compensation payable to A.C. Moore s named executive officers that are based on or otherwise related to the merger (the golden parachute compensation); and

4. To transact any other business that may properly come before the special meeting, or any adjournment or postponement of the special meeting, by or at the direction of the board of directors of A.C. Moore.

The board of directors of A.C. Moore has fixed the close of business on [ ], 2011 as the record date for determining shareholders entitled to notice of and to vote at the special meeting or at any adjournments or postponements of the special meeting.

Your vote is very important, regardless of the number of shares of A.C. Moore common stock you own. The merger cannot be completed unless the Merger Agreement is adopted by the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon. The approval of the golden parachute compensation is advisory (non-binding) and also requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon; however, approval of the golden parachute compensation is not a condition to completion of the merger. In addition, the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon is required for the approval of the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies.

Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or submit your proxy by telephone or the Internet prior to the special meeting to ensure that your shares of A.C. Moore common stock will be represented at the special meeting if you are unable to attend. If you fail return your proxy card or fail to submit your proxy by phone or the Internet, your shares of A.C. Moore common stock will not be counted for purposes of determining whether a quorum is present at the special meeting.

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After careful consideration, and following the recommendation of the special committee of independent and disinterested directors of A.C. Moore s board of directors, A.C. Moore s board of directors has unanimously determined that the terms of the Merger Agreement, including the merger, are fair to and in the best interests of A.C. Moore s shareholders, and approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement. **Accordingly, A.C. Moore s board of directors recommends that you vote FOR approval of the proposal to adopt the Merger Agreement and FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies. In addition, A.C. Moore s board of directors recommends that you vote FOR approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to A.C. Moore s named executive officers in connection with the merger.**

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. IF YOU ATTEND THE SPECIAL MEETING AND VOTE IN PERSON, YOUR VOTE BY BALLOT WILL REVOKE ANY PROXY PREVIOUSLY SUBMITTED.

If the special meeting is adjourned for one or more periods aggregating at least 15 days because of the absence of a quorum, those shareholders entitled to vote who attend the reconvened special meeting, if less than a quorum as determined under applicable law, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in this Notice of Special Meeting of Shareholders.

By Order of the Board of Directors,
Amy Rhoades
Senior Vice President, General Counsel
and Corporate Secretary
Berlin, New Jersey
[ ], 2011

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This proxy statement and a proxy card are first being mailed on or about [ ], 2011 to shareholders of A.C. Moore Arts & Crafts, Inc. who owned shares of common stock, no par value, of A.C. Moore, or the Common Stock, as of the close of business on [ ], 2011.

SUMMARY

The following summary highlights selected information in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic.

Parties to the Merger (Page [ ])

A.C. Moore Arts & Crafts, Inc., or A.C. Moore, the Company, we, our or us, a Pennsylvania corporation, is a specialty retailer of arts, crafts and floral merchandise for a wide range of customers. We currently serve customers through our 134 stores located in the Eastern United States and nationally via our e-commerce site, www.acmoore.com.

Nicole Crafts LLC, a Delaware limited liability company, or Parent, was formed solely for the purpose of acquiring A.C. Moore and has not engaged in any business except for activities related to its formation, the Offer (as defined below) and the Merger (as defined below) and arranging the related financing. Upon completion of the Merger, A.C. Moore will be a direct, wholly owned subsidiary of Parent. Parent is an affiliate of Sbar s, Inc., or Sbar s, a New Jersey corporation and a vendor of A.C. Moore. See the section entitled *The Merger Vendor Arrangement with Sbar s* beginning on page [ ].

Sbar s Acquisition Corporation, a Pennsylvania corporation, or Purchaser, is a wholly owned subsidiary of Parent that was formed solely for the purpose of facilitating the acquisition of A.C. Moore. To date, Purchaser has not carried on any activities other than those related to its formation, the Offer and the Merger and arranging the related financing. Upon consummation of the proposed Merger, Purchaser will merge with and into A.C. Moore and will cease to exist, with A.C. Moore continuing as the surviving corporation, which we refer to as the surviving corporation.

In this proxy statement, we refer to the Agreement and Plan of Merger, dated October 3, 2011, and as amended as of October 17, 2011, as it may be further amended from time to time, among A.C. Moore, Parent and Purchaser, as the Merger Agreement, and the merger of Purchaser with and into A.C. Moore as the Merger.

Tender Offer (Page [ ])

On October 18, 2011, Purchaser commenced a tender offer, which we refer to as the Offer, for all of the outstanding shares of Common Stock, no par value, of A.C. Moore, or the Shares, at a price of $1.60 per Share, which we refer to as the Offer Price, to the seller in cash without interest and less any required withholding taxes. The Offer contemplated that, after completion of the Offer and the satisfaction or waiver of all conditions, we would merge with Purchaser and all outstanding Shares (other than Shares owned by Parent, Purchaser or any other wholly owned subsidiary of Parent or held in the treasury of A.C. Moore or owned by any wholly owned subsidiary of A.C. Moore immediately prior to the effective time of the Merger, which we refer to as the Excluded Shares) would be automatically cancelled and converted into the right to receive cash equal to the $1.60 per Share. The Offer was commenced pursuant to the Merger Agreement.

Under the terms of the Merger Agreement, the parties agreed to complete the Merger whether or not the Offer is completed. If the Offer is not completed, the parties agreed that the Merger could only be completed after the receipt of shareholder approval of the adoption of the Merger Agreement at the special meeting. We are soliciting proxies for the special meeting to obtain shareholder approval of the adoption of the Merger Agreement to be able to consummate the Merger regardless of the outcome of the Offer.

We refer in this proxy statement to the Offer and to terms of the Merger Agreement applicable to the Offer, however, the Offer is being made separately to the holders of Shares and is not applicable to the special meeting.

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The Special Meeting (Page [ ])

Time, Place and Purpose of the Special Meeting (Page [ ])

The special meeting will be held on [ ], 2011 at [ ] a.m., Eastern Time, at [ ].

At the special meeting, holders of Shares will be asked to approve the proposal to adopt the Merger Agreement and to approve the proposal to adjourn the special meeting, if necessary or appropriate for, among other reasons, soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement. In addition, holders of Shares will be asked to approve, on an advisory (non-binding) basis, the existing compensatory arrangements between A.C. Moore and its named executive officers providing for golden parachute compensation payable in connection with the Merger.

Record Date and Quorum (Page [ ])

You are entitled to receive notice of, and to vote at, the special meeting if you owned Shares at the close of business on [ ], 2011, which A.C. Moore has set as the record date for the special meeting and which we refer to as the record date. You will have one vote for each Share that you owned on the record date. As of the record date, there were [ ] Shares outstanding and entitled to vote at the special meeting. The presence, in person or represented by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast as of the record date on the matters to be acted upon at the special meeting will constitute a quorum for the purposes of the special meeting.

Vote Required (Page [ ])

Approval of the Merger Agreement requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon.

Approval of the proposal to adjourn the special meeting, if necessary or appropriate for, among other reasons, soliciting additional proxies requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon.

Approval of the separate proposal to approve, on an advisory (non-binding) basis, the golden parachute compensation payable to A.C. Moore s named executive officers in connection with the Merger requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon; however, approval of the golden parachute compensation is not a condition to completion of the Merger.

As of the record date, the directors and executive officers of A.C. Moore beneficially owned and were entitled to vote, in the aggregate, [ ] Shares. The directors and executive officers have informed A.C. Moore that they currently intend to vote all of their Shares **FOR** the proposal to adopt the Merger Agreement, **FOR** the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies and **FOR** the proposal to approve on an advisory (non-binding) basis the golden parachute compensation.

Proxies and Revocation (Page [ ])

Any shareholder of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet, by returning the enclosed proxy card in the accompanying prepaid reply envelope, or may vote in person by appearing at the special meeting. Abstentions will be counted as Shares present and entitled to vote for the purpose of determining a quorum. If your Shares are held in street name through a bank, brokerage firm or other nominee, you should instruct your bank, brokerage firm or other nominee how to vote your Shares by using the instructions provided by your bank, brokerage firm or other nominee. If you fail to submit a proxy or to vote in person at the special meeting, or do not provide such voting instructions, as applicable, your Shares will not be voted on the proposal to adopt the Merger Agreement and the proposal to adjourn the special meeting, if necessary or appropriate. If you have not received such voting instructions or require further information regarding such voting instructions, contact your bank, brokerage firm or other nominee.

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Your bank, brokerage firm or other nominee will not vote your Shares on the proposals to adopt the Merger Agreement, to adjourn or postpone the special meeting to solicit additional proxies or to approve, on an advisory (non-binding) basis, the golden parachute compensation payable to A.C. Moore s named executive officers in connection with the Merger without instruction from you. Broker non-votes will not be counted for purposes of determining whether a quorum is present unless the Shares covered by the broker non-votes are voted on a matter other than a procedural matter. Under the Pennsylvania Business Corporation Law of 1988, as amended, which we refer to as the PBCL, abstentions and these broker non-votes are not considered votes cast and therefore will have no effect on the vote and will not be considered in determining whether the proposals have received the requisite shareholder vote.

You may change your vote or revoke your proxy at any time before it is voted at the special meeting by:

- submitting a new proxy by telephone or via the Internet after the date of the earlier voted proxy;
- signing another proxy card with a later date and returning it to us prior to the special meeting; or
- attending the special meeting and voting in person.

If you hold your Shares in street name, you may submit new voting instructions by contacting your bank, brokerage firm or other nominee. You may also vote in person at the special meeting if you obtain a legal proxy from your bank, brokerage firm or other nominee.

The Merger (Page [ ])

The Merger Agreement provides that Purchaser will merge with and into A.C. Moore. A.C. Moore will be the surviving corporation in the Merger and will continue to do business following the Merger. As a result of the Merger, A.C. Moore will cease to be a publicly traded company. If the Merger is completed, you will not own any shares of the capital stock of the surviving corporation.

Concurrently with the execution of the Merger Agreement, a Deposit Escrow Agreement, which we refer to as the Deposit Escrow Agreement, was entered into by and among Parent, Purchaser, A.C. Moore and Wells Fargo Bank, National Association, as deposit escrow agent. Pursuant to the terms of the Deposit Escrow Agreement, Purchaser has deposited $20 million into an escrow account in order to provide security for the obligations of Parent and Purchaser to consummate the transactions contemplated by the Merger Agreement, which we refer to as the Transactions. A copy of the Deposit Escrow Agreement is attached as **Annex C** to this proxy statement, which we encourage you to read carefully in its entirety.

The Merger Agreement provides for customary indemnification by the surviving corporation in favor of the indemnified parties as described in the Merger Agreement. Sbar s agreed to guarantee such indemnification obligations, subject to certain limitations, pursuant to the Limited Guaranty, which we refer to as the Guaranty, made and delivered by Sbar s to A.C. Moore, in favor of, and for the benefit of, the guaranteed parties named in the Guaranty. A copy of the Guaranty is attached as **Annex D** to this proxy statement, which we encourage you to read carefully in its entirety. We refer to the Merger Agreement, the Deposit Escrow Agreement and the Guaranty together as the Transaction Documents.

Merger Consideration (Page [ ])

At the effective time of the Merger, which we refer to as the Effective Time, each Share outstanding immediately prior to the Effective Time, other than Excluded Shares, all of which will be canceled, will be converted into the right to receive an amount in cash, without interest and less any applicable withholding taxes, equal to $1.60 which, when payable in connection with the Merger, we refer to as the Merger Consideration.

Reasons for Recommendation of the Special Committee and A.C. Moore s Board of Directors (Page [ ])

At a meeting held on October 3, 2011, the special committee of the board of directors of A.C. Moore, which we refer to as the Special Committee, acting with the advice and assistance of its legal and financial advisors, unanimously determined (i) that the Transaction Documents and the Transactions are fair to and in the best interests of A.C. Moore s shareholders and (ii) to recommend to the board of directors of A.C. Moore, or the Board, that the Transaction Documents and the Transactions be adopted and approved in all respects.

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After careful consideration, based on the unanimous recommendation of the Special Committee, and the conduct of its own independent review and other relevant factors more fully described the section entitled *The Merger Reasons for Recommendation of the Special Committee and A.C. Moore s Board,* the Board unanimously determined (i) to approve and adopt the Transaction Documents and to approve and authorize the consummation of the Transactions; (ii) to authorize the execution and delivery of the Transaction Documents in the name of A.C. Moore; (iii) that the Transaction Documents and the Transactions are fair to and in the best interests of A.C. Moore s shareholders; (iv) to recommend that the shareholders of A.C. Moore accept the Offer and tender their Shares in the Offer and, to the extent such a meeting is required under the PBCL, vote in favor of the approval of the Merger and the approval and adoption of the Merger Agreement at any meeting of shareholders of A.C. Moore called to consider the approval of the Merger and the Merger Agreement; and (v) to approve for all purposes that the Merger Agreement and the Transactions be exempt from applicable anti-takeover laws. We refer to the foregoing approvals and recommendations by the Board as the Board Recommendation.

In considering the Board Recommendation with respect to the proposal to adopt the Merger Agreement, you should be aware that our directors and executive officers may have interests in the Merger that are different from, or in addition to, yours. See the section entitled *The Merger Interests of Certain Persons in the Merger* beginning on page [ ] and *Advisory Vote on Golden Parachute Compensation* beginning on page [ ]. The Special Committee and the Board were aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending that the Merger Agreement be adopted by the shareholders of A.C. Moore.

The Board unanimously recommends that you vote FOR the proposal to adopt the Merger Agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies.

Opinion of A.C. Moore s Financial Advisor (Page [ ])

A.C. Moore retained Janney Montgomery Scott LLC, or Janney, as its financial advisor in connection with the Offer and the Merger. On October 3, 2011, during a meeting of the Board, Janney, at the request of the Special Committee, rendered an oral opinion, which was confirmed by delivery of a written opinion dated October 3, 2011, to the effect that, as of that date and based upon and subject to the various considerations set forth in its opinion, the consideration of $1.60 per Share to be paid to holders of Shares pursuant to the Merger Agreement was fair, from a financial point of view, to such holders (other than Parent or Purchaser).

The full text of the written opinion of Janney dated October 3, 2011 is attached as Annex E to this proxy statement and is incorporated herein by reference. Janney s opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of review undertaken by Janney in rendering its opinion. Janney s opinion does not address the relative merits of the Transactions as compared to other business strategies or transactions that might be available to A.C. Moore or A.C. Moore s underlying business decision to effect the Transactions. Janney was not asked to, nor does it, offer any opinion as to the terms, other than the Merger Consideration to the extent expressly specified therein, of the Merger Agreement or the form of the Transactions. The summary of the opinion of Janney set forth below under *The Merger Opinion of A.C. Moore s Financial Advisor* is qualified in its entirety by reference to the full text of the opinion. Shareholders are encouraged to carefully read the full text of the opinion of Janney in its entirety as well as the section *The Merger Opinion of A.C. Moore s Financial Advisor* below.

Financing of the Merger (Page [ ])

We anticipate that total funds of approximately $46 million will be needed to purchase all of the issued and outstanding Shares, and to complete the Merger and to pay related fees and expenses, and up to an additional $28.5 million to repay indebtedness of A.C. Moore at the closing of the Merger.

Purchaser has placed $20 million in an escrow account at Wells Fargo Bank, National Association, or Wells Fargo, to provide security for the obligations of Parent and Purchaser to consummate the Transactions. In addition, Parent and Purchaser have received a financing commitment, which we refer to as the Wells Fargo Commitment, from Wells Fargo to provide, through December 31, 2011, an amount up to $77.5 million, which shall be used to satisfy the Merger Consideration, provide sufficient funds to complete the Merger and pay related fees and expenses, and to

repay existing indebtedness of A.C. Moore, which is owed to Wells Fargo pursuant to A.C. Moore s existing credit facility. The Wells Fargo Commitment is available to finance the Transactions, to pay fees and expenses related thereto, to repay our existing indebtedness, as well as to finance general corporate purposes and working capital of the surviving corporation and its subsidiaries. The Wells Fargo Commitment is subject to certain conditions. If any portion of the required financing becomes unavailable on the terms and conditions contemplated by the Wells Fargo Commitment, Parent and Purchaser are obligated to use commercially reasonable efforts to arrange and obtain alternative financing from alternative sources.

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We believe the amount deposited pursuant to the Deposit Escrow Agreement and the amounts committed under the Wells Fargo Commitment will be in the aggregate sufficient to pay the Offer Price in respect of each Share validly tendered and accepted for payment in the Offer, the aggregate Merger Consideration, all amounts required to be paid in respect of A.C. Moore stock appreciation rights pursuant to the Merger Agreement and all fees and expenses, but we cannot assure you of that. Those amounts might be insufficient if, among other things, Wells Fargo fails to fund the committed amounts in breach of the Wells Fargo Commitment or if the conditions to such commitment are not met. If any portion of such committed amounts become unavailable on the terms and conditions contemplated by the Wells Fargo Commitment, Parent and Purchaser agreed to use commercially reasonable efforts to arrange and obtain alternative financing from alternative sources in an amount sufficient to consummate the Transactions. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event that the Wells Fargo Commitment described in this proxy statement is not available as anticipated.

Interests of Certain Persons in the Merger (Page [ ])

When considering the Board Recommendation that you vote to approve the proposal to adopt the Merger Agreement, you should be aware that our directors and executive officers may have interests in the Merger that are different from, or in addition to, your interests as a shareholder. The Board was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending that the Merger Agreement be adopted by the shareholders of A.C. Moore. These interests include, but are not limited to, the following:

- Accelerated vesting of equity awards held by our directors and employees, including executive officers, at the Effective Time and the settlement of such awards in exchange for cash. With respect to options to purchase Shares and stock appreciation rights granted under an equity compensation plan or arrangement of A.C. Moore, which we refer to as A.C. Moore Options and A.C. Moore SARs, respectively, outstanding immediately prior to the Effective Time, each A.C. Moore Option and A.C. Moore SAR, whether or not exercisable or vested, would be canceled as of the Effective Time and A.C. Moore s employees would receive a cash payment equal to the product of (i) the excess of, if any, of the Merger Consideration over the per Share exercise price of the A.C. Moore Option or A.C. Moore SAR, and (ii) the number of Shares subject to the A.C. Moore Option or A.C. Moore SAR;
- The executive officers will receive severance payments and benefits under their employment agreements upon certain types of termination of employment following the Effective Time; and
- Accelerated vesting of retention awards held by our executive officers at the Effective Time.

In addition, the Shares held by our directors and executive officers, including restricted stock awards or performance accelerated restricted stock awards granted under any compensation plan or arrangement of A.C. Moore, which we refer to as A.C. Moore Restricted Stock, will be treated in the same manner as outstanding Shares held by other shareholders of A.C. Moore.

For further information, refer to the discussion under the heading *The Merger Interests of Certain Persons in the Merger* beginning on page [ ] and *Advisory Vote on Golden Parachute Compensation* beginning on page [ ].

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Material United States Federal Income Tax Consequences (Page [ ])

The exchange of Shares for cash pursuant to the Merger will generally be a taxable transaction to United States Holders for United States federal income tax purposes. In general, a United States Holder whose Shares are converted into the right to receive cash in the Merger will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to such Shares and its adjusted tax basis in such Shares. Backup withholding may also apply to the cash payments made pursuant to the Merger unless the United States Holder or other payee provides a valid taxpayer identification number and complies with certain certification procedures (generally, by providing a properly completed IRS Form W-9) or otherwise establishes an exemption from backup withholding. Payments made to a non-United States Holder with respect to Shares exchanged for cash pursuant to the Merger will generally be exempt from United States federal income tax. A non-United States Holder may, however, be subject to backup withholding with respect to the cash payments made pursuant to the Merger, unless the non-United States Holder certifies on an appropriate IRS Form W-8 that such non-United States Holder is not a United States person or otherwise establishes an exemption from backup withholding. You should read *The Merger Material United States Federal Income Tax Consequences* beginning on page [ ] for definitions of United States Holder and non-United States Holder, and for a more detailed discussion of the United States federal income tax consequences of the Merger. You should also consult your tax advisor with respect to the specific tax consequences to you in connection with the Merger in light of your own particular circumstances, including federal estate, gift and other non-income tax consequences, and tax consequences under state, local or foreign tax laws.

Regulatory Approvals and Notices (Page [ ])

Purchaser has made a notice filing with the Pennsylvania Securities Commission in connection with the Offer and the Merger. No other regulatory approvals or notices are required in connection with the Merger.

Litigation (Page [ ])

Shareholder Demand Letter

On October 6, 2011, the Board received a demand letter from a purported shareholder of A.C. Moore alleging that the members of the Board breached their fiduciary duties to A.C. Moore and its shareholders in connection with the transactions contemplated by the Merger Agreement. The shareholder has demanded that the Board remedy the foregoing breaches of fiduciary duties. On October 12, 2011, the Board appointed a special committee to consider the allegations set forth in the demand letter.

Class Action Complaint

On October 11, 2011, a putative class action lawsuit captioned Provoncha v. A.C. Moore Arts & Crafts, Inc., et al., was filed in the Superior Court of New Jersey, Chancery Division, Camden County. The complaint names as defendants the members of the Board, as well as A.C. Moore, Parent and Purchaser. The complaint seeks, among other things, injunctive relief, including enjoining the Board, and anyone acting in concert with them, from proceeding with the transactions contemplated by the Merger Agreement. The complaint was amended on October 21, 2011 to set forth additional substantive allegations, including allegations that the Tender Offer Solicitation/Recommendation Statement on Schedule 14D-9, or the Schedule 14D-9, which we filed with the SEC, contains materially misleading statements and omits material information. We believe the plaintiff s allegations lack merit and we intend to contest them vigorously; however, there can be no assurance that we will be successful in our defense.

For further information, refer to the discussion under the heading *The Merger Litigation* beginning on page [ ].

The Merger Agreement (Page [ ])

Treatment of Common Stock, A.C. Moore Options, A.C. Moore SARs and A.C. Moore Restricted Stock (Page [ ])

Common Stock. At the Effective Time, each Share issued and outstanding (other than Excluded Shares) will convert into the right to receive the per Share Merger Consideration of $1.60 in cash, without interest, less any applicable withholding taxes. The treatment of Common Stock is further described under *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements The Merger* beginning on page [ ].

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A.C. Moore Options. At the Effective Time, each A.C. Moore Option, whether or not exercisable or vested, will be cancelled in exchange for a payment, in cash, equal to the product of (i) the excess, if any, of the per Share Merger Consideration of $1.60 over the exercise price per Share subject to such the A.C. Moore Option, and (ii) the number of Shares subject to the A.C. Moore Option, less any amounts required to be withheld pursuant to applicable law. The treatment of A.C. Moore Options is further described under *The Merger Interests of Certain Persons in the Merger Treatment of Equity Awards* beginning on page [ ] and *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements The Merger Treatment of A.C. Moore Options, A.C. Moore SARs and A.C. Moore Restricted Stock* beginning on page [ ].

A.C. Moore SARs. At the Effective Time, each A.C. Moore SAR, whether or not exercisable or vested, will be canceled at the Effective Time, in exchange for a payment, in cash, equal to the product of (i) the excess, if any, of the per Share Merger Consideration of $1.60 over the per Share exercise price per Share of such A.C. Moore SAR, and (ii) the number of Shares subject to A.C. Moore SAR, less any amounts required to be withheld pursuant to applicable law. The treatment of A.C. Moore SARs is further described under *The Merger Interests of Certain Persons in the Merger Treatment of Equity Awards* beginning on page [ ] and *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements The Merger Treatment of A.C. Moore Options, A.C. Moore SARs and A.C. Moore Restricted Stock* beginning on page [ ].

A.C. Moore Restricted Stock. At the Effective Time, each Share of A.C. Moore Restricted Stock, whether or not vested, will be cancelled in exchange for the per Share Merger Consideration of $1.60. The treatment of A.C. Moore Restricted Stock is further described under *The Merger Interests of Certain Persons in the Merger Treatment of Equity Awards* beginning on page [ ] and *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements The Merger Treatment of A.C. Moore Options, A.C. Moore SARs and A.C. Moore Restricted Stock* beginning on page [ ].

Solicitation of Takeover Proposals (Page [ ])

From the date of the Merger Agreement until the earlier to occur of the termination of the Merger Agreement and the Effective Time, we have agreed not to solicit or initiate any takeover proposal by any third party or participate in discussions or negotiations regarding such a takeover proposal. Notwithstanding these restrictions, under certain circumstances, at any time before the consummation of the Offer (or, if the Offer is terminated, at any time prior to obtaining shareholder approval), we may:

furnish, pursuant to an acceptable confidentiality agreement, information (including non-public information) and/or access with respect to us and our subsidiaries to the third party which has made a takeover proposal or offer, whether in writing or otherwise; and

engage in or otherwise participate in discussions and/or negotiations directly or through our representatives with the third party making such takeover proposal or offer,

in each case, so long as:

the Board (or an authorized committee thereof) determines in good faith, after consulting with outside legal and financial advisors, that any such takeover proposal or offer constitutes, or would reasonably be expected to lead to, a superior proposal; and

the Board (or an authorized committee thereof) determines in good faith, after consultation with outside legal counsel, that the failure to take such action would be inconsistent with the best interests of our shareholders.

At any time before the Merger Agreement is adopted by our shareholders or, in certain circumstances, at any time prior to Purchaser s acceptance of Shares tendered in the Offer, which we refer to as the Acceptance Date, if A.C. Moore s Board determines that a takeover proposal is a superior proposal, we may terminate the Merger Agreement and enter into any acquisition, merger or similar agreement with respect to such superior proposal, so long as we comply with certain terms of the Merger Agreement, including paying a termination fee to Parent. See *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements Termination Fee* beginning on page [ ].

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Conditions to the Merger (Page [ ])

The respective obligations of A.C. Moore, Parent and Purchaser to consummate the Merger are subject to the satisfaction or waiver of certain customary conditions, including the adoption of the Merger Agreement by our shareholders, the accuracy of the representations and warranties of the parties and compliance by the parties with their respective obligations under the Merger Agreement. The obligation of Parent and Purchaser to consummate the Merger is also subject to the receipt of financing, the absence of any change, circumstance, event or occurrence, from the date of the Merger Agreement until the Effective Time, that has had or would reasonably be expected to have a material adverse effect on A.C. Moore, as described under *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements The Merger Representations and Warranties* beginning on page [ ].

Termination (Page [ ])

The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after the adoption of the Merger Agreement by our shareholders:

by mutual written consent of Parent and A.C. Moore;

by either Parent or A.C. Moore,

if the Merger is not consummated on or before December 30, 2011; provided that the right to terminate the Merger Agreement on such date shall not be available to Parent or A.C. Moore if (i) the consummation of the Offer, which we refer to as the Offer Closing, shall have occurred or (ii) the failure of Parent or A.C. Moore, as applicable, to perform any of its obligations under the Merger Agreement is a principal cause of the failure of the Merger to be consummated on or before such date;

if any law, restraining order (preliminary, temporary or permanent), executive order, decree, ruling, judgment or injunction or other order of a court or governmental entity of competent jurisdiction is in effect enjoining, restraining, preventing or prohibiting the consummation of the Offer or the Merger and is final and non-appealable and has the effect of making consummation of the Offer or the Merger illegal or otherwise restraining, preventing or prohibiting consummation of the Offer or the Merger; or

by Parent,

if there has occurred a breach of or failure to perform any representation, warranty, covenant or agreement on the part of A.C. Moore, which breach or failure to perform would cause any conditions of the Offer or the Merger not to be satisfied and (i) if such breach or failure to perform cannot be cured by A.C. Moore, at least 20 business days elapse since the date of delivery of notice of such breach or failure to perform to A.C. Moore from Parent and such breach or failure to perform shall not have been cured in a manner such that such breach or failure to perform no longer results in the applicable condition not being satisfied or (ii) if such breach or failure to perform is capable of being cured by A.C. Moore, A.C. Moore does not cure such breach or failure to perform within 10 business days after the date of delivery of notice of such breach or failure to perform to A.C. Moore, provided, that Parent will not have the right to terminate the Merger Agreement in these circumstances if A.C. Moore s breach or failure to perform was primarily due to the failure of Parent or Purchaser to perform any of their obligations under the Merger Agreement;

the Board (or any authorized committee thereof) either (i) fails to make, or withdraws or modifies the Board Recommendation in a manner adverse to Parent; or (ii) approves, recommends, endorses or resolves to approve, recommend or endorse a takeover proposal or recommends against the adoption of the Merger Agreement by the shareholders of A.C. Moore. (we refer to the either of the foregoing actions as a Board Recommendation Change);

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A.C. Moore breaches its obligations with respect to solicitation of takeover proposals resulting in the announcement, submission or making of a takeover proposal;

if, after a tender offer or exchange offer is commenced that, if successful, would result in any person or group (as defined under Section 13(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act) becoming a beneficial owner of 20% or more of the outstanding Shares (other than by Parent or Purchaser), the Board fails to recommend that A.C. Moore s holders not tender their Shares in such tender or exchange offer within 10 business days after commencement of such tender offer or exchange offer;

the Board fails to reconfirm the Board Recommendation promptly, and in any event within five business days, following Parent s reasonable request to do so; or

by A.C. Moore,

if (i) in violation of the Merger Agreement, Parent or Purchaser terminates the Offer without having accepted all of the Shares tendered for payment thereunder, fails to timely accept for payment and purchase all Shares that have been validly tendered and not withdrawn pursuant to the Offer if all conditions to the Offer have been satisfied or waived as of the expiration of the Offer (including any extensions thereof), or modified certain terms of the Offer without the prior written consent or waiver of A.C. Moore; and (ii) A.C. Moore does not breach any of its obligations under the Merger Agreement in any manner that proximately causes or results in the failure of the Offer to be consummated;

if Parent or Purchaser breach or fail to perform any of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach or failure to perform (i) would cause any of the conditions to the Offer or the Merger to not be satisfied, (ii) was notified by A.C. Moore in a written notice delivered to Parent or Purchaser and (iii) cannot be cured by December 30, 2011 or at least 30 days shall have elapsed since the date of delivery of a written notice of such breach from A.C. Moore to Parent or Purchaser and such breach is not cured in a manner such that such breach no longer results in the applicable condition not being satisfied; provided, however, that the right to terminate the Merger Agreement in these circumstance would not be available to A.C. Moore if (A) Parent s or Purchaser s breach or failure to perform any of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement was primarily due to the failure of A.C. Moore to perform any of its obligations under the Merger Agreement or (B) Parent waives the applicable condition to the Offer; or

prior to the Acceptance Date or, in certain circumstances, prior to the consummation of the Merger, in order to enter into a transaction that is a superior proposal; provided, that such takeover proposal did not result from a breach of A.C. Moore s obligations with respect to solicitation of takeover proposals.

Termination Fee (Page [ ])

If the Merger Agreement is terminated in certain circumstances described under *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements Termination Fee* beginning on page [ ], A.C. Moore will be required to pay a termination fee to Parent in the amount of $2 million, including, without limitation, in the following circumstances:

the Merger Agreement is terminated by Parent as a result of a Board Recommendation Change;

the Merger Agreement is terminated by A.C. Moore in order to accept a superior proposal; or

(i) a bona fide takeover proposal is publicly disclosed and not withdrawn prior to the termination of the Merger Agreement, and (ii) following such disclosure, the Merger Agreement is terminated by A.C. Moore or Parent because the Merger has not occurred prior to December 30, 2011 or by Parent as a result of a Board Recommendation Change, and (iii) within 12 months of the date the Merger Agreement is terminated, A.C. Moore enters into a definitive agreement with respect to, or recommends to its shareholders, an alternative transaction or an alternative transaction is consummated with a third party.

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Remedies (Page [ ])

The parties further agreed to waive any defense, in the event that any action for injunction, specific performance or other equitable relief, that a remedy at law would be adequate and further agreed that each party would be entitled to an injunction or injunctions to prevent breaches or threatened breaches of the Merger Agreement and to enforce specifically the terms and provisions of the Merger Agreement in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies are to be cumulative. In addition, to the extent permitted by law, any requirements for the securing or posting of any bond with such remedy were waived by the parties. In order to provide some security for the obligations of Parent and Purchaser under the Merger Agreement, concurrently with the execution of the Merger Agreement, the parties entered into the Deposit Escrow Agreement, as described under *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements Deposit Escrow Agreement* beginning on page [ ]. A copy of the Deposit Escrow Agreement is attached as **Annex C** to this proxy statement, which we encourage you to read in its entirety.

Market Price of Common Stock (Page [ ])

The per Share Merger Consideration of $1.60 per Share:

- Represented a premium of 68.4% to the closing price of $0.95 per Share of Common Stock on October 3, 2011, the last full trading day prior to the announcement of the execution of the Merger Agreement.
- Represented a premium of 53.8% to the one week prior closing price of $1.04 per Share of Common Stock on September 26, 2011.
- Represented premium of 21.2% to the one month prior closing price of $1.32 per Share of Common Stock on September 6, 2011.
- Represented a discount of 29.2% to the one year prior closing price of $2.26 per Share of Common Stock on October 4, 2010.

Dissenters Rights (Page [ ])

Dissenters rights are not available in connection with the Merger if there is a vote of shareholders at the special meeting to adopt the Merger Agreement.

Delisting and Deregistration of Common Stock (Page [ ])

If the Merger is completed, our Common Stock will be delisted from Nasdaq, and deregistered under the Exchange Act. As such, we would no longer file periodic reports or proxy statements with the Securities and Exchange Commission, or the SEC, on account of our Common Stock.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the Merger, the Merger Agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a shareholder of A.C. Moore. Please refer to the Summary and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement, which you should read carefully and in their entirety.

Q. Why am I receiving this proxy statement and proxy card or voting instruction form?

A: You are receiving this proxy statement and proxy card or voting instruction form because you own Shares of A.C. Moore Common Stock. This proxy statement describes matters, including the proposed Transactions, on which we urge you to vote and is intended to assist you in deciding how to vote your Shares with respect to such matters.

Q. What is the proposed transaction and what effects will it have on A.C. Moore?

A. The proposed transaction is the acquisition of A.C. Moore by Parent, an affiliate of Sbar s, pursuant to the Merger Agreement. If the proposal to adopt the Merger Agreement is approved by our shareholders and the other closing conditions under the Merger Agreement have been satisfied or waived, Purchaser will merge with and into A.C. Moore. Upon completion of the Merger, Purchaser will cease to exist and A.C. Moore will continue as the surviving corporation. As a result of the Merger, A.C. Moore will become a subsidiary of Parent and will no longer be a publicly held corporation, and you will no longer have any interest in our future earnings or growth. In addition, our Common Stock will be delisted from Nasdaq and deregistered under the Exchange Act, and we will no longer file periodic reports or proxy statements with the SEC on account of our Common Stock.

Q: Did Purchaser commence a tender offer for Shares?

A: Yes. On October 18, 2011, Purchaser commenced the Offer for all of the outstanding Shares at a price of $1.60 per Share to the seller in cash, without interest, and less any applicable withholding taxes. The Offer was commenced pursuant to the Merger Agreement.

Under the terms of the Merger Agreement, the parties agreed to complete the Merger whether or not the Offer is completed. If the Offer is not completed, the parties agreed that the Merger could only be completed after the receipt of shareholder approval of the adoption of the Merger Agreement.

We are soliciting proxies for the special meeting to obtain shareholder approval of the adoption of the Merger Agreement to be able to consummate the Merger regardless of the outcome of the Offer. **Regardless of whether you tendered your Shares in the Offer, you may nevertheless vote your Shares at the special meeting because you were a shareholder as of the record date of the special meeting.**

Q. What will I receive if the Merger is completed?

A. Upon completion of the Merger, you will be entitled to receive the per Share Merger Consideration of $1.60 in cash, without interest, and less any applicable withholding taxes, for each Share that you own. For example, if you own 100 Shares, you will receive $160 in cash in exchange for your Shares, less any applicable withholding taxes. You will not own any shares of the capital stock in the surviving corporation.

Q. What will happen to A.C. Moore stock options and stock appreciation rights in the Merger?

A. At the Effective Time, all options to purchase Shares (A.C. Moore Options) and stock appreciation rights (A.C. Moore SARs) granted under an equity compensation plan or arrangement of A.C. Moore outstanding immediately prior to the Effective Time, whether or not exercisable or vested, will be canceled at the Effective Time, in exchange for a payment, in cash, equal to the product of (i) the excess, if any, of the per Share Merger Consideration over the exercise price of the A.C. Moore Option or A.C. Moore SAR, and (ii) the number of Shares subject to A.C. Moore Option or A.C. Moore SAR, less any amounts required to be withheld pursuant to applicable law. The treatment of A.C. Moore Options and A.C. Moore SARs is further described under *The Merger Interests of Certain Persons in the Merger Treatment of Equity Awards* beginning on page [ ] and *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements The Merger Treatment of A.C. Moore Options, A.C. Moore SARs and A.C. Moore Restricted Stock* beginning on page [ ].

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Q. What will happen to shares of A.C. Moore Restricted Stock in the Merger?

A. At the Effective Time, each restricted stock award or performance accelerated restricted stock award granted under any compensation plan or arrangement of A.C. Moore (A.C. Moore Restricted Stock), whether or not vested, will be cancelled in exchange for the per Share Merger Consideration payable in respect of such stock. The treatment of A.C. Moore Restricted Stock is further described under *The Merger Interests of Certain Persons in the Merger Treatment of Equity Awards* beginning on page [ ] and *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements The Merger Treatment of A.C. Moore Options, A.C. Moore SARs and A.C. Moore Restricted Stock* beginning on page [ ].

Q. Upon the consummation of the Merger, will A.C. Moore continue as a public company?

A. No. If the Merger is completed, our Common Stock will be delisted from Nasdaq and deregistered under the Exchange Act. As such, we would cease to be publicly traded and would no longer file periodic reports and proxy statements with the SEC on account of our Common Stock.

Q. When do you expect the Merger to be completed?

A. We are working towards completing the Merger as soon as possible. If the Merger is approved at the special meeting of shareholders then, assuming timely satisfaction of the other necessary closing conditions, we anticipate that the Merger will be completed promptly thereafter.

Q. What happens if the Merger is not completed?

A. If the Merger Agreement is not adopted by the shareholders of A.C. Moore or if the Transactions are not completed for any other reason, the shareholders of A.C. Moore will not receive any payment for their Shares. Instead, A.C. Moore will remain an independent public company, and our Common Stock will continue to be listed and traded on Nasdaq. Under specified circumstances, A.C. Moore may be required to pay to Parent a fee with respect to the termination of the Merger Agreement, as described under *The Merger Agreement Terms of the Merger Agreement and Certain Other Agreements Termination Fee* beginning on page [ ].

Q. Is the Merger expected to be taxable to me?

A. Yes. The exchange of Shares for cash pursuant to the Merger will generally be a taxable transaction to United States Holders for United States federal income tax purposes. In general, a United States Holder whose Shares are converted into the right to receive cash in the Merger will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to such Shares and its adjusted tax basis in such Shares. Backup withholding may also apply to the cash payments made pursuant to the Merger unless the United States Holder or other payee provides a valid taxpayer identification number and complies with certain certification procedures (generally, by providing a properly completed IRS Form W-9) or otherwise establishes an exemption from backup withholding. Payments made to a non-United States Holder with respect to Shares exchanged for cash pursuant to the Merger will generally be exempt from United States federal income tax. A non-United States Holder may, however, be subject to backup withholding with respect to the cash payments made pursuant to the Merger, unless the non-United States Holder certifies on an appropriate IRS Form W-8 that such non-United States Holder is not a United States person or otherwise establishes an exemption from backup withholding. You should read *The Merger Material United States Federal Income Tax Consequences* beginning on page [ ] for definitions of United States Holder and non-United States Holder, and for a more detailed discussion of the United States federal income tax consequences of the Merger. You should also consult your tax advisor with respect to the specific tax consequences to you in connection with the Merger in light of your own particular circumstances, including federal estate, gift and other non-income tax consequences, and tax consequences under state, local or foreign tax laws.

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Q: Do any of A.C. Moore s directors or officers have interests in the Merger that may differ from or be in addition to my interests as a shareholder?

A: Yes. In considering the Board Recommendation with respect to the proposal to adopt the Merger Agreement, you should be aware that our directors and executive officers may have interests in the Merger that are different from, or in addition to, the interests of our shareholders generally. The Board was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending that the Merger Agreement be adopted by the shareholders of A.C. Moore. See *The Merger Interests of Certain Persons in the Merger* beginning on page [ ] and *Advisory Vote on Golden Parachute Compensation*) beginning on page [ ].

Q. When and where is the special meeting?

A. The special meeting of shareholders of A.C. Moore will be held on [ ], 2011 at [ ] a.m. Eastern Time, at [ ]. This proxy statement for the special meeting will be mailed to shareholders on or about [ ], 2011.

Q. Who may attend the special meeting?

A. All shareholders of record at the close of business on [ ], 2011, or the record date, or their duly appointed proxies, and our invited guests may attend the special meeting. Please be prepared to present valid photo identification for admission to the special meeting.

If you hold Shares in street name (that is, in a bank, brokerage firm or other nominee) and you plan to vote in person at the special meeting, you will need to bring a valid photo identification and a copy of a brokerage account statement reflecting your Share ownership as of the record date, or a legal proxy from your broker or nominee.

Shareholders of record will be verified against an official list available in the registration area at the special meeting. We reserve the right to deny admittance to anyone who cannot adequately show proof of Share ownership as of the record date.

Q. When will the shareholders list be available for examination?

A. A complete list of the shareholders of record as of the record date will be available for examination by shareholders of record beginning on [ ], 2011 at A.C. Moore s headquarters and will continue to be available through and during the special meeting at [ ].

Q. Who may vote at the special meeting?

A. You may vote if you owned our Common Stock as of the close of business on the record date. Each Share is entitled to one vote. As of the record date, there were [ ] Shares outstanding and entitled to vote at the special meeting.

Q. What will I be voting on?

A. You will be voting on the following:

- The adoption of the Merger Agreement, which provides for the acquisition of A.C. Moore by Parent, an affiliate of Sbar s;
- The approval to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement; and
- To cast an advisory (non-binding) vote on the golden parachute compensation payable to A.C. Moore s named executive officers in connection with the Merger.

Q. What are the voting recommendations of the Board of A.C. Moore?

A. The Board unanimously recommends that you vote your Shares **FOR** the proposal to adopt the Merger Agreement, **FOR** the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies and **FOR** the proposal to approve by an advisory (non-binding) vote the golden parachute compensation.

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Q. How do I submit a proxy or vote?

A. If you are a shareholder of record (that is, if your Shares are registered in your name with Broadridge Corporate Issuer Solutions, Inc., our transfer agent) there are four ways to submit your proxy or vote:

By Telephone: You may submit your proxy by calling the toll-free telephone number indicated on your proxy card. Please follow the voice prompts that allow you to submit your proxy and confirm that your voting instructions have been properly recorded.

Via the Internet: You may submit your proxy by logging on to the website indicated on your proxy card. Please follow the website prompts that allow you to submit your proxy and confirm that your voting instructions have been properly recorded.

By Mail: You may submit your proxy by completing, signing and returning the proxy card in the postage-paid envelope provided with this proxy statement. The proxy holders will vote your Shares according to your directions. If you sign and return your proxy card without specifying choices, your Shares will be voted by the persons named in the proxy in accordance with the recommendations of the Board as set forth in this proxy statement.

Vote at the Special Meeting: You may cast your vote in person at the special meeting. Written ballots will be passed out to shareholders or legal proxies who want to vote in person at the special meeting.

Submission of proxies by telephone and via the Internet for shareholders of record will be available 24 hours a day and will close at 11:59 p.m., Eastern Time, on [ ], 2011. Submission of proxies by telephone and via the Internet is convenient, provides postage and mailing cost savings and is recorded immediately, minimizing the risk that postal delays may cause proxies to arrive late and therefore not be counted.

Even if you plan to attend the special meeting, you are encouraged to submit a proxy. You may still vote your Shares in person at the special meeting even if you have previously submitted a proxy. If you are present at the special meeting and desire to vote in person, your previous proxy will not be counted.

Q. How do I vote if I hold Shares through the A.C. Moore 401(k) Plan?

A. If you participate in the A.C. Moore 401(k) Plan, or the 401(k) Plan, and hold Shares in your 401(k) Plan account, you may give voting instructions as to the number of Shares credited to your account as of the record date. The Plan trustee, Frontier Trust Company, or the Trustee, will vote on your behalf according to your voting instructions (or a change or revocation in voting instructions). Only the Trustee may vote your 401(k) Plan Shares; you may not vote your 401(k) Plan Shares in person at the special meeting. Your voting instructions (or change or revocation in voting instructions) must be received before [ ] on [ ].

Q. What if I hold my Shares in street name ?

A. You should follow the voting directions provided by your bank, brokerage firm or other nominee. You may complete and mail a voting instruction card to your bank, brokerage firm or other nominee or, in most cases, submit voting instructions by telephone or the Internet to your bank, brokerage firm or other nominee. If you provide specific voting instructions by mail, telephone or the Internet, your bank, brokerage firm or other nominee will vote your Shares as you have directed. Please note that if you wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee at the special meeting.

If you have not received such voting instructions or require further information regarding such voting instructions, contact your bank, brokerage firm or other nominee. Your bank, brokerage firm or other nominee will not vote your Shares on the proposals to adopt the Merger Agreement, to adjourn or postpone the special meeting to solicit additional proxies or to approve, on an advisory (non-binding) basis, the golden parachute compensation payable to A.C. Moore s named executive officers in connection with the Merger without instruction from you. Under the PBCL, abstentions and these broker non-votes are not considered votes cast and therefore will have no effect on the vote and will not be considered in determining whether the proposals have received the requisite shareholder vote.

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Q. Can I change my mind after I vote?

A. Yes. If you are a shareholder of record, you may revoke your proxy at any time before it is voted at the special meeting by:

submitting a new proxy by telephone or via the Internet after the date of the earlier voted proxy;
signing another proxy card with a later date and returning it to us prior to the special meeting; or
attending the special meeting and voting in person.

If you hold your Shares in street name, you may submit new voting instructions by contacting your bank, brokerage firm or other nominee. You may also vote in person at the special meeting if you obtain a legal proxy from your bank, brokerage firm or other nominee.

Q. Who will count the votes?

A. [ ] will count the votes and will serve as the independent judge of elections.

Q. What does it mean if I receive more than one proxy card?

A. It means that you have multiple accounts with brokers or our transfer agent. To ensure that all of your Shares are voted, please use all the proxy cards you receive to vote your Shares and complete, sign, date and return a proxy card or vote by telephone or via the Internet for each account. We encourage you to register all of your Shares in the same name and address. You may do this by contacting your broker or our transfer agent. Our transfer agent may be reached at (877) 830-4936 or at the following address:

Broadridge Corporate Issuer Solutions, Inc.
1717 Arch Street, Suite 1300
Philadelphia PA 19103

Q. Will my Shares be voted if I do not submit my proxy?

A. If you are the shareholder of record and you do not vote in person at the special meeting or submit a proxy, your Shares will not be voted.

If your Shares are held in street name, they may not be voted if you do not provide the bank, brokerage firm or other nominee with voting instructions. Currently, banks, brokerage firms or other nominees have the authority under the Nasdaq rules to vote Shares for which their customers do not provide voting instructions on certain routine matters. However, banks, brokerage firms or other nominees are precluded from exercising their voting discretion with respect to approving non-routine matters, such as the proposal to adopt the Merger Agreement, the proposal to approve the adjournment of the special meeting, if necessary or appropriate, and the proposal to approve by an advisory (non-binding) vote the golden parachute compensation, and, as a result, absent specific instructions from the beneficial owner of such Shares, banks, brokerage firms or other nominees are not empowered to vote those Shares on non-routine matters, which we refer to generally as broker non-votes.

Q. May shareholders ask questions?

A. Yes. Our representatives will answer shareholders questions of general interest following the special meeting consistent with the rules distributed at the special meeting.

Q. How many votes must be present to hold the special meeting?

A. A quorum is the number of Shares of Common Stock that must be present, in person or represented by proxy, in order to transact business at the special meeting. The presence, in person or represented by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast as of the record date on the matters to be acted upon at the special meeting will constitute a quorum for the purposes of the special meeting. Abstentions will be counted as Shares present and entitled to vote for the purpose of determining a quorum. Broker non-votes will not be counted for purposes of determining whether a quorum is present unless the Shares covered by the broker non-votes are voted on a matter other than a procedural matter.

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If the special meeting is adjourned for one or more periods aggregating at least 15 days because of the absence of a quorum, those shareholders entitled to vote who attend the reconvened meeting, if less than a quorum as determined under applicable law, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the Notice of Special Meeting of Shareholders.

Q. What vote is required to approve each proposal?

A. The affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon is required for the adoption of the Merger Agreement. Approval of the proposal to approve, on an advisory (non-binding) basis, the golden parachute compensation payable to A.C. Moore s named executive officers in connection with the Merger and of the proposal to adjourn the special meeting, if necessary or appropriate for, among other reasons, soliciting additional proxies also require the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon. Abstentions and broker non-votes will have no effect on these proposals.

Q. How are votes counted?

A. For the proposal to adopt the Merger Agreement, you may vote **FOR**, **AGAINST** or **ABSTAIN** . Abstentions and broker non-votes will have no effect on this proposal.

For the advisory vote to approve the golden parachute compensation and for the proposal to adjourn the special meeting, if necessary or appropriate for, among other reasons, soliciting additional proxies, you may vote **FOR**, **AGAINST** or **ABSTAIN** . Abstentions and broker non-votes will have no effect on these proposals.

The vote to approve the golden parachute compensation is advisory only, will not be binding on A.C. Moore or Parent and is not a condition to completion of the Merger. If the Merger Agreement is adopted by the shareholders and the Merger is completed, the golden parachute compensation may be paid to A.C. Moore s named executive officers in connection with the Merger even if shareholders fail to approve the golden parachute proposal.

Q. Who will pay for this proxy solicitation?

A. We will bear the cost of preparing, assembling and mailing the proxy material and of reimbursing brokers, nominees, fiduciaries and other custodians for out-of-pocket and clerical expenses of transmitting copies of the proxy material to the beneficial owners of Shares.

We have retained [ ] to solicit proxies on the Board s behalf. We estimate that [ ] will receive fees of approximately $[ ], plus reasonable out-of-pocket expenses incurred on our behalf, to assist in the solicitation of proxies. [ ] has advised A.C. Moore that approximately [ ] of its employees will be involved in the solicitation of proxies by it on our behalf. In addition, [ ] and certain related persons will be indemnified against certain liabilities arising out of or in connection with the engagement. A few of our directors, officers and other employees may participate in the solicitation of proxies without additional compensation.

Q. Will any other matters be voted on at the special meeting?

A. As of the date of this proxy statement, our management knows of no other matter that will be presented for consideration at the special meeting other than those matters discussed in this proxy statement. If any other matters properly come before the special meeting calling for a vote of shareholders, proxies returned to us or voted by telephone or through the Internet will be voted in the discretion of the proxy holders.

Q. What happens if the special meeting is adjourned?

A. If the shareholders approve the adjournment proposal, A.C. Moore could adjourn the special meeting (and any reconvened session of the special meeting) and use the additional time to solicit additional proxies, including the solicitation of proxies from shareholders that have previously voted. Among other things, approval of the adjournment proposal could mean that, even if A.C. Moore had received proxies representing a sufficient number of votes to defeat the proposal to adopt the Merger Agreement, A.C. Moore could adjourn the special meeting without a vote on such proposal and seek to convince its shareholders to change their votes in favor of the adoption of the Merger Agreement.

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If it is necessary to adjourn the special meeting to a later date or time, no notice of the reconvened special meeting is required to be given to shareholders, other than an announcement at the special meeting of the time and place to which the special meeting is adjourned, so long as no new record date is fixed for the reconvened meeting or the PBCL requires notice of the business to be transacted and such notice has not been previously given. If our Board fixes a new record date for shareholders entitled to vote at the reconvened special meeting, it must fix a new record date for notice of such reconvened special meeting.

Unless the polls have closed, your proxy will still be in effect and may be voted at any reconvened special meeting. You will be able to change or revoke your proxy with respect to any item until the polls have closed for voting on such item.

Q. What is A.C. Moore s website address?

A. Our website address is www.acmoore.com. We make this proxy statement, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available on our website under About Us, SEC Filings as soon as reasonably practicable after electronically filing such material with the SEC.

This information is also available free of charge at www.sec.gov, an Internet site maintained by the SEC that contains reports, proxy and information statements, and other information regarding issuers that is filed electronically with the SEC. Shareholders may also read and copy any reports, statements and other information filed by us with the SEC at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 800-SEC-0330 or visit the SEC s website for further information on its public reference room. In addition, shareholders may obtain free copies of the documents filed with the SEC from A.C. Moore by contacting David Stern, Chief Financial and Administrative Officer, A.C. Moore Arts & Crafts, Inc., 130 A.C. Moore Drive, Berlin, New Jersey 08009, (856) 768-4943.

The references to our website address and the SEC s website address do not constitute incorporation by reference of the information contained in these websites and should not be considered part of this document. These website addresses are intended to be inactive textual references only.

Our SEC filings are available in print to any shareholder who requests a copy at the phone number or address listed above.

Q. What happens if I sell my Shares after the record date but before the special meeting?

A. The record date for shareholders entitled to vote at the special meeting is earlier than both the date of the special meeting and the consummation of the Merger. If you transfer your Shares after the record date but before the special meeting, unless special arrangements (such as provision of a proxy) are made between you and the person to whom you transfer your Shares and each of you notifies A.C. Moore in writing of such special arrangements, you will retain your right to vote such Shares at the special meeting but will transfer the right to receive the per Share Merger Consideration to the person to whom you transfer your Shares.

Q. What do I need to do now?

A. Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, please submit your proxy promptly to ensure that your Shares are represented at the special meeting. If you hold your Shares in your own name as the shareholder of record, please submit a proxy for your Shares by (i) completing, signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope, (ii) using the telephone number printed on your proxy card or (iii) using the Internet proxy instructions printed on your proxy card. If you decide to attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted. If you are a beneficial owner, please refer to the instructions provided by your bank, brokerage firm or other nominee to see which of the above choices are available to you.

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Q. Should I send in my stock certificates now?

A. No. You will be sent a letter of transmittal promptly after the completion of the Merger, describing how you may exchange your Shares for the per Share Merger Consideration. If your Shares are held in street name by your bank, brokerage firm or other nominee, you will receive instructions from your bank, brokerage firm or other nominee as to how to effect the surrender of your street name Shares in exchange for the per Share Merger Consideration. **Please do NOT return your stock certificate(s) with your proxy**.

Q. Am I entitled to exercise dissenters rights under the PBCL instead of receiving the per Share Merger Consideration for my Shares?

A. Dissenters rights are not available in connection with the Merger if there is a vote of shareholders at the special meeting to adopt the Merger Agreement.

Q. Why am I being asked to cast an advisory (non-binding) vote to approve golden parachute compensation payable to certain of A.C. Moore s named executive officers in connection with the Merger?

A. The SEC has adopted new rules that require A.C. Moore to seek an advisory (non-binding) vote with respect to certain payments that may be made to A.C. Moore s named executive officers in connection with the Merger.

Q. What is the golden parachute compensation?

A. The golden parachute compensation is certain compensation that is tied to or based on the Merger and payable to A.C. Moore s named executive officers. See *Advisory Vote on Golden Parachute Compensation* beginning on page [ ].

Q. What will happen if shareholders do not approve the golden parachute compensation at the special meeting?

A. Approval of the golden parachute compensation is not a condition to completion of the Merger. The vote with respect to the golden parachute compensation is an advisory vote and will not be binding on A.C. Moore or Parent. If the Merger Agreement is adopted by the shareholders and completed, the golden parachute compensation may be paid to A.C. Moore s named executive officers in connection with the Merger even if shareholders fail to approve the golden parachute proposal.

Q. Who can help answer my other questions?

A. If you have additional questions about the Merger or the special meeting, need assistance in submitting your proxy card or voting instruction card or voting your Shares, or need additional copies of the proxy statement or the enclosed proxy card or voting instruction card, please call [ ] at [ ].

YOUR VOTE IS IMPORTANT, REGARDLESS OF HOW MANY SHARES YOU OWN. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD OR VOTING INSTRUCTION CARD AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE TODAY OR VOTE BY INTERNET OR TELEPHONE.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by words such as anticipate, expect, believe, plan, intend, predict, will, may and similar terms. Forward-looking statements in this proxy statemen but are not limited to, statements regarding the anticipated timing of filings relating to the transaction; statements regarding the expected timing of the completion of the transaction; statements regarding the ability to complete the transaction considering the various closing conditions; statements regarding prospective performance and opportunities; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. The forward-looking statements contained in this proxy statement related to future results and events are based on A.C. Moore s current expectations, beliefs and assumptions about its industry and its business. Forward-looking statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Actual results may differ materially from the results discussed in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, but not limited to:

- uncertainties as to the timing of the Offer and the Merger;
- uncertainties as to how many of A.C. Moore s shareholders will tender their stock in the Offer;
- the risk that the transaction may not be approved by A.C. Moore s shareholders were the transaction to be consummated as a one-step Merger;
- the risk that competing offers will be made;
- the possibility that various closing conditions for the transaction may not be satisfied or waived;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, including a termination under circumstances that could require A.C. Moore to pay a termination fee;
- Parent s failure to obtain the necessary financing or alternative financing to consummate the Transactions or the failure of that financing to be sufficient to complete the Transactions contemplated by the Merger Agreement;
- the failure of the Merger to close for any reason;
- the outcome of any legal proceedings that have been or may be instituted against A.C. Moore and/or others relating to the Merger Agreement;
- the amount of the costs, fees, expenses and charges related to the Merger;
- the effects of disruption from the Transactions making it more difficult to maintain relationships with employees, customers, vendors or other business partners;
- other business effects, including, but not limited to, the effects of industry, economic or political conditions outside of A.C. Moore s control;
- actual or contingent liabilities; and
- other risks and uncertainties discussed in documents filed with the SEC by A.C. Moore, including, but not limited to, this proxy statement and the solicitation/recommendation statement filed by A.C. Moore.

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Investors and shareholders are cautioned not to place undue reliance on these forward-looking statements. Readers are also urged to review carefully and consider the various disclosures in A.C. Moore s SEC periodic and interim reports, including but not limited to its Annual Report on Form 10-K, as amended, for the fiscal year ended January 1, 2011, Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2011, Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2011 and Current Reports on Form 8-K filed from time to time by A.C. Moore.

A.C. Moore operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for A.C. Moore s management to predict all risk factors, nor can it assess the impact of all risk factors on A.C. Moore s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Although A.C. Moore believes the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, level of activity, performance or achievements. All forward-looking statements are made only as of the date they are made and you should not rely upon forward-looking statements as predictions of future events. All forward-looking statements are qualified in their entirety by this cautionary statement.

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PARTIES TO THE MERGER

A.C. Moore

A.C. Moore Arts & Crafts, Inc.
130 A.C. Moore Drive
Berlin, New Jersey 08009
(856) 768-4930

A.C. Moore, a Pennsylvania corporation, is a specialty retailer of arts, crafts and floral merchandise for a wide range of customers. We currently serve customers through our 134 stores located in the Eastern United States and nationally via our e-commerce site, www.acmoore.com. Our website address is provided as an inactive textual reference only. The information contained on our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document on file with or furnished to the SEC. See also *Where You Can Find More Information* beginning on page [ ]. Our Common Stock is publicly traded on Nasdaq under the symbol ACMR.

Parent

Nicole Crafts LLC
14 Sbar Blvd.
Moorestown, NJ 08057
(856) 234-8220

Nicole Crafts LLC, a Delaware limited liability company, or Parent, was formed solely for the purpose of acquiring A.C. Moore and has not engaged in any business except for activities related to its formation, the Offer and the Merger and arranging the related financing. Upon completion of the Merger, A.C. Moore will be a direct, wholly owned subsidiary of Parent. Parent is an affiliate of Sbar s, a vendor to A.C. Moore. See the section entitled *The Merger Vendor Arrangement with Sbar s* beginning on page [ ].

Purchaser

Sbar s Acquisition Corporation
14 Sbar Blvd.
Moorestown, NJ 08057
(856) 234-8220

Sbar s Acquisition Corporation, a Pennsylvania corporation, or Purchaser, is a wholly owned subsidiary of Parent and was formed solely for the purpose of facilitating the acquisition of A.C. Moore. To date, Purchaser has not carried on any activities other than those related to its formation, the Offer and the Merger and arranging the related financing. Upon consummation of the proposed Merger, Purchaser will merge with and into A.C. Moore and will cease to exist, with A.C. Moore continuing as the surviving corporation.

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THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our shareholders as part of the solicitation of proxies by the Board for use at the special meeting to be held on [ ], 2011, starting at [ ] a.m., Eastern Time, at [ ], or at any postponement or adjournment thereof. At the special meeting, holders of Shares will be asked to approve the proposal to adopt the Merger Agreement, to approve the proposal to adjourn the special meeting, if necessary or appropriate for, among other reasons, soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement and to cast an advisory (non-binding) vote to approve golden parachute compensation payable under existing arrangements of A.C. Moore s named executive officers in connection with the Merger.

If the Offer is not completed, our shareholders must approve the proposal to adopt the Merger Agreement in order for the Merger to occur. If our shareholders fail to approve the proposal to adopt the Merger Agreement and the Offer is not completed, the Merger will not occur. Copies of the Merger Agreement and Amendment No. 1 to the Merger Agreement are attached as **Annex A** and **Annex B** to this proxy statement, which we encourage you to read carefully in their entirety.

Record Date and Quorum

We have fixed the close of business on [ ], 2011 as the record date for the special meeting, and only holders of record of Common Stock on the record date are entitled to vote at the special meeting. You are entitled to receive notice of, and to vote at, the special meeting if you owned Shares at the close of business on the record date. On the record date, there were [ ] Shares outstanding and entitled to vote. Each Share entitles its holder to one vote on all matters properly coming before the special meeting.

The presence, in person or represented by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast as of the record date on the matters to be acted upon at the special meeting will constitute a quorum for the purposes of the special meeting. Shares represented at the special meeting but not voted, such as Shares for which a shareholder directs an abstention from voting, will be counted as present for purposes of establishing a quorum. Broker non-votes will not be counted for purposes of determining whether a quorum is present unless the Shares covered by the broker non-votes are voted on a matter other than a procedural matter. Once a Share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any adjournment of the special meeting, unless a new record date is required to be established.

If the special meeting is adjourned for one or more periods aggregating at least 15 days because of the absence of a quorum, those shareholders entitled to vote who attend the reconvened special meeting, if less than a quorum as determined under applicable law, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the Notice of Special Meeting of Shareholders.

Attendance

Only shareholders of record or their duly authorized proxies have the right to attend the special meeting. To gain admittance, you must present a valid photo identification, such as a driver s license or passport. If your Shares are held through a bank, brokerage firm or other nominee, please bring to the special meeting a copy of your brokerage statement evidencing your beneficial ownership of Common Stock and a valid photo identification. If you are the representative of a corporate or institutional shareholder, you must present valid photo identification along with proof that you are the representative of such shareholder. Please note that cameras, recording devices and other electronic devices will not be permitted at the special meeting.

Vote Required

Approval of the proposal to adopt the Merger Agreement requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon. For the proposal to adopt the Merger Agreement, you may vote **FOR**, **AGAINST** or **ABSTAIN**. Abstentions will not be counted as votes cast in favor of or against the proposa to adopt the Merger Agreement but they will count for the purpose of determining whether a quorum is present. Under the PBCL, if you fail to submit a proxy, fail to vote in person at the special meeting, or abstain, it will not be considered a vote cast and therefore will have no effect on the vote and will not be considered in determining whether this proposal has received the requisite shareholder vote.

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If your Shares are registered directly in your name with our transfer agent, Broadridge Corporate Issuer Solutions, Inc., you are considered, with respect to those Shares, the shareholder of record. This proxy statement and proxy card have been sent directly to you by A.C. Moore.

If your Shares are held through a bank, brokerage firm or other nominee, you are considered the beneficial owner of Shares held in street name. In that case, this proxy statement has been forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those Shares, the shareholder of record. As the beneficial owner, you have the right to direct your bank, brokerage firm or other nominee how to vote your Shares by following their instructions for voting.

Banks, brokerage firms or other nominees who hold Shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, banks, brokerage firms or other nominees are precluded from exercising their voting discretion with respect to approving non-routine matters, such as the proposal to adopt the Merger Agreement; the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies; and the proposal to approve the golden parachute compensation, and, as a result, absent specific instructions from the beneficial owner of such Shares, banks, brokerage firms or other nominees are not empowered to vote those Shares on non-routine matters, which we refer to generally as broker non-votes.

Broker non-votes will not be counted for purposes of determining whether a quorum is present unless the Shares covered by the broker non-votes are voted on a matter other than a procedural matter. Once a quorum for the special meeting has been established, broker non-votes will not be counted in the voting results and will have no effect on the outcome of the proposals to adopt the Merger Agreement, to approve the adjournment or postponement of the special meeting or to approve the golden parachute compensation. **Therefore, you should provide your bank, brokerage firm or other nominee with instructions on how to vote your Shares, or arrange to attend the special meeting and vote your Shares in person to avoid a broker non-vote.**

The proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon. For the proposal to adjourn the special meeting, if necessary or appropriate, you may vote **FOR**, **AGAINST** or **ABSTAIN**. For purposes of this proposal, if your Shares are present at the special meeting but are not voted on this proposal, or if you have given a proxy and abstained on this proposal, this will not be considered a vote cast and will have no effect on the outcome of the vote. If you abstain, fail to submit a proxy or vote in person at the special meeting, or if there are broker non-votes on the proposal, as applicable, it will not be considered a vote cast and therefore will have no effect on the vote and will not be considered in determining whether this proposal has received the requisite shareholder vote.

The proposal to approve on an advisory (non-binding) basis the golden parachute compensation requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon. For the proposal regarding the golden parachute compensation, you may vote **FOR**, **AGAINST** or **ABSTAIN**. For purpo of this proposal, if your Shares are present at the special meeting but are not voted on this proposal, or if you have given a proxy and abstained on this proposal, this will not be considered a vote cast and will have no effect on the outcome of the vote. If you abstain, fail to submit a proxy or vote in person at the special meeting or if there are broker non-votes on the proposal, as applicable, it will not be considered a vote cast and therefore will have no effect on the vote and will not be considered in determining whether this proposal has received the requisite shareholder vote.

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If you are a shareholder of record, you may submit your proxy or vote your Shares on matters presented at the special meeting in any of the following ways:

By Telephone: You may submit your proxy by calling the toll-free telephone number indicated on your proxy card. Please follow the voice prompts that allow you to submit your proxy and confirm that your instructions have been properly recorded.

Via the Internet: You may submit your proxy by logging on to the website indicated on your proxy card. Please follow the website prompts that allow you to submit your proxy and confirm that your instructions have been properly recorded.

By Mail: You may submit your proxy by completing, signing and returning the proxy card in the postage-paid envelope provided with this proxy statement. The proxy holders will vote your Shares according to your directions. If you sign and return your proxy card without specifying choices, your Shares will be voted by the persons named in the proxy in accordance with the recommendations of the Board as set forth in this proxy statement.

Vote at the Special Meeting: You may cast your vote in person at the special meeting. Written ballots will be passed out to shareholders or legal proxies who want to vote in person at the special meeting.

If you are a beneficial owner, you will receive instructions from your bank, brokerage firm or other nominee that you must follow in order to have your Shares voted. Those instructions will identify which of the above choices are available to you in order to have your Shares voted.

Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee.

Please refer to the instructions on your proxy or voting instruction card to determine the deadlines for submitting your proxy over the Internet or by telephone. If you choose to submit your proxy by mailing a proxy card, your proxy card must be filed with our Secretary by the time the special meeting begins. **Please do not send in your stock certificates with your proxy card**. When the Merger is completed, a separate letter of transmittal will be mailed to you that will enable you to receive the per Share Merger Consideration in exchange for your stock certificates.

If you submit your proxy, regardless of the method you choose, the individuals named on the enclosed proxy card, and each of them, with full power of substitution, or your proxies, will vote your Shares in the way that you indicate. When completing the Internet or telephone processes or the proxy card, you may specify whether your Shares should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

If you properly sign your proxy card but do not mark the boxes showing how your Shares should be voted on a matter, the Shares represented by your properly signed proxy will be voted **FOR** the proposal to adopt the Merger Agreement, **FOR** the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies and **FOR** the proposal to approve on an advisory (non-binding) basis the golden parachute compensation.

If you have any questions or need assistance voting your Shares, please call [ ] toll-free at [ ].

IT IS IMPORTANT THAT YOU SUBMIT A PROXY FOR YOUR SHARES OF COMMON STOCK PROMPTLY. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. SHAREHOLDERS WHO ATTEND THE SPECIAL MEETING MAY REVOKE THEIR PROXIES BY VOTING IN PERSON.

As of [ ], 2011, the record date, the directors and executive officers of A.C. Moore beneficially owned and were entitled to vote, in the aggregate, [ ] Shares (including A.C. Moore Restricted Stock but excluding any Shares underlying A.C. Moore Options and A.C. Moore SARs), representing [ ]% of the outstanding Shares on the record date. The directors and executive officers have informed A.C. Moore that they currently intend to vote all of their Shares **FOR** the proposal to adopt the Merger Agreement, **FOR** the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies, and **FOR** the proposal to approve on an advisory (non-binding) basis the golden parachute compensation.

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Proxies and Revocation

Any shareholder of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet, by returning the enclosed proxy card in the accompanying prepaid reply envelope, or may vote in person at the special meeting. If your Shares are held in street name by your bank, brokerage firm or other nominee, you should instruct your bank, brokerage firm or other nominee on how to vote your Shares using the instructions provided by your bank, brokerage firm or other nominee. If you fail to submit a proxy or vote in person at the special meeting, or abstain, or do not provide your bank, brokerage firm or other nominee with voting instructions, as applicable, your Shares will not be voted on the proposal to adopt the Merger Agreement, the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies and the proposal to approve on an advisory (non-binding) basis the golden parachute compensation. Only votes cast will have an effect on the outcome of the proposals to adopt the Merger Agreement, to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies and to approve on an advisory (non-binding) basis the golden parachute compensation.

If you are a shareholder of record, you have the right to revoke a proxy, whether delivered over the Internet, by telephone or by mail, at any time before it is voted at the special meeting by:

- submitting a new proxy by telephone or via the Internet after the date of the earlier voted proxy;
- signing another proxy card with a later date and returning it to us prior to the special meeting; or
- attending the special meeting and voting in person.

If you hold your Shares in street name, you may submit new voting instructions by contacting your bank, brokerage firm or other nominee. You may also vote in person at the special meeting if you obtain a legal proxy from your bank, brokerage firm or other nominee.

Adjournments and Postponements

Although it is not currently expected, at the special meeting, we may ask our shareholders to vote on a proposal to adjourn the special meeting for the purpose of soliciting additional proxies, if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement or if a quorum is not present at the special meeting. Accordingly, we have included on the proxy card a proposal seeking shareholder approval for the adjournment of the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies. We may also postpone the special meeting under certain circumstances. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow A.C. Moore s shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Anticipated Date of Completion of the Merger

We are working towards completing the Merger as soon as possible. If the Merger Agreement is adopted at the special meeting, then, assuming timely satisfaction of the other necessary closing conditions, we anticipate that the Merger will be completed promptly thereafter.

Dissenters Rights

Holders of Shares will not be entitled to exercise dissenters rights under the PBCL in connection with the Merger. If the Merger Agreement is adopted and the Merger is completed, holders of Common Stock who voted against the adoption of the Merger Agreement will be treated the same as holders who voted to adopt the Merger Agreement and their Shares will automatically be converted into the right to receive the per Share Merger Consideration.

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Payment of Solicitation Expenses

A.C. Moore will bear the entire cost of soliciting proxies, including the costs of preparing, assembling, printing and mailing this proxy statement and the proxy card and any additional soliciting materials furnished to shareholders. A.C. Moore may reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of Shares for their expenses in forwarding soliciting materials to beneficial owners of Common Stock and in obtaining voting instructions from those owners.

A.C. Moore retained [ ] to solicit proxies on the Board s behalf. We estimate that [ ] will receive fees of approximately $[ ], plus reasonable out-of-pocket expenses incurred on our behalf, to assist in the solicitation of proxies. [ ] has advised A.C. Moore that approximately [ ] of its employees will be involved in the solicitation of proxies by it on our behalf. In addition, [ ] and certain related persons will be indemnified against certain liabilities arising out of or in connection with the engagement. Our directors, officers and employees may also solicit proxies by telephone, by facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies.

Questions and Additional Information

If you have more questions about the Merger or how to submit your proxy card or voting instruction card, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call [ ] at [ ].

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THE MERGER

*This discussion of the Merger is qualified in its entirety by reference to the Merger Agreement and Amendment No. 1 to the Merger Agreement, which are attached to this proxy statement as **Annex A** and **Annex B**. You should read the entire Merger Agreement, as amended, carefully as it is the legal document that governs the Merger.*

The Merger Agreement provides that Purchaser will merge with and into A.C. Moore. Following the Effective Time, the separate corporate existence of Purchaser will cease and A.C. Moore will continue as the surviving corporation and as a wholly owned subsidiary of Parent. As a result of the Merger, A.C. Moore will cease to be a publicly traded company. You will not own any Shares of the capital stock of the surviving corporation.

Merger Consideration

In the Merger, each issued and outstanding Share (other than Excluded Shares) will be automatically converted into the right to receive the per Share Merger Consideration of $1.60 to the holder in cash, without interest thereon and less any required withholding taxes.

Background of the Transactions

The following is a chronological description of the material contacts and events leading up to or relating to the Transactions. For a more complete understanding of this description, we encourage you to read this entire proxy statement, including, but not limited to, the Merger Agreement and Amendment No. 1 to the Merger Agreement attached to this proxy statement as **Annex A** and **Annex B**.

In connection with its normal business activities and planning, A.C. Moore regularly evaluates market conditions and potential financial and strategic alternatives to enhance shareholder value and/or provide A.C. Moore with greater financial flexibility. As a result, in late 2009, A.C. Moore s senior management, acting at the direction of the Board, began meeting with several investment banks to explore possible strategic and financial alternatives for A.C. Moore. Over the course of these discussions, the Board concluded that the factors adversely affecting its business were unlikely to change in the short term, and potentially for a number of years. Among such factors were the following:

Declining Same Store Sales A.C. Moore s same store sales had declined in each of the preceding three fiscal years. A.C. Moore s comparable store sales had declined 10.3% in fiscal 2007, 8.7% in fiscal 2008, and 10.8% in fiscal 2009.

Significant Losses in 2008 and 2009 A.C. Moore had experienced net losses in fiscal 2008 and fiscal 2009 of $26.6 million and $25.9 million, respectively. These losses were primarily the result of declines in same store sales.

Effect of Future Losses on Cash and Liquidity A.C. Moore s primary sources of liquidity include available cash and cash equivalents, cash generated from operations and borrowings under its credit facility with Wells Fargo. To the extent that A.C. Moore continued to incur losses, in the absence of third-party financing, its liquidity could be adversely affected.

Challenging Real Estate Portfolio A.C. Moore operates 134 stores located in the Eastern United States. A.C. Moore leases its store locations for an average initial term of 10 years, with three five-year renewal options and predetermined escalations in future minimum annual rent. A number of these locations had become unprofitable. A.C. Moore s ability to lower its occupancy costs or terminate leases for underperforming locations was limited as a result of, among other things, market conditions and lease terms.

Lack of Financial Flexibility Because A.C. Moore had experienced net losses in fiscal 2008 and fiscal 2009 primarily due to declining same-store sales, A.C. Moore s ability to react to changes in the business and the specialty retailing industry was becoming limited. In addition, A.C. Moore s ability to fund new business initiatives had become much more limited compared to some of its major competitors and mass merchandisers that have substantially greater financial resources.

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Challenging Macroeconomic Environment Among other factors, A.C. Moore s sales were being adversely affected by a challenging macroeconomic environment that decreased discretionary consumer spending. In addition, consumers seeking to conserve cash had increased their promotional purchases.

Fixed Overhead Expenses Given A.C. Moore s decline in revenue, A.C. Moore had a less than optimal revenue base to leverage fixed overhead expenses.

Highly Competitive Industry The arts and crafts industry had become highly competitive, with an expanded set of competitors in A.C. Moore s market areas and increased arts and crafts product offerings by mass merchandisers. Almost all of A.C. Moore s stores face aggressive competition in their market area from one or more of A.C. Moore s major competitors. Some of these competitors are backed by leading private equity firms and, accordingly, have access to substantially greater financial resources than A.C. Moore.

Lower Gross Margins Compared to Competitors Due to A.C. Moore s limited direct-source buying relationships, particularly overseas, lack of purchasing power comparable to that of its larger competitors, and its dependence on promotional and discounting activities, A.C. Moore s gross margins generally lagged those of its competitors.

Taking the above factors into account, the Board concluded that maximizing value for A.C. Moore s shareholders might require A.C. Moore to engage in either (i) a transaction with a financial sponsor or strategic buyer who would be better positioned to address A.C. Moore s operational and financial challenges and enhance A.C. Moore s long-term business prospects, or (ii) a financial transaction that would provide A.C. Moore with increased financial flexibility and liquidity to continue its ongoing turnaround and provide additional time for A.C. Moore s management to implement its various revenue-enhancing and cost-cutting initiatives. Accordingly, on December 5, 2009, A.C. Moore retained Janney to serve as its exclusive financial advisor in connection with an analysis of strategic and financial alternatives that may be available for A.C. Moore, including, but not limited to, a sale or other business combination transaction, a private or public offering of debt or equity securities or a capital raise, whether from institutional, retail or other investors or lenders or from the private placement of debt instruments or equity securities. Following its retention by the Board, during the month of December 2009, representatives of Janney conducted due diligence on A.C. Moore and worked with A.C. Moore s management to assess the drivers of A.C. Moore s operating model and their impact on its liquidity and earnings potential.

At various times between December 2009 and November 2010, the Board met, with representatives of Janney and Blank Rome LLP, A.C. Moore s legal counsel, or Blank Rome, present for a portion of these meetings, to discuss the status of Janney s analysis of A.C. Moore s financial and strategic alternatives. At these meetings, Janney representatives also reported on current conditions in the marketplace, including updates on capital markets and M&A activity generally and in the retail sector. Janney also reviewed with the Board its approach to a process for evaluating strategic alternatives and the key elements of such a process. While a variety of financial and strategic alternatives were discussed, including an equity or equity-linked financing through either a registered direct offering or a PIPE transaction, acquisitions of stand-alone stores or small independent chains or a sale transaction, the Board, taking into account the execution and operational risks associated with each potential alternative, and exercising its business judgment, determined that a sale of A.C. Moore was likely to be the most effective way to maximize shareholder value and provide A.C. Moore with the necessary financial flexibility and liquidity. During this time, while Janney did not initiate a formal marketing and solicitation process, it did, at the request of the Board, make inquiries of various financial sponsors with respect to their general interest in acquiring companies in the specialty retail sector.

On March 23, 2010, A.C. Moore s then President and Chief Executive Officer, Rick A. Lepley, informed the Board of his intention to retire as President and Chief Executive Officer and a member of the Board effective March 31, 2010.

On March 24, 2010, the Board appointed then Executive Vice President and Chief Operating Officer Joseph A. Jeffries as Acting Chief Executive Officer, effective March 31, 2010, while continuing to serve as A.C. Moore s Executive Vice President and Chief Operating Officer.

On June 17, 2010, the Board appointed Mr. Jeffries as A.C. Moore s Chief Executive Officer.

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On August 25, 2010, Mr. Jeffries was appointed as a member of the Board.

On November 9, 2010, A.C. Moore announced results for the three and nine month periods ended October 2, 2010. Included in those results was a decrease in comparable store sales of 7.0% partially offset by the operation of two additional stores compared to the third quarter of the prior year. Net loss for the quarter was $8.1 million, or $0.33 per Share, compared to a net loss of $12.9 million, or $0.53 per Share, in the third quarter of the prior year. For the nine months ended October 2, 2010, A.C. Moore reported that it experienced a 5.9% decrease in comparable store sales partially offset by the operation of two additional stores compared to the same period of the prior year. Net loss was $25.4 million, or $1.04 per Share, for the nine months ended October 2, 2010, compared to a net loss of $25.4 million, or $1.16 per Share for the comparable period of the prior year.

At its November 11, 2010 meeting, the Board reviewed with Janney and Blank Rome, its financial and legal advisors, respectively, the various strategies that could be used to market A.C. Moore in connection with a change in control transaction, including, but not limited to, a preemptive sale, a targeted solicitation, a controlled auction and a public auction. After discussion by the members of the Board with its financial and legal advisors of the advantages, disadvantages and rationale for each strategy, the Board determined to begin a more formal and intensive exploration of potential strategic alternatives for A.C. Moore with Janney continuing its role as A.C. Moore s exclusive financial advisor. Accordingly, the Board authorized and directed Janney to begin to investigate, and on a confidential basis confer with, entities that may have interest in becoming a prospective acquirer of or a significant investor in A.C. Moore and to work with and assist the executive officers of A.C. Moore in preparing presentations and due diligence materials, that in Janney s experience, potential acquirers or investors would request in analyzing a possible acquisition of or investment in A.C. Moore. In addition, the Board delegated to Michael J. Joyce, the Chairman of the Board, the authority to negotiate and execute confidentiality agreements with all entities that may have an interest in becoming a potential acquirer of or investor in A.C. Moore.

On November 17, 2010, Bidder A, a financial sponsor, submitted an unsolicited non-binding indication of interest to acquire 100% of the issued and outstanding shares of A.C. Moore at $4.00 per share in cash.

On November 18, 2010, A.C. Moore s management had an initial meeting with representatives of Bidder B, a financial sponsor.

On November 29, 2010, Mr. Jeffries met with representatives of Bidder C, a financial sponsor.

On December 3, 2010, A.C. Moore executed a confidentiality agreement with Bidder C.

On December 7, 2010, A.C. Moore s management met with representatives of Bidder B.

On December 9, 2010, A.C. Moore s management met with representatives of Bidder C.

On December 13, 2010, A.C. Moore entered into an exclusivity arrangement with Bidder C through January 10, 2011.

On December 21, 2010, Bidder C engaged a third-party consultant to assist it in due diligence.

On December 29, 2010, A.C. Moore s management, together with Janney representatives, participated in a due diligence session with Bidder C.

On January 11, 2011, Bidder B submitted an unsolicited non-binding indication of interest to acquire all of the issued and outstanding shares of A.C. Moore for $3.25 per Share.

On January 13, 2011, Bidder C requested that its exclusivity period be extended to February 7, 2011.

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From January 18 to 19, 2011, the Board met, with representatives of Janney and Blank Rome present for a portion of the meeting, to discuss the status of its analysis of A.C. Moore s financial and strategic alternatives and the various indications of interest that had been submitted for the acquisition of A.C. Moore. Janney s representatives updated the Board on the status of the discussions that Janney had with Bidder C who, after signing a confidentiality agreement for the benefit of A.C. Moore, had been given access to certain operational and financial data for due diligence and had received an in-person presentation from management. Janney noted that Bidder C had initially indicated that it would provide a non-binding preliminary indication of interest by January 10, but had requested additional time to perform more due diligence and analysis. After discussion, the Board determined to permit Bidder C additional time until February 7, 2011 before the Board would consider a public announcement that it was initiating a formal review of strategic alternatives. Blank Rome s representative suggested that the Board consider forming a committee of independent non-employee directors to oversee the strategic review process. After extensive discussion, the Board adopted formal resolutions establishing the Special Committee of independent directors consisting of Mr. Joyce as Chairman of the Special Committee, Thomas S. Rittenhouse, and Neil A. McLachlan. The Board directed Janney and Blank Rome to report directly to the Special Committee in connection with the consideration of the strategic and financial alternatives. The Special Committee was empowered to, among other things, review and consider potential strategic business combination transactions, monitor and oversee the strategic review process and any alternatives thereto, negotiate any documentation related to a potential transaction and take any actions necessary or advisable with respect to any potential transaction. While the Special Committee had been delegated the power and authority described in the preceding sentence, the Board retained full authority to approve or disapprove any potential transaction presented by the Special Committee because, at the time the Special Committee was established, the Board had not determined to undertake the sale of A.C. Moore as opposed to pursuing any of the other strategic alternatives available to A.C. Moore, including continuing as a stand-alone public company. Once established, the Special Committee determined whether meetings, or portions of meetings, should be limited to the Special Committee or should include the full Board, including Mr. Jeffries. At numerous points throughout the strategic review process, the Board directed management of A.C. Moore to not engage in discussions with a potential acquirer regarding post-transaction employment with A.C. Moore or any compensation arrangements until an agreement in principle was reached on all material terms of a definitive agreement with respect to a transaction.

On January 28, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process and the status of discussions with interested parties. The Janney representative reported to the Special Committee that discussions were ongoing with three financial sponsors, two of whom had submitted, on a non-solicited basis, a preliminary non-binding indication of interest to acquire A.C. Moore. Mr. Jeffries reported to the Special Committee his discussion with Sbar s, a privately-held company and one of A.C. Moore s largest suppliers, which, on its own initiative, had expressed to him its interest in acquiring or investing in A.C. Moore, subject to performing operational and financial due diligence and being able to obtain financing. The Special Committee directed Mr. Jeffries to immediately report to the Special Committee if Sbar s contacted Mr. Jeffries again concerning the acquisition of A.C. Moore. Janney s representative described to the Special Committee a number of other financial sponsors and potential strategic buyers that Janney could solicit. After further discussion, the Special Committee authorized the Janney representative to solicit such potential buyers.

On January 31, 2011, A.C. Moore executed a confidentiality agreement with Bidder A and granted it access to an electronic data room containing operational, financial and other information with respect to A.C. Moore.

On February 3, 2011, Bidder C informed Janney that it would not be submitting a preliminary indication of interest to acquire A.C. Moore.

On February 7, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process and the status of discussions with interested parties. The Janney representative reported to the Special Committee that Bidder C had determined not to submit an indication of interest to acquire A.C. Moore but that Bidder A was very active in conducting due diligence and a management presentation was in the process of being scheduled for them. With respect to Bidder B, the Special Committee discussed its concerns with the sincerity of Bidder B s interest in acquiring A.C. Moore, taking into effect that no information had been provided to the Special Committee demonstrating either its track record in completing acquisitions or its ability

to finance the proposed acquisition as well as Bidder B s refusal to agree to a customary confidentiality agreement. The Janney representative also reported to the Special Committee Janney s preliminary discussions with Bidder F, a strategic buyer, and noted that Bidder F had requested and been provided with a draft confidentiality agreement to review.

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On February 10, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process and the status of discussions with interested parties. The Janney representative reported to the Special Committee that Bidder A continued to be very active in conducting its due diligence and that a meeting with management, including a management presentation, had been scheduled for February 28, 2011. The Janney representative also reported that a confidentiality agreement had been negotiated with Bidder F and was expected to be signed at some point over the next several days. The Special Committee then discussed with its legal and financial advisors the timing and text of a press release to announce that A.C. Moore was exploring strategic alternatives. Among the factors that persuaded the Special Committee to make such a public announcement was its view that, after consultation with its financial and legal advisors, a public announcement could encourage any potentially interested parties to come forward.

On February 13, 2011, Bidder F executed a confidentiality agreement with Janney, as agent on behalf of A.C. Moore, but was not given access to any due diligence information in order to ensure that the disclosure by A.C. Moore of any potentially competitively sensitive information would proceed in compliance with all applicable antitrust laws.

On February 15, 2011, A.C. Moore publicly announced that the Board was exploring financial and strategic alternatives to enhance shareholder value including, but not limited to, a potential sale of A.C. Moore, corporate financing and capital raises. A.C. Moore also announced that it had received unsolicited expressions of interest from third parties. In addition, A.C. Moore announced at that time that it had engaged Janney to serve as its financial advisor in connection with A.C. Moore s review of financial and strategic alternatives. Subsequent to A.C. Moore s public announcement that it was exploring financial and strategic alternatives, Janney initiated a formal process of communicating with parties that could be potential buyers of A.C. Moore.

On February 18, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process and the status of discussions with interested parties. The Janney representative reported to the Special Committee that management would be meeting with and making a presentation to Bidder A on February 28, 2011 and that Bidder A continued to be very active in conducting its due diligence. The Janney representative also reported that, through the afternoon of February 18, 2011, Janney had communicated with 30 interested parties, of which eight interested parties had executed confidentiality agreements. The Blank Rome representative updated the Special Committee on the discussions with Bidder F and noted that, while a confidentiality agreement with Bidder F was executed on February 13, 2011, Bidder F had not been given access to any due diligence information in order to ensure that the disclosure by A.C. Moore of any potentially competitively sensitive information would proceed in compliance with all applicable antitrust laws. Blank Rome s representative indicated that discussions were ongoing with Bidder F s antitrust counsel to negotiate an addendum to the confidentiality agreement to provide procedures for such disclosure. Following discussion, the Special Committee directed the Janney and Blank Rome representatives to ensure that the disclosure of competitively sensitive information not take place until after the parties mutually agree that disclosure of the competitively sensitive information is necessary for Bidder F to evaluate the possible acquisition of A.C. Moore and implement appropriate safeguards to ensure compliance with all applicable antitrust laws.

On February 28, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process and the status of discussions with interested parties. Janney s representative reported to the Special Committee that, through the evening of February 27, 2011, Janney had communicated with 40 interested parties, of which 14 interested parties had executed confidentiality agreements and 11 of those interested parties had been given access to the electronic data room. The Special Committee then reviewed with Janney s representative the process that would be followed with interested parties that executed confidentiality agreements. The Blank Rome representative updated the Special Committee on the status of the discussions with Bidder F with respect to devising appropriate safeguards so that providing them access to the electronic data room would be in compliance with all applicable antitrust laws. The Blank Rome representative indicated that such discussions were ongoing but that since a mutually satisfactory agreement had not been reached, Bidder F did not yet have access to the electronic data room. Following discussion, the Special Committee directed the Blank Rome representative to resolve the outstanding issues with Bidder F as expeditiously as possible while remaining mindful of the need to ensure that no disclosure of competitively sensitive information occurs until appropriate safeguards are

implemented to ensure compliance with applicable antitrust laws. Janney s representative then updated the Special Committee on discussions with Bidder A. In response to the Special Committee s concerns about Bidder A s financial ability to consummate an acquisition of A.C. Moore, the Janney representative noted that Bidder A had raised that year in excess of approximately $150 million in capital commitments for its fund and was likely motivated to consummate an acquisition.

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Also on February 28, 2011, A.C. Moore, assisted by Janney representatives, provided Bidder A with a management presentation.

On March 8, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process and receive an update on the status of discussions with interested parties. Janney s representative reported that, since the Special Committee s last meeting on February 28, 2011, eight additional parties had executed confidentiality agreements and a total of 21 interested parties had been given access to the electronic data room. Janney s representative also reported to the Special Committee that Bidder F, a strategic buyer, had decided to withdraw from the process because of potential antitrust concerns. While Bidder F had executed a confidentiality agreement, it had not been given access to the electronic data room. The Special Committee then discussed with Janney s representative the deadlines that had been set with respect to the strategic review process and Janney s representative noted that the process deadlines were flexible depending upon the interest of credentialed parties and the actual bids proffered and that the dates could be extended and additional parties could be invited into the process subsequent to the deadlines if such would better enable the Special Committee to arrive at a transaction that maximized shareholder value.

During March 15 to 17, 2011, A.C. Moore hosted listen-only management presentations for 14 potential buyers, including 13 financial sponsors and 1 strategic buyer.

On March 17, 2011, Janney distributed a bid process letter to 15 potential buyers, and requested that initial indications of interest for the acquisition of A.C. Moore be submitted no later than March 31, 2011.

On March 22, 2011, Janney distributed a form of confidentiality agreement to EGL Investment Management, Inc., or EGL, Sbar s financial advisor, and requested that it have Sbar s execute and return it to Janney so that Sbar s could be given access to materials in the electronic data room.

On March 24, 2011, the Special Committee met, with representatives of Janney and Blank Rome present, to discuss the strategic review process and receive an update on the status of discussions with interested parties. Janney s representative provided the Special Committee with a summary of the key events to date with respect to the strategic review process and reported that Janney was still in active dialogue with five potential buyers and that four potential buyers were reviewing the confidentiality agreement. Janney s representative then updated the Special Committee on Janney s discussions with Sbar s, which had not gained any significant traction at this point, and noted that Janney was still in the process of confirming Sbar s financial ability to consummate the acquisition of A.C. Moore.

On March 29, 2011, A.C. Moore publicly announced its fourth quarter and fiscal 2010 financial results and reported a decrease in comparable store sales of 4.3% during the quarter and a decrease in comparable store sales of 5.4% year over year. Net loss for the fourth quarter was $4.8 million, or $0.20 per Share, compared to a net loss of $0.5 million, or $0.02 per Share, in the fourth quarter of fiscal 2009. The net loss for fiscal 2010 was $30.2 million, or $1.23 per Share, versus a net loss of $25.9 million, or $1.15 per Share, in fiscal 2009.

On March 31, 2011, Bidder D, a financial sponsor, submitted a non-binding indication of interest proposing the acquisition of A.C. Moore for a purchase price in the range of $3.00 to $4.00 per share, subject to due diligence but not subject to the receipt of financing.

On April 1, 2011, Bidder A informed Janney that it would not be submitting a final bid for the acquisition of A.C. Moore.

Also on April 1, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the strategic review process and receive an update on the status of discussions with interested parties. Janney s representative reported to the Special Committee that interested parties were required to deliver non-binding preliminary indications of interest by March 31, 2011 and that, as of such date, the only indication of interest received was from Bidder D. Janney s representative also reported that there were six additional interested parties in various stages of the process who were still active, three of which were financial sponsors and three of which were strategic buyers. Janney s representative noted that an on-site management presentation would be scheduled for Bidder D within the next three weeks and that additional financial due diligence information and auction draft of a merger agreement would be supplied to Bidder D with a request to submit a final indication of interest. The Special Committee discussed with Janney s representative its concerns as to whether the remaining six interested parties had the financial ability to consummate the acquisition of A.C. Moore. Janney s representative indicated that five of the six interested parties were

credentialed and that, with respect to Sbar s, Janney was expecting to receive documentation supporting its financial ability.

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On April 4, 2011, Sbar s executed a confidentiality agreement with Janney, acting on behalf of A.C. Moore, in order to begin its due diligence on A.C. Moore.

On April 8, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the strategic review process and receive an update on the status of discussions with interested parties. Janney s representative reported to the Special Committee that two strategic buyers had declined to continue in the process following their review of the due diligence materials in the electronic data room. Janney s representative reported to the Special Committee that Sbar s had executed a confidentiality agreement but, due to its status as one of A.C. Moore s largest suppliers, had been given access to a separate electronic data room that excluded vendor financial data. The Special Committee discussed with the Janney and Blank Rome representatives the reasons and risks with respect to pursuing a transaction with Sbar s. In addition, the Janney representative reported that Bidder D had engaged a third party expert to conduct supplemental financial diligence and that an in-person management presentation had been scheduled with Bidder D for April 22, 2011. After that meeting, Bidder D would be requested to submit a reaffirmation of its earlier indication of interest accompanied by a mark-up of the draft form of Merger Agreement. The Blank Rome representative reviewed with the Special Committee the draft form of Merger Agreement that had been prepared for distribution to potential buyers and, following discussion, the Special Committee authorized its distribution. The Janney representative also reported to the Special Committee that two other interested parties which were financial sponsors were active in the electronic data room and that one had requested an on-site meeting with management. After discussion between the Special Committee and the Janney representative, it was agreed that such party would not be given access to management until it first provided an indication of interest. The Special Committee then discussed with the Janney and Blank Rome representatives its concerns with respect to the two remaining bidders. The Special Committee indicated that it was concerned with whether Bidder D, notwithstanding its proven track record in consummating transactions in the specialty retail sector and its access to financing, would eventually drop out of the process and whether Sbar s, notwithstanding the lengthy history of its relationship with A.C. Moore and its extensive knowledge of the arts and crafts industry, would be able to secure financing sufficient to consummate the proposed transaction. The Special Committee then discussed with the Janney and Blank Rome representatives strategic and financial alternatives available to A.C. Moore other than the sale of A.C. Moore, as well as A.C. Moore s prospects and risks to its shareholders if it did not pursue a sale of A.C. Moore or another strategic alternative and, instead, continued as a stand-alone public company.

On April 15, 2011, A.C. Moore, assisted by Janney representatives, hosted a management presentation for Bidder E.

On April 22, 2011, A.C. Moore, assisted by Janney representatives, hosted a management presentation for Bidder D.

On April 21, 2011, Bidder E informed Janney that it would not be submitting a final bid.

On April 25, 2011, Janney, on behalf of A.C. Moore, circulated a draft form of the Merger Agreement, together with a final bid process letter, to Bidder D. The final bid process letter requested that Bidder D submit its final indication of interest for the acquisition of A.C. Moore, together with any proposed revisions to the form of Merger Agreement, no later than May 5, 2011.

On May 3, 2011, Sbar s submitted to Janney its non-binding preliminary indication of interest proposing that an affiliate of Sbar s acquire A.C. Moore for approximately $80 million, or $3.15 per Share. Later that day, Janney, on behalf of A.C. Moore, distributed a draft form of the Merger Agreement, together with a final bid process letter, to Sbar s. The final bid process letter requested that Sbar s submit its final indication of interest for the acquisition of A.C. Moore, together with any proposed revisions to the form of Merger Agreement, no later than May 5, 2011.

On May 5, 2011, Bidder D informed Janney that it would not be submitting a final bid.

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On May 6, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process. Janney s representative informed the Special Committee that Sbar s remained as the only potential buyer participating in the process and updated the Special Committee on the status of negotiations with Sbar s.

Also on May 6, 2011, A.C. Moore, assisted by representatives of Janney, hosted a management presentation for Sbar s.

On May 10, 2011, A.C. Moore reported its results for the first quarter ended April 2, 2011 which included a decrease in comparable store sales of 2.6% and a net loss of $7.4 million, or $0.30 per Share, compared to a net loss of $7.6 million, or $0.31 per Share in the first quarter of the prior year.

On May 12, 2011, Sbar s submitted to Janney its non-binding final indication of interest proposing that an affiliate of Sbar s acquire A.C. Moore for approximately $80 million, or $3.15 per Share, subject to confirmatory due diligence, obtaining necessary financing and the negotiation of a mutually satisfactory definitive purchase agreement. The final indication of interest made clear that such valuation was based on various assumptions and would be subject to various enumerated offsets, some of which were likely to be a material reduction to the price. Sbar s also indicated in its indication of interest that it was seeking to obtain binding debt financing commitments to fund a portion of the purchase price and had already begun discussions with Wells Fargo regarding its financing of the acquisition of A.C. Moore by an affiliate of Sbar s. Sbar s indication of interest was accompanied by a mark-up of the merger agreement previously prepared by Blank Rome and provided to Sbar s by Janney.

On May 13, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the strategic review process and receive an update on the status of discussions. Janney s representative reported to the Special Committee on the discussions with Sbar s, including that it had submitted its non-binding final indication of interest for an affiliate of Sbar s to acquire all of the issued and outstanding Common Stock of A.C. Moore for approximately $80 million, or $3.15 per Share, subject to confirmatory due diligence, obtaining necessary financing and the negotiation of a mutually satisfactory definitive purchase agreement. The final indication of interest made clear that such valuation was based on various assumptions and would be subject to various enumerated offsets, some of which were likely to be a material reduction to the price. The Special Committee discussed with Janney s representative its concerns as to whether Sbar s had the financial ability to enable its affiliate to consummate the acquisition of A.C. Moore. Janney s representative indicated that he had requested written evidence of Sbar s financial ability to enable its affiliate to consummate the acquisition. The Special Committee instructed Janney s representative to continue the discussions with Sbar s, but that Sbar s should be informed that the Special Committee would not entertain any exclusivity proposal from Sbar s without written evidence that Sbar s has the financial ability to enable its affiliate to consummate the acquisition of A.C. Moore.

On May 23, 2011, Sbar s submitted to Janney a non-binding draft letter of intent reaffirming its interest in acquiring A.C. Moore through a newly-formed entity affiliated with Sbar s. While Sbar s indicated in its draft letter of intent that it would purchase 100 percent of the Shares of A.C. Moore at approximately $80 million, the draft letter of intent made clear that such valuation was based on various assumptions and would be subject to various enumerated offsets, some of which were likely to be a material reduction to the valuation. In its draft letter of intent, Sbar s indicated that it was seeking a 30-day exclusivity period to conduct further due diligence and asked to be reimbursed for its expenses incurred during the exclusivity period if at any time prior to or after the end of the exclusivity period, A.C. Moore abandoned negotiations with Sbar s with respect to the proposed transaction.

From May 24, 2011 through May 31, 2011, the counsel for A.C. Moore and Sbar s, Blank Rome and Bryan Cave LLP, or Bryan Cave, respectively, exchanged various additional drafts of the letter of intent and held a number of telephone conference calls to discuss and negotiate the provisions of the letter of intent.

On June 10, 2011, EGL informed Janney that Sbar s was unwilling to continue further in the process because of its concerns with A.C. Moore s deteriorating financial performance.

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On June 13, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process and the status of discussions. The Janney representative reported to the Special Committee that, on June 10, 2011, Sbar s financial advisor, EGL, had informed Janney that Sbar s was unwilling to continue further in the process because of its concerns with A.C. Moore s deteriorating financial performance. The Special Committee then invited Mr. Jeffries to join the meeting and report on his recent discussions with Sbar s. Mr. Jeffries reported to the Special Committee on a proposal presented to him by Sbar s that A.C. Moore outsource all or part of its merchandising operations to Sbar s. After discussion, the Special Committee concluded that Mr. Jeffries should continue discussing such an outsourcing relationship with Sbar s but was of the view that Sbar s would need to make a significant equity investment in A.C. Moore concurrently with the execution of a definitive agreement for such an outsourcing relationship. Following the meeting, Mr. Jeffries continued such discussions with Sbar s. However, no agreement or understanding was reached as to an outsourcing relationship.

On July 6, 2011, Sbar s contacted Janney through its financial advisor and indicated that, based on the due diligence it had performed to date and its concerns with A.C. Moore s deteriorating financial performance, it was revising its previous offer price for its affiliate to acquire A.C. Moore downward to $2.00 per Share.

On July 13, 2011, EGL distributed to Janney a draft of an Exclusivity Agreement proposed to be executed by A.C. Moore and Sbar s, which we refer to as the Exclusivity Agreement. In addition to providing Sbar s with an exclusive negotiating period, the draft exclusivity agreement contemplated that Sbar s represent to A.C. Moore that Wells Fargo had provided Sbar s with initial documentation supporting the debt requirements for Sbar s affiliate s acquisition of A.C. Moore and that Wells Fargo had advised Sbar s that Wells Fargo would deliver to Sbar s within the next 20 calendar days a financing commitment letter for an amount equal to the entire consideration, costs and expenses for the proposed acquisition, in excess of the equity financing to be provided by Sbar s or an affiliate thereof. The draft of the Exclusivity Agreement also contemplated that A.C. Moore would have the right to terminate such agreement, in connection with an unsolicited tender or exchange offer or business combination or other alternative transaction that the Board determined in good faith, after consultation with its legal and financial advisors, would reasonably be expected to result in a transaction more favorable to the shareholders of A.C. Moore than the transaction proposed by Sbar s. Janney forwarded the Exclusivity Agreement draft to Blank Rome and the Special Committee.

On July 15, 2011, Janney and EGL held a telephone conference to discuss the terms of the Exclusivity Agreement. EGL indicated that Sbar s was seeking a 45-day exclusivity period to conduct further due diligence and asked to be reimbursed for its expenses incurred during the exclusivity period if at any time prior to the end of the exclusivity period, A.C. Moore abandoned negotiations with Sbar s with respect to the proposed transaction.

Also on July 15, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the strategic review process, particularly the status of the discussions with Sbar s. Mr. Joyce, the Chairman of the Special Committee, updated the Special Committee on the discussions that had taken place with Sbar s over the preceding four weeks. Mr. Joyce reported to the Special Committee that, as previously directed by the Special Committee, Mr. Jeffries had begun negotiations to outsource all or a part of A.C. Moore s merchandising functions to Sbar s with the condition that Sbar s concurrently make a $10 million equity investment in A.C. Moore. Instead of submitting a written proposal relating to the proposed merchandising relationship, Sbar s proposed acquiring all of the issued and outstanding Shares of A.C. Moore s Common Stock at a purchase price of $2.00 per Share. The Janney representative reported that Sbar s was requesting the exclusive right to negotiate a transaction with A.C. Moore through September 15, 2011 so that it could perform full legal and financial due diligence and negotiate the definitive form of Merger Agreement with A.C. Moore.

At the same meeting, the Special Committee then discussed whether to proceed with a sale of A.C. Moore to an affiliate of Sbar s or to pursue other strategic or financial alternatives. The Special Committee, taking into effect A.C. Moore s recent performance and updated expectations for near-term business prospects and A.C. Moore s outlook in the absence of a sale, considered, with the assistance of its legal and financial advisors, the potential risks and effects of not pursuing the transaction proposed by Sbar s. The Blank Rome representative then briefed the Special Committee on the terms of the current draft of the Exclusivity Agreement including, but not limited to, the ability of A.C. Moore thereunder to terminate the Exclusivity Agreement if presented with an acquisition proposal that the Board determined, in consultation with its legal and financial advisors, was superior, from a financial point of view, to the

transaction proposed by Sbar s. The Blank Rome representative also briefed the Special Committee about the risks of agreeing to such a lengthy exclusivity period with Sbar s, including the possibility that, at the end of the exclusivity period, Sbar s could decide to terminate discussions with respect to the proposed transaction. After considering, among other things, A.C. Moore s lengthy strategic and financial alternatives review process, the lack of other current bidders for A.C. Moore, particularly in light of A.C. Moore s public announcement that it was undertaking a strategic review process and Sbar s unwillingness to commit further resources to exploring a potential transaction with A.C. Moore without an exclusivity period, the Special Committee unanimously agreed to offer Sbar s a 45-day exclusivity period and authorized Mr. Joyce to negotiate and finalize the Exclusivity Agreement, with the advice and assistance of counsel, and to execute it on behalf of the Special Committee and A.C. Moore.

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Between July 15, 2011 and July 28, 2011, EGL and Janney, with the assistance of Blank Rome, exchanged additional drafts of the Exclusivity Agreement and held a number of calls to discuss and negotiate the Exclusivity Agreement.

On July 28, 2011, A.C. Moore and Sbar s executed the Exclusivity Agreement which provided for exclusivity through the close of business, New York time, on September 15, 2011. Under the terms of the Exclusivity Agreement, Sbar s confirmed its affiliate s interest in acquiring A.C. Moore pursuant to an all-cash tender offer for all the issued and outstanding Shares of A.C. Moore s Common Stock at $2.00 per Share, followed by a back-end merger in which an affiliate of Sbar s would be merged with and into A.C. Moore. In addition, the Exclusivity Agreement provided that, if at any time prior to September 15, 2011, A.C. Moore abandoned negotiations with Sbar s with respect to the proposed transaction, A.C. Moore would reimburse Sbar s for (i) 100% of its reasonable third party costs and expenses incurred since May 1, 2011 in connection with its due diligence and the negotiation and drafting of documents related to the proposed transaction, or the Sbar s Transaction Expenses, up to $300,000, and (ii) 50% of Sbar s Transaction Expenses above $300,000 and less than $400,000; plus $200,000 as reimbursement for the time and expense of the management of Sbar s.

On August 3, 2011, A.C. Moore announced results for the three and six month periods ended July 2, 2011. It reported, for the second quarter, a decrease in comparable store sales of 0.7% and a net loss of $7.9 million, or $0.32 per share, compared to a net loss of $9.7 million, or $0.40 per Share in the second quarter of the prior year. It also reported, for the six months ended July 2, 2011, a 1.7% decrease in comparable store sales and a net loss of $15.3 million, or $0.62 per Share, compared to a net loss of $17.2 million, or $0.71 per Share for the comparable period in the prior year.

On August 19, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the discussions with Sbar s. The Janney representative reported to the Special Committee that, on July 28, 2011, A.C. Moore and Sbar s had executed the Exclusivity Agreement which provided for an exclusive negotiating period until September 15, 2011. The Janney representative then updated the Special Committee on the status of Sbar s efforts to secure financing and reported that, based on discussions between the Janney representative and a Wells Fargo representative, Sbar s should be receiving a commitment letter from Wells Fargo on or about August 29, 2011 and that the Wells Fargo s representative believed the commitment thereunder should be sufficient to fund the proposed transaction.

On August 24, 2011, EGL, Sbar s financial advisor, informed Janney that Wells Fargo had told Bryan Cave that it would not provide funding of the proposed transaction unless Parent and Purchaser are eligible, almost immediately following the consummation of the Offer, to consummate the back-end second-step merger pursuant to a short-form merger under Pennsylvania law. EGL noted that, as a result of Wells Fargo s position, Sbar s would require that the minimum tender condition in the Merger Agreement be revised upwards to 80.1%, inclusive of the top-up option granted in connection with the Merger Agreement, or the Top-Up Option.

On August 31, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the discussions with Sbar s. The Janney representative reported to the Special Committee that he understood from his conversations with Wells Fargo representatives that Sbar s would be receiving a commitment letter from Wells Fargo for a senior secured facility within the next few days. Upon receipt of that commitment letter, it was expected that the negotiation of the definitive documents for a transaction between the parties would accelerate. The Blank Rome representative reported to the Special Committee that Sbar s would be seeking a very high minimum condition for its tender offer in order to facilitate its ability to consummate the back-end second step-merger as a short-form merger under Pennsylvania law.

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On September 1, 2011, Sbar s received a $77.5 million senior secured facility commitment letter from Wells Fargo, which we refer to as the Wells Fargo Commitment Letter. Pursuant to the terms of the Wells Fargo Commitment Letter, Wells Fargo s commitments and undertakings would expire on November 29, 2011.

On September 2, 2011, Bryan Cave distributed to Blank Rome a revised draft of the Merger Agreement containing proposed revisions on behalf of Sbar s.

On September 13, 2011, Mr. Joyce met with Adolph J. Piperno, the President and Chief Executive Officer of Sbar s, to discuss various issues relating to the proposed transaction. During the course of their meeting, Mr. Piperno indicated to Mr. Joyce that he was committed to the proposed transaction and that he would be communicating to his financial and legal advisors, EGL and Bryan Cave, that they should push forward on negotiating the Merger Agreement with A.C. Moore s financial and legal advisors, Janney and Blank Rome.

Also, on September 13, 2011, representatives of Blank Rome and Bryan Cave discussed revising the Merger Agreement to reflect a dual-track acquisition structure whereby Sbar s or an affiliate thereof would initiate a tender offer for all of the outstanding Shares of Common Stock while A.C. Moore would soon thereafter file a proxy statement and prepare to hold a shareholders meeting to approve the merger in the event the tender offer was unsuccessful.

On September 14, 2011, Bryan Cave distributed a revised draft of the Merger Agreement to Blank Rome reflecting the dual-track acquisition structure the parties had previously discussed.

On September 15, 2011, the Special Committee met, with representatives from Janney and Blank Rome present, to discuss the progress of the discussions with Sbar s. Mr. Joyce updated the other members of the Special Committee as to the discussions he had earlier in the week with Mr. Piperno. The Janney representative updated the Special Committee on his discussions with representatives of EGL with respect to the proposed transaction and the progress that Sbar s had made in securing financing for the proposed transaction from Wells Fargo. The Blank Rome representative described for the Special Committee the dual-track acquisition structure that had been agreed to and the changes that were being made to the Merger Agreement to reflect such a structure. The Blank Rome representative indicated that the dual-track acquisition structure could allow the proposed transaction to close sooner than a more typical one-step merger transaction, while also providing a higher degree of closing certainty than a typical two-step tender offer structure. The Blank Rome representative indicated that, with the transaction structure agreed to, the key outstanding issues at this stage appeared to be deal certainty and the remedies available to A.C. Moore in the event that all conditions to closing were satisfied and Sbar s had available debt financing but chose not to consummate the transaction. The Blank Rome representative also noted that Sbar s had requested that the exclusivity period provided for under the Exclusivity Agreement be extended until the close of business on the business day after Sbar s received a Phase I Environmental Report on A.C. Moore s real property in Berlin, New Jersey. After considering, among other things, the progress that Sbar s and A.C. Moore had made in arriving at a mutually satisfactory transaction structure and in negotiating the terms of the Merger Agreement and securing access to financing, and given Sbar s unwillingness to commit further resources to exploring a potential transaction with A.C. Moore without an extension to the exclusivity period, the Special Committee unanimously agreed to extend the exclusivity period to September 23, 20011 and authorized the Blank Rome representative to finalize the terms of an appropriate amendment to the Exclusivity Agreement.

On September 18, 2011, Janney s representative had a telephone conference call with representatives of EGL. During the course of this call, Janney s representative was informed that, due to A.C. Moore s deteriorating financial results, Sbar s financial advisor was recommending that Sbar s reduce its affiliate s proposed purchase price for A.C. Moore to $1.60 per share.

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On September 19, 2011, Mr. Joyce met with Mr. Piperno at the offices of Bryan Cave in Atlanta, Georgia to discuss various open issues in the Merger Agreement. Messrs. Joyce and Piperno were each accompanied by the respective legal and financial advisors for A.C. Moore and Sbar s. The Blank Rome and Janney representatives, acting on behalf of A.C. Moore, emphasized to the Bryan Cave and EGL representatives, acting on behalf of Sbar s, A.C. Moore s need to maximize deal certainty and requested that Parent s and Purchaser s obligations pursuant to the Merger Agreement be guaranteed by Sbar s so that A.C. Moore would have the ability to specifically enforce Parent s obligation to close the transaction, particularly in the event that all conditions to closing were satisfied and Sbar s had available debt financing. The Bryan Cave representatives indicated that Sbar s was unable to commit to a transaction with full recourse to Sbar s. Representatives of Blank Rome and Bryan Cave then discussed the feasibility of an escrow account where Sbar s would cause $20 million to be deposited in escrow to secure the obligations of Parent and Purchaser to consummate the proposed transaction if all conditions to closing were met and Sbar s had available debt financing. In addition, while Sbar s was unwilling to agree to a full recourse guaranty, it indicated that it would be willing to consider a limited guarantee for the obligations of the surviving corporation in the merger to assume A.C. Moore s indemnification arrangements with its directors and officers.

Later that day, the Special Committee met, with representatives from Janney and Blank Rome present, to receive an update on the discussions held earlier that day with Sbar s and its legal and financial advisors. The Janney and Blank Rome representatives detailed for the Special Committee the escrow that had been proposed by Sbar s and explained to the Special Committee that, in order to maximize deal certainty for the shareholders, the terms of the merger agreement and/or an ancillary agreement thereto would need to provide for A.C. Moore s ability to force or motivate Sbar s to close the transaction in the event all conditions to closing were satisfied and Sbar s had available debt financing. The Janney and Blank Rome representatives noted that the size of the escrow amount needed to be of a size large enough to ensure that Sbar s would be appropriately motivated to consummate the transaction. The Blank Rome representative also noted for the Special Committee that, while Sbar s was unwilling to provide a full or limited guarantee for the obligations of Parent and Purchaser to consummate the transactions contemplated by the Merger Agreement, it was willing to provide a limited guaranty for the obligations of the surviving corporation in the Merger to assume A.C. Moore s indemnification arrangements with its directors and officers. The Special Committee authorized Mr. Joyce to continue and finalize negotiations with Sbar s to reach an agreement in principle on all material terms of the definitive agreements.

On September 20, 2011, Bryan Cave distributed to Blank Rome a revised draft of the Merger Agreement containing its proposed revisions as a result of the discussions held among the parties the previous day.

On September 21, 2011, A.C. Moore distributed to Sbar s and Janney updated financial projections for the fiscal year ending December 31, 2011 that had been prepared by A.C. Moore s management. As A.C. Moore s operations and prospects had declined since the preparation by A.C. Moore s management of earlier financial projections that had been provided to Sbar s as part of its due diligence review of A.C. Moore, the earlier projections were no longer reflective of the future prospects of A.C. Moore and, accordingly, were superseded. The projections delivered on September 21, 2011, like those that it superseded, were not prepared with a view toward public disclosure but had been prepared by management for internal planning purposes or in connection with the Offer and the Merger and were subjective in many respects.

Also on September 21, 2011, Blank Rome distributed to Bryan Cave an initial draft of the Deposit Escrow Agreement that had been discussed in principle earlier in the week among the respective legal and financial advisors for A.C. Moore and Sbar s.

On September 22, 2011, A.C. Moore delivered to Sbar s a copy of the Phase I Environmental Report on A.C. Moore s Berlin, New Jersey real property.

On September 23, 2011, Bryan Cave distributed to Blank Rome an initial draft of the Guaranty that had been discussed in principle earlier in the week among the respective legal and financial advisors for A.C. Moore and Sbar s. Bryan Cave also distributed to Blank Rome a revised draft of the Deposit Escrow Agreement containing proposed revisions on behalf of Sbar s.

Also, on September 23, 2011, Mr. Joyce discussed with the other members of the Special Committee the progress of the discussions with Sbar s. The Blank Rome representative reported that Sbar s had requested that the exclusivity

period provided for under the Exclusivity Agreement be extended until September 30, 2011. After considering, among other things, the progress that Sbar s and A.C. Moore had made in negotiating the terms of the Merger Agreement and related agreements and Sbar s unwillingness to commit further resources to exploring a potential transaction with A.C. Moore without an extension to the exclusivity period, Mr. Joyce, with the agreement of the other members of the Special Committee, agreed to extend the exclusivity period to September 30, 2011 and authorized the Blank Rome representative to finalize the terms of an appropriate amendment to the Exclusivity Agreement.

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On September 25, 2011, Blank Rome distributed to Bryan Cave a revised draft of the Merger Agreement containing proposed revisions on behalf of A.C. Moore.

On September 26, 2011, Blank Rome distributed to Bryan Cave a revised draft of the Guaranty containing proposed revisions on behalf of A.C. Moore.

On September 27, 2011, Bryan Cave distributed to Blank Rome a revised draft of the Guaranty containing proposed revisions on behalf of Sbar s.

On the evening of September 27, 2011, representatives of Blank Rome and Janney, acting on behalf of A.C. Moore, held a telephone conference call with representatives of Bryan Cave and EGL, on behalf of Sbar s. During the course of the conference call, the parties discussed the various issues relating to the Merger Agreement that remained open.

On September 28, 2011, Bryan Cave distributed to Blank Rome a revised draft of the Deposit Escrow Agreement containing proposed revisions on behalf of Wells Fargo in its capacity as the escrow agent.

From September 28, 2011 to September 30, 2011, Blank Rome and Bryan Cave exchanged various drafts of the Merger Agreement, the Deposit Escrow Agreement and the Guaranty and held a number of telephone conference calls to discuss and negotiate the provisions of these agreements.

On September 30, 2011, Mr. Joyce held a telephone discussion with Mr. Piperno to discuss various open issues related to the Merger Agreement. Thereafter, Mr. Joyce updated the other members of the Special Committee on his discussions with Mr. Piperno earlier that day and the progress of the discussions and negotiations with Sbar s. He reported that the Blank Rome representative noted that Sbar s had requested that the exclusivity period provided for under the Exclusivity Agreement be extended until October 4, 2011. After considering, among other things, the progress that Sbar s and A.C. Moore had made in negotiating the terms of the Merger Agreement and related agreements and Sbar s unwillingness to commit further resources to exploring a potential transaction with A.C. Moore without an extension to the exclusivity period, Mr. Joyce, with the agreement of the other members of the Special Committee, agreed to extend the exclusivity period to the earlier of October 4, 2011 or the signing of the Merger Agreement and authorized the Blank Rome representative to finalize the terms of an appropriate amendment to the Exclusivity Agreement.

Also on September 30, 2011, Bryan Cave notified Blank Rome that Wells Fargo had agreed to extend the expiration date of its commitments and undertakings pursuant to the Wells Fargo Commitment Letter from November 29, 2011 to December 31, 2011. Sbar s forwarded to A.C. Moore a copy of the fully executed Wells Fargo Commitment Letter that same day.

On October 3, 2011 representatives of Blank Rome and Bryan Cave finalized the terms of the Merger Agreement, the Guaranty and the Deposit Escrow Agreement.

Later in the day on October 3, 2011, an affiliate of Sbar s deposited $20 million in escrow with Wells Fargo and the appropriate parties executed the Deposit Escrow Agreement. The Deposit Escrow Agreement provided that if a Merger Agreement was not signed by all parties by 11:59 p.m. on October 4, 2011, the escrowed amount would be returned to Sbar s affiliate.

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On the evening of October 3, 2011, the Board held a meeting, joined by representatives of Janney and Blank Rome. The meeting began with the Blank Rome representative providing a summary of the key provisions of the Merger Agreement. Next, the Blank Rome representative reviewed with the Board its fiduciary duties. The Janney representative then provided the Special Committee with an overview of the process that had been undertaken to review the strategic and financial alternatives available to A.C. Moore and reported that, in connection with the review of financial and strategic alternatives, Janney communicated with 50 potential buyers, including seven strategic buyers and 43 financial sponsors, to solicit their interest in a potential acquisition of A.C. Moore, of which 29 parties executed confidentiality agreements and 27 parties were given access to an electronic data room. Janney s representative discussed with the Special Committee the feedback received from potential buyers that had either declined to participate in the process or had initially participated but had subsequently dropped out of the process. Among the concerns raised by such potential buyers were various issues related specifically to A.C. Moore, as well as issues related to the macroeconomic environment, discretionary consumer spending and the specialty retail sector, that created significant uncertainties as to A.C. Moore s future and prospects. These issues included, but were not limited to, concerns over A.C. Moore s historical financial performance, lack of confidence in A.C. Moore s ability to forecast future financial results, continuing declines in A.C. Moore s same store sales, the impact of three years of consecutive quarterly losses, the continuing depletion of cash reserves since 2008, the effect that future losses could have on cash and liquidity requirements, various concerns with A.C. Moore s real estate portfolio such as the challenges A.C. Moore faced in dealing with underperforming stores, the locations of existing stores, the terms of the store leases, and the extent of the contingent liabilities relating to existing store leases, the extent to which arts and crafts specialty retailing would be a new retail platform for many potential buyers, and the significant competition facing A.C. Moore from industry leaders with strong financial backing from leading private equity firms. Janney s representative then reviewed Janney s financial analyses of the proposed transaction with the Special Committee and delivered its oral opinion, which was later confirmed in writing, that, as of the date of the opinion, and based upon and subject to the various limitations, qualifications and assumptions set forth in Janney s written opinion, the $1.60 per Share of Common Stock in cash to be received by the holders of Shares (other than Parent, Purchaser and their respective affiliates) of Common Stock in the Offer and the Merger was fair, from a financial point of view, to such holders. The Special Committee then discussed the proposed transaction, noting the significant gains that had been negotiated in the merger agreement in recent days, particularly with respect to deal certainty, as well as the fact that A.C. Moore had been exploring strategic alternatives since November 2010, in a process publicly known since February 15, 2011, during which Janney representatives had communicated with 50 potential buyers, a number of which, after executing confidentiality agreements with A.C. Moore, had conducted extensive due diligence on A.C. Moore. The Special Committee also considered the positive and negative factors and risks associated with the proposed transaction, as discussed in further detail in the section entitled *Reasons for Recommendation of the Special Committee and A.C. Moore s Board* below.

After further deliberations, the Special Committee resolved, by unanimous vote, that the Merger Agreement, the Deposit Escrow Agreement and the Guaranty and the other transactions contemplated thereby were in the best interests of, and fair to, A.C. Moore s shareholders. The Special Committee recommended that the Board approve the Merger Agreement, the Deposit Escrow Agreement and the Guaranty and submit the Merger Agreement to A.C. Moore s shareholders for adoption if required under applicable law. After further discussion the Board resolved, by unanimous vote, that the terms of the Merger Agreement, including the Offer and the Merger, are fair to and in the best interests of A.C. Moore s shareholders, and the Board approved the Merger Agreement, the Deposit Escrow Agreement, the Guaranty, the Offer and the Merger. The Board recommended that the shareholders of A.C. Moore accept the Offer and tender their Shares of Common Stock, and, if required by applicable law, adopt the Merger Agreement at a meeting of shareholders.

Immediately following the meeting of the Board, the parties executed the Merger Agreement and the appropriate parties executed and delivered the Guaranty. On October 4, 2011 before the opening of trading on Nasdaq, A.C. Moore issued a press release announcing the execution of the Merger Agreement.

On October 17, 2011, the parties to the Merger Agreement entered into Amendment No. 1 to the Merger Agreement, which, among other things, removed Parent s right to designate directors to the Board in certain circumstances.

On October 18, 2011, Parent and Purchaser commenced the Offer, which has an initial expiration date of November 16, 2011.

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Reasons for Recommendation of the Special Committee and A.C. Moore s Board

Material Factors and Benefits

The Special Committee, acting with the advice and assistance of its legal and financial advisors, evaluated the Merger Agreement, the Offer, the Merger and the Transactions. In recommending to the Board that it approve and declare fair to and in the best interest of the shareholders of A.C. Moore, the Transaction Documents, the performance by A.C. Moore of its obligations thereunder and the consummation of the Transactions, including the Offer and the Merger, upon the terms and conditions contained therein, and in recommending that, if required by applicable law, the shareholders of A.C. Moore approve the Merger Agreement, the performance by A.C. Moore of its obligations thereunder and the consummation of the Transactions, including the Offer and the Merger, upon the terms and conditions contained therein, the Special Committee considered the following material factors and benefits of the Merger Agreement, the Offer, the Merger and the other transactions contemplated by the Merger Agreement:

Financial Terms; Form of Consideration; Certainty of Value

Historical market prices, volatility and trading information with respect to our Common Stock, including that the Offer Price represents:

A premium of 68.4% to the closing price of $0.95 per Share of Common Stock on October 3, 2011, the last full trading day prior to the announcement of the execution of the Merger Agreement.

A premium of 53.8% to the one week prior closing price of $1.04 per Share of Common Stock on September 26, 2011.

A premium of 21.2% to the one month prior closing price of $1.32 per Share of Common Stock on September 6, 2011.

The form of consideration to be paid in the transaction is cash, which provides certainty of value and immediate liquidity to A.C. Moore s shareholders while avoiding potential long-term business risk and uncertainty (including the risk factors set forth in A.C. Moore s Annual Report on Form 10-K, as amended, for the fiscal year ended January 1, 2011).

The availability of dissenters rights with respect to the Merger, which would give shareholders who have not tendered their Shares in the Offer and properly exercised and perfected their dissenters rights the ability to seek and be paid the fair value of their Shares in connection with the Merger, provided that the Merger is (i) submitted to shareholders for approval and the Shares are no longer listed on Nasdaq or another securities exchange and the Shares are held beneficially or of record by 2,000 persons or less or (ii) consummated in accordance with the requirements of the Pennsylvania short-form merger statute.

Business and Financial Condition and Prospects of A.C. Moore

The current and historical financial condition, results of operations, competitive position, strategic options and prospects of A.C. Moore, as well as the financial plan and prospects if A.C. Moore were to remain an independent public company, and the potential impact of those factors on the trading price of Common Stock (which cannot be quantified numerically).

A.C. Moore s prospects given (i) that A.C. Moore s financial and operational performance over the past three years, including that A.C. Moore s same store sales had declined in each of the preceding three fiscal years, (ii) that A.C. Moore had incurred net losses in each of fiscal years 2008, 2009 and 2010 primarily due to declines in same store sales, (iii) A.C. Moore s lack of financial flexibility to fund its business initiatives, (iv) the highly competitive nature of the arts and crafts specialty retail industry, including that a number of A.C. Moore s major competitors are backed by leading private equity firms and, accordingly, have access to substantially greater financial resources than A.C. Moore, and (v) the extent to which A.C. Moore s sales were being adversely affected by a challenging macroeconomic environment that was adversely affecting discretionary consumer spending and was partly to blame for heavy promotional and discounting activity in the arts and crafts specialty retail sector.

The prospective risks to A.C. Moore as a stand-alone public entity, including the risk factors set forth in A.C. Moore s Annual Report on Form 10-K, as amended, for the fiscal year ended January 1, 2011.

The Special Committee s belief that maximizing value for A.C. Moore s shareholders required A.C. Moore to engage in either (i) a transaction with a financial sponsor or strategic buyer who would be better positioned

to address A.C. Moore s operational and financial challenges and would appropriately value A.C. Moore s long-term business prospects, or (ii) a financial transaction that would provide A.C. Moore with increased financial flexibility and liquidity to continue its ongoing turnaround and provide additional time for A.C. Moore s management to implement its various revenue-enhancing and cost-cutting initiatives.

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Review of Financial and Strategic Alternatives

The retention of Janney, a nationally recognized financial advisor, with significant familiarity and experience in the specialty retail industry to assist A.C. Moore in its review of financial and strategic alternatives.

The formation of the Special Committee, established to administer and maintain flexibility in the process, while the Board retained authority with respect to key transaction decisions and approvals.

In consultation with its financial and legal advisors, the Special Committee reviewed the results of the process undertaken to review financial and strategic alternatives conducted by A.C. Moore, which began on November 11, 2010, when Janney received a mandate from the Board to formally commence a review of financial and strategic alternatives available to A.C. Moore. That mandate was subsequently followed by a public announcement by A.C. Moore on February 15, 2011 that it had hired Janney to pursue financial and strategic alternatives.

In connection with the process to review financial and strategic alternatives, A.C. Moore s financial advisor, Janney, had communicated with 50 potential buyers (including 43 financial sponsors and seven strategic buyers) regarding their interest in a transaction with A.C. Moore, of which 29 parties executed confidentiality agreements and 27 parties were given access to the electronic data room containing various non-public information relating to A.C. Moore.

The discussions A.C Moore held during its strategic review process with a number of third parties prior to the entry into exclusive negotiations with Sbar s, including five parties that had submitted preliminary indications of interest, but none of which, other than Sbar s, had indicated they would be in a position to make a binding proposal.

The discussions that the Special Committee had with A.C. Moore s financial and legal advisors at different times during the process with respect to the terms of the proposals received in the process and whether parties other than Sbar s would be willing or capable of entering into or sponsoring a transaction with A.C. Moore that would provide more value to A.C. Moore s shareholders than the value to be paid pursuant to the Offer and the Merger.

The feedback provided by Janney to the Special Committee as to why various potentially interested parties declined to participate in the strategic review process or, after being given access to various due diligence materials, elected not to submit an acquisition proposal, including, but not limited to, various issues related specifically to A.C. Moore, as well as issues related to the macroeconomic environment, discretionary consumer spending and the specialty retail sector, that created significant uncertainties as to A.C. Moore s future and prospects. These issues included, but were not limited to, concerns over A.C. Moore s historical financial performance, lack of confidence in A.C. Moore s ability to forecast future financial results, continuing declines in A.C. Moore s same store sales, the impact of three years of consecutive quarterly losses, the continuing depletion of cash reserves since 2008, the effect that future losses could have on cash and liquidity requirements, various concerns with A.C. Moore s real estate portfolio such as the challenges A.C. Moore faced in dealing with underperforming stores, the locations of existing stores, the terms of the store leases, and the extent of the contingent liabilities relating to existing store leases, the extent to which arts and crafts specialty retailing would be a new retail platform for many potential buyers, and the significant competition facing A.C. Moore from industry leaders with strong financial backing from leading private equity firms.

The increasingly pressing need to bring A.C. Moore s strategic review process to a reasonably prompt conclusion, taking into effect the ongoing deterioration of the financial performance of A.C. Moore, the significant uncertainty regarding A.C. Moore s future prospects and the possibility that its short- and long-term prospects would continue to decline in the absence of a sale or other transaction.

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The Special Committee also considered the possibility of continuing as a standalone company or an equity or equity-linked financing through either a registered direct offering or a PIPE transaction, and the perceived risks of these alternatives, the range of potential benefits to A.C. Moore s shareholders of these alternatives and the timing and execution risk of accomplishing the goals of such alternatives, as well as the Special Committee s assessment that no alternatives were reasonably likely to create greater value for A.C. Moore s shareholders than the Offer and the Merger, taking into account risks of execution as well as business, financial, competitive, industry and market risks.

History of Negotiations with Sbar s

The history of the negotiations between A.C. Moore and Sbar s which informed the Special Committee to enable it to consider that the Offer Price was the highest price per Share of Common Stock that Sbar s was willing to pay and that the other terms of the Merger Agreement were the most favorable terms to A.C. Moore to which Sbar s was willing to have its affiliates agree to.

Opinion of Financial Advisor

The financial analyses and opinion of Janney presented to the Special Committee on October 3, 2011 to the effect that, as of the date of the opinion, and subject to the various limitations, qualifications and assumptions set forth therein, the $1.60 per Share of Common Stock in cash to be received by holders of Shares of Common Stock (other than Parent, Purchaser and their respective affiliates) in the Offer and the Merger, was fair, from a financial point of view, to such holders, as described under *Opinion of A.C. Moore s Financial Advisor* below.

The Special Committee s discussions with Janney regarding its financial analyses of the transactions contemplated by the Merger Agreement and its analyses of comparable transactions and the valuations of comparable companies.

Advantages of Structuring the Transaction as a Dual-Track Tender Offer and Merger

The structure of the transaction as a tender offer for all Shares, which should allow shareholders to receive the transaction consideration in a relatively short time frame, followed by the Merger in which shareholders (other than those who exercise and perfect their dissenters rights under the PBCL) will receive the same consideration as received by shareholders who tender their Shares in the Offer.

Alternatively, the dual-track structure of the transaction is also allowing for a Merger following shareholder approval, which will provide additional certainty that the Merger would ultimately occur and that shareholders would receive the transaction consideration.

Speed and Likelihood of Consummation

The structure of the transaction as a two-step transaction which potentially enables the shareholders to receive the Offer Price pursuant to the Offer in a relatively short time frame (and potentially reduces the uncertainty during the pendency of the transaction), followed by the Merger in which shareholders that do not tender in the Offer will receive the same cash price as is paid in the Offer. In addition, the structure of the transaction permits the use of a one-step transaction in the event the two-step transaction is unable to be effected.

The ability of Purchaser to exercise the Top-Up Option to purchase up to an additional number of Shares of Common Stock sufficient to cause the Purchaser to own 80% of the Shares of Common Stock outstanding after the Offer on a fully-diluted basis, which would permit the Purchaser to close the Merger (as a short-form merger under Pennsylvania law) more quickly than under alternative structures.

The additional certainty of consummation of the transaction due to the dual-track structure, which results in a greater assurance that shareholders will receive the transaction consideration.

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Purchaser s Deposit of $20 Million into an Escrow Account to Secure Obligations of Parent and Purchaser

The agreement of Purchaser to deposit $20 million, or the Escrow Amount, into an escrow account pursuant to the Deposit Escrow Agreement to provide some security for the obligations of Parent and Purchaser to consummate the Transactions and that, pursuant to the Deposit Escrow Agreement, if the closing of the Merger, or the Closing, does not occur on or prior to December 30, 2011, and all conditions to the obligations of Parent and Purchaser to consummate the Merger have been satisfied or waived, or all conditions to the obligations of A.C. Moore to consummate the Merger have not been satisfied or waived, then, subject to the Final Determination, as defined in the Deposit Escrow Agreement, the Escrow Amount will be distributed to A.C. Moore. The Final Determination will control the manner, amount and recipients in which the Escrow Amount is to be paid.

Availability of Financing for Parent to Consummate the Offer and the Merger

Parent s and Purchaser s representation in the Merger Agreement that they have, and their obligation to obtain, sufficient funds available to them to consummate the Offer and the Merger.

That, in addition to debt financing, Purchaser has indicated that it would be using the $20 million placed in the escrow account as part of its financing of the Offer and the Merger.

Purchaser s execution of a debt financing Wells Fargo Commitment Letter, which also serves as the lender under A.C. Moore s credit facility, which, in the reasonable judgment of the Special Committee, increases the likelihood of such financing being completed.

That each of Parent and Purchaser has agreed in the Merger Agreement to use commercially reasonable efforts to seek to enforce its rights under the debt financing documents in the event of a material breach thereof by the financing sources thereunder or to seek alternative financing.

Lack of Regulatory Approvals

That no antitrust, competition or other material regulatory filings are required to consummate the Offer and the Merger.

Termination Fee

That the termination fee payable by A.C. Moore to Parent, if the Merger Agreement is terminated for the reasons discussed in the Merger Agreement, even at the $2 million amount requested by Parent, is not unreasonable, was comparable to termination fees in transactions of a similar size, and would not be reasonably expected to deter competing bids and would not likely be required to be paid unless A.C. Moore entered into or intended to enter into a transaction that is more favorable to A.C. Moore s shareholders than the Transactions contemplated by the Merger Agreement.

Terms and Conditions of the Merger Agreement

The fact that the financial and other terms and conditions of the Transactions, including, but not limited to, the number and nature of the conditions to Parent s and Purchaser s obligations to consummate the Offer and the Merger, were the product of arms-length negotiations among the parties and were designed to provide a reasonable amount of comfort that the Offer and the Merger would ultimately be consummated on a timely basis.

The definition of Company Material Adverse Effect in the Merger Agreement and the various exceptions thereto and the effect thereof on the likelihood that the Offer and the Merger would be consummated pursuant to the terms of the Merger Agreement.

The fact that neither the Offer nor the Merger is conditioned upon any member of A.C. Moore s management entering into any employment, equity contribution, or other agreement, arrangement or understanding with Parent, Purchaser or A.C. Moore and that, prior to the execution of the Merger Agreement, no such agreement, arrangement or understanding had been negotiated or entered into.

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The discussions that the Special Committee had with A.C. Moore s legal advisor regarding the terms and conditions of the Merger Agreement, including the Offer, the Merger and the other Transactions, including the respective representations, warranties and covenants and termination rights of the parties.

Ability to Entertain Superior Proposals

That the Merger Agreement has customary no solicitation, fiduciary-out, and termination provisions which, in the view of the Special Committee, should not deter or preclude third parties from making Superior Proposals (as defined in the Merger Agreement).

The fact that, subject to compliance with the terms and conditions of the Merger Agreement, prior to the earlier of the closing of the Offer or obtaining the approval of the A.C. Moore shareholders of the Merger, A.C. Moore is permitted to furnish information to, and participate in discussions and negotiations with, any third party that makes an unsolicited, bona fide, written acquisition proposal that the Board (or any authorized committee thereof) determines in good faith, after consulting with outside legal and financial advisors, constitutes, or would reasonably be expected to lead to, a Superior Proposal, or the Board (or any authorized committee thereof), determines in good faith, after consultation with outside legal counsel, that the failure to take such action would be inconsistent with the best interests of A.C. Moore s shareholders.

Ability for the Board to Change its Recommendation

The ability of the Board under certain circumstances, including the receipt of a Superior Proposal, to withdraw, modify or change the Board s recommendation to shareholders that they accept the Offer, tender their Shares of Common Stock to Purchaser pursuant to the Offer and, if required, vote their Shares of Common Stock in favor of the adoption of the Merger Agreement, and the right of the Board to terminate the Merger Agreement if certain conditions are satisfied, subject to payment of a termination fee to Parent, and the reasonableness of such provisions in light of, among other things, the benefits of the Offer and the Merger to A.C. Moore s shareholders and the typical range and size of such fees in similar transactions.

Risks and Other Factors

In the course of its deliberations, the Special Committee also considered a variety of risks, uncertainties and potentially negative factors with respect to the Offer and the Merger, including:

Financial Terms

While the Merger Consideration represents a premium of 68.4% to the closing price of $0.95 per Share of Common Stock on October 3, 2011, the last full trading day prior to the announcement of the execution of the Merger Agreement, it also represents a discount of 29.2% to the one year prior closing price of $2.26 per Share on October 4, 2010.

No-Shop; Termination Fee

The restrictions that the Merger Agreement impose on A.C. Moore s ability to solicit or participate in discussions or negotiations regarding alternative business combination transactions, subject to certain specified exceptions, and the insistence by Parent, as a condition to executing the Merger Agreement, that A.C. Moore would be obligated to pay a termination fee of $2 million under certain circumstances, and the potential effect of such restrictive provisions and such termination fee in deterring other potential acquirers from proposing alternative transactions.

Minimum Tender Condition

The risk that the minimum tender condition in the Offer may not be satisfied and that such minimum tender condition is a higher threshold than the approval percentage that would be required if the transaction was structured as a one-step merger (i.e., a majority of the outstanding Shares). However, this consideration was viewed in light of the provisions in the Merger Agreement that (i) provide for the one-step merger (with a majority voting requirement) if the minimum tender condition is not satisfied, and (ii) the early filing of a proxy statement so that the one-step merger structure could be implemented without significant delay if the minimum tender condition is not satisfied.

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Conditions to Closing

The conditions to Parent s and Purchaser s obligation to consummate the Offer and the Merger, and that there are no assurances all such conditions will be satisfied, including those that are not within A.C. Moore s control. These conditions include, but are not limited to, the availability of third-party financing to Parent and Purchaser and that no Company Material Adverse has occurred, subject to certain specified exceptions.

Effect of a Failure to Close

The fact that, if the Transactions, including the Offer and the Merger, are not completed, A.C. Moore s officers and other employees will have expended extensive time and effort attempting to complete the Transactions and will have experienced significant distractions from their work during the pendency of the Transactions.

Potential Harm to Business if Merger is Not Completed

The fact that, if the Transactions, including the Offer and the Merger, are not completed, (i) the market s perception of A.C. Moore could potentially result in a loss of customers, vendors and employees, and (ii) the fact that, during the course of the due diligence process, A.C. Moore has provided Parent with very sensitive, confidential information that could affect A.C. Moore s ability to negotiate with Parent s affiliates if the Transactions were not to be completed.

Public Announcement of the Merger Agreement

The effect of a public announcement of the execution of the Merger Agreement, including its effects on A.C. Moore s sales, operating results and stock price, and A.C. Moore s ability to attract and retain key management and sales and marketing personnel.

Pre-Closing Covenants

The restrictions on the conduct of A.C. Moore s business prior to the completion of the Transactions, requiring A.C. Moore to conduct its business in the ordinary course of business, to use its reasonable efforts, consistent with past practice and policies, to preserve intact its business organization and material assets, to keep available the services of its officers, directors and associates, to comply in all material respects with all applicable laws and the requirements of its material contracts, to maintain satisfactory relationships with business partners, and to seek the consent of Parent prior to engaging in various activities, which may delay or prevent A.C. Moore from undertaking business opportunities that may arise pending completion of the Transactions, whether or not consummated.

Lack of Assets and Operating History of Parent and Purchaser

While Parent caused Purchaser to deposit $20 million in escrow in order to partially secure Parent s and Purchaser s obligations under the Merger Agreement, including but not limited to payment for the Shares, Parent and Purchaser are newly-formed entities with limited capitalization and limited operating histories and A.C. Moore s monetary remedy in connection with a failure by Parent and Purchaser to consummate the Transactions, even where such failure is in connection with a breach of the Merger Agreement that is deliberate or willful, could, from a practical perspective, be limited to the $20 million placed in escrow which may not be sufficient to compensate A.C. Moore for losses suffered as a result of such a failure to consummate the Transactions by Parent or Purchaser.

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Possible Inability to Obtain Financing

The risk that Parent and Purchaser may not be able to obtain financing on acceptable terms and in an amount of cash sufficient to consummate the Transactions.

Definition of Company Material Adverse Effect

The definition of a Company Material Adverse Effect contained in the Merger Agreement and the risk, taking into effect the deteriorating nature of A.C. Moore s business, that Parent or Purchaser may assert the occurrence of a Company Material Adverse Effect as justifying their refusal to consummate the Offer or the Merger.

Improvement in A.C. Moore s Prospects

The risk that A.C. Moore s prospects could change materially during the pendency of the Transactions, including in ways beneficial to A.C. Moore, but in ways that may not entitle the Board to change its recommendation to A.C. Moore s shareholders, and the price per Share of Common Stock offered under the Merger Agreement is fixed at $1.60 per Share, regardless of such changes.

Parent and Purchaser s Ability to Terminate the Merger Agreement

The fact that, subject to certain specified exceptions, if the Merger shall not have occurred on or before December 30, 2011, the Offer and the Merger may be abandoned by Parent.

Tax Consequences

The fact that the all-cash consideration to be received by the shareholders who are U.S. persons in the Offer and the Merger would be taxable to such shareholders who have a gain for U.S. federal income tax purposes.

Interests of Certain Persons in the Offer and the Merger

The fact that the executive officers and directors of A.C. Moore may have interests in the Offer and the Merger that are different from, or in addition to, those of A.C. Moore s shareholders, including certain change of control payments, severance and retention arrangements as described under *Interests of Certain Persons in the Merger* below.

The Special Committee believed that, overall, the potential benefits of the Offer and the Merger to A.C. Moore s shareholders outweighed the risks and uncertainties of the Offer and the Merger.

In the course of reaching its determination and recommendation, the Board considered, among other things, the same factors considered by the Special Committee in its deliberations, as described above.

After evaluating the above factors, on October 3, 2011, based on the recommendation of the Special Committee and the conduct of its own independent review and other relevant factors, the Board unanimously determined (i) to approve and adopt the Transaction Documents and the consummation of the Transactions; (ii) to authorize and direct certain officers of A.C. Moore to execute and deliver the Transaction Documents in the name of A.C. Moore; (iii) to authorize such officers to prepare, execute, deliver and file such further agreements, certificates, instruments and documents and to take such actions as contemplated by the Transaction Documents or as such officers deem necessary or appropriate; (iv) that the Transaction Documents and the Transactions are fair to and in the best interests of A.C. Moore s shareholders; (v) to approve for all purposes, to the extent required under applicable law, the Purchaser, Parent and their affiliates, the Merger Agreement and the Transactions to exempt such persons, agreements and transactions from applicable anti-takeover laws; and (vi) to recommend that the shareholders of A.C. Moore accept the Offer and tender their Shares in the Offer and, to the extent such a meeting is required under the PBCL, vote in favor of the approval of the Merger and the approval and adoption of the Merger Agreement at any meeting of shareholders of A.C. Moore called to consider approval of the Merger and the Merger Agreement.

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In considering the Offer and the Merger, the Board reviewed and considered the fairness opinion sought and received from Janney by the Special Committee as to the fairness, as of the date of such opinion, from a financial point of view, of the consideration to be received in the Offer and the Merger by holders of outstanding Shares of Common Stock, which opinion is described under *Opinion of A.C. Moore s Financial Advisor* below. The Board also consulted with representatives of Blank Rome regarding the fiduciary duties of the members of the Board and the terms of the Merger Agreement.

The foregoing discussion of the information and factors considered by the Special Committee and the Board is not intended to be exhaustive, but merely summarizes the material factors considered. In light of the variety of factors considered, both positive and negative, in connection with their evaluation of the Offer and the Merger and the complexity of these matters, the Special Committee and the Board did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors considered in reaching their determinations and recommendations or determine that any factor was of particular importance. The Special Committee and the Board made their decision based on the totality of information presented to and considered by them. Moreover, each member of the Special Committee and the Board applied his or her own personal business judgment to the process and may have given different weights to different factors and may have viewed certain factors more positively or negatively than others. In arriving at their recommendation, the members of the Special Committee and the Board were aware of the interests of our executive officers, directors and affiliates as described in *Interests of Certain Persons in the Merger* below.

The Board unanimously recommends that you vote FOR the proposal to adopt the Merger Agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate to, among other reasons, solicit additional proxies.

In considering the recommendation of the Board with respect to the proposal to adopt the Merger Agreement, you should be aware that our directors and executive officers may have interests in the Merger that are different from, or in addition to, yours. See the section entitled *Interests of Certain Persons in the Merger* beginning on page [ ] and *Advisory Vote on Golden Parachute Compensation* beginning on page [ ]. The Special Committee and the Board were aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending that the Merger Agreement be adopted by the shareholders of A.C. Moore.

Opinion of A.C. Moore s Financial Advisor

On October 3, 2011, during a meeting of the Board, Janney, at the request of the Special Committee, rendered an oral opinion, which was confirmed by delivery of a written opinion dated October 3, 2011, to the effect that, as of that date and based upon and subject to the various considerations set forth in its opinion, the Merger Consideration of $1.60 per Share, or the the Per Share Merger Consideration, to be paid to holders of Common Stock pursuant to the Merger Agreement was fair, from a financial point of view, to such holders of Common Stock (other than Parent or Purchaser).

The full text of the written opinion of Janney dated October 3, 2011 is attached as **Annex E**. Janney s opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of review undertaken by Janney in rendering its opinion. The summary of Janney s opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Shareholders are encouraged to carefully read the full text of Janney s written opinion in its entirety.

In arriving at its opinion, Janney has made such reviews, analyses, and inquiries as Janney deemed necessary and appropriate under the circumstances including, among other things, the following: (i) reviewed a draft of the Merger Agreement dated October 3, 2011; (ii) reviewed the historical financial performance, current financial position and general prospects of A.C. Moore; (iii) considered the proposed financial terms of the Transactions; (iv) considered the results of efforts to solicit indications of interest and definitive proposals from third parties with respect to a possible acquisition of A.C. Moore; (v) reviewed the historical market price ranges and trading activity performance of Common Stock; (vi) reviewed publicly-available information such as annual reports, quarterly reports and other filings made by A.C. Moore with the SEC; (vii) to the extent deemed relevant, analyzed information of certain other selected publicly traded companies and compared A.C. Moore from a financial point of view to these other companies; (viii) to the extent deemed relevant, analyzed information of certain other selected precedent merger and

acquisition transactions and compared the Transactions from a financial point of view to these other transactions to the extent information concerning such transactions was publicly available; (ix) discussed with certain members of senior management of A.C. Moore the strategic aspects of the Transactions and A.C. Moore s past and current business operations, financial condition and prospects; and (x) reviewed such materials and performed such other analyses and examinations as Janney deemed necessary.

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In performing its review, Janney relied upon the accuracy and completeness of all of the financial and other information that was available to it from public sources, that was provided to it by A.C. Moore or its representatives or that was otherwise reviewed by it, and Janney assumed such accuracy and completeness for purposes of rendering its opinion. Janney was not asked to and did not undertake any independent verification of any of such information and Janney does not assume any responsibility or liability for the accuracy or completeness thereof. Janney did not make an independent evaluation or appraisal of specific assets, collateral securing assets, or liabilities (contingent or otherwise) of A.C. Moore or any of its affiliates or subsidiaries. Janney did not express any opinion as to any tax or other consequences that may result from the transactions contemplated by the Merger Agreement, nor did its opinion address any legal, tax, regulatory or accounting matters, as to which it understood A.C. Moore had received such advice as it deemed necessary from qualified professionals.

With respect to A.C. Moore s financial forecast for the fiscal year ending December 31, 2011, as provided to Janney on September 21, 2011, A.C. Moore s management has confirmed that it reflects the best currently-available estimate and judgment of such management as to the financial performance of A.C. Moore for fiscal year 2011, and Janney has assumed that such performance will be achieved. Janney expresses no opinion as to such financial forecast or the assumptions on which it is based. Janney has assumed, other than where indicated otherwise by A.C. Moore s management, that there has been no change in A.C. Moore s assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Janney that would be material to its analyses or its opinion. Janney has assumed in all respects material to its analysis that A.C. Moore and Parent will remain as going concerns for all periods relevant to Janney s analysis, and that all of the representations and warranties contained in the Merger Agreement and all related agreements are true and correct.

Janney s opinion is directed to, and is for the use and benefit of, the Special Committee in connection with its consideration of the Transactions. Janney s opinion should not be construed as creating any fiduciary duty on the part of Janney to any party. Janney s opinion does not constitute a recommendation to any shareholder of A.C. Moore as to (i) whether such shareholder should tender such shareholder s Common Stock in the Transactions or (ii) how such shareholder should vote on the Transactions or any other matter. Janney s opinion is directed only to the fairness, from a financial point of view, as of October 3, 2011 and based upon and subject to the various considerations set forth in the opinion, of the Per Share Merger Consideration to be paid to the holders of Common Stock (other than Parent and Purchaser) and does not address the fairness of the Per Share Merger Consideration to any other constituencies of A.C. Moore other than the holders of Common Stock. In addition, Janney s opinion does not address the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of A.C. Moore, whether relative to the Per Share Merger Consideration or otherwise. Janney has not expressed any opinion as to the impact of the Transactions on the solvency or viability of A.C. Moore, or of any of the other parties to the Merger Agreement, or as to their ability to pay their debts when they become due.

Janney s opinion does not address the relative merits of the Transactions as compared to other business strategies or transactions that might be available to A.C. Moore or A.C. Moore s underlying business decision to effect the Transactions. Janney was not asked to, nor does it, offer any opinion as to the terms, other than the Per Share Merger Consideration to the extent expressly specified therein, of the Merger Agreement or the form of the Transactions. In rendering its opinion, Janney assumed that (i) the final executed form of the Merger Agreement would not differ in any material respect from the draft dated October 3, 2011 that it reviewed, (ii) all parties to the Merger Agreement and all related agreements will comply with all material terms of the agreements to which they are a party, and (iii) the Transactions will be consummated in accordance with the terms of the Merger Agreement without any waiver or amendment of any material term or condition thereof. Janney has also assumed that all governmental, regulatory or other consents, including A.C. Moore s internal consents and approvals necessary for the consummation of the Transactions, will be obtained without any material adverse effect on A.C. Moore, Parent or Purchaser or the Transactions.

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Summary of Material Financial Analyses

The following is a summary of the material financial analyses performed by Janney and discussed with the Special Committee and the Board in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Janney, nor does the order of analyses described represent relative importance or weight given to those analyses by Janney. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Janney s financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before October 3, 2011 (the date on which Janney completed its analyses) and is not necessarily indicative of current market conditions.

Janney s opinion is rendered on the basis of market, economic and other conditions prevailing as of October 3, 2011 and on the conditions and prospects, financial and otherwise, of A.C. Moore, as they existed and were known to Janney on October 3, 2011, and Janney assumes no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after October 3, 2011. The issuance of Janney s opinion was approved by a fairness committee of Janney.

Analysis of Implied Premia

Janney calculated the implied premium represented by the Per Share Merger Consideration to be received by the holders of Shares of Common Stock in the Transactions over selected dates and selected periods.

The Per Share Merger Consideration represented:

- A premium of 68.4% to the closing price on October 3, 2011, the last trading day prior to when the opinion was delivered.
- A premium of 53.8% to the one week prior closing price of $1.04 on September 26, 2011.
- A premium of 21.2% to the one month prior closing price of $1.32 on September 6, 2011.
- A discount of 29.2% to the one year prior closing price of $2.26 on October 4, 2010.

Selected Publicly Traded Companies Analysis

Janney reviewed and compared certain financial information for A.C. Moore to corresponding financial information, ratios and public market multiples for the following publicly traded companies in the specialty retail industry, which, in the exercise of its professional judgment and based on its knowledge of the industry, Janney determined to be relevant to its analysis. Although none of the following companies is identical to A.C. Moore,

Janney selected these companies because they had publicly traded equity securities and were deemed to be similar to A.C. Moore in one or more respects including the nature of their business, size and financial performance.

Books-A-Million Inc.
Build-A-Bear Workshop Inc.
Big 5 Sporting Goods Corp.
Cost Plus Inc.
Duckwall-ALCO Stores Inc.
Golfsmith International Holdings Inc.
Hancock Fabrics Inc.
Hastings Entertainment Inc.
Kirkland s Inc.
Sport Chalet Inc.
Tuesday Morning Corp.

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For each of the companies, Janney calculated and compared financial information and various financial market multiples and ratios based on SEC filings for historical information and utilized third-party research estimates from other investment firms for forecasted information. For A.C. Moore, Janney made calculations based the financial forecasts prepared by A.C. Moore s management and utilized SEC filings for historical information. With respect to A.C. Moore and each of the selected companies, Janney reviewed enterprise value as a multiple of net sales and EBITDA for the latest twelve month period and estimated sales and EBITDA for fiscal year 2011; equity value as a multiple of earnings per Share for the latest twelve month period and estimated earnings per Share for fiscal year 2011; and equity value as a multiple of estimated book value for the third quarter of 2011. The results of these analyses are summarized in the following table:

	Public Company Multiples[1] Range		Implied Share Price Range	
EV/LTM Net Sales	0.11x	0.30x	$ 1.22	$ 4.66
EV/FY11E Net Sales	0.12x	0.30x	$ 1.37	$ 4.49
EV/LTM EBITDA	2.3x	9.3x	N/M	N/M
EV/FY11E EBITDA	2.1x	5.7x	N/M	N/M
P/LTM Earnings Per Share	7.2x	57.9x	N/M	N/M
P/FY11E Earnings Per Share	8.6x	38.3x	N/M	N/M
P/3Q11E Book Value	0.23x	1.81x	$ 0.93	$ 7.40

(1) Key:

LTM = Latest twelve month period as of June 30, 2011

P = Implied per Share consideration

FY11E = Company estimated financial performance for fiscal year ending 2011

3Q11E = Company estimated financial performance for the third quarter ending September 30, 2011

N/M = Not a meaningful figure due to historical and estimated EBITDA and EPS losses

Although the selected companies were used for comparison purposes, no business of any selected company was either identical or directly comparable to A.C. Moore s business. Accordingly, Janney s comparison of selected companies to A.C. Moore and analysis of the results of such comparisons was not purely mathematical, but instead necessarily involved complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and A.C. Moore. As a result, a significantly larger or smaller company with substantially similar lines of business and business focus may have been included while a similarly sized company with less similar lines of business and greater diversification may have been excluded. Janney may not have included all companies that might be deemed comparable to A.C. Moore.

Selected Transactions Analysis

Janney analyzed certain information relating to selected precedent transactions in the specialty retail industries announced from April 2005 to December 2010 which, in the exercise of its professional judgment, Janney determined to involve relevant public companies with operations similar to A.C. Moore or transactions which have characteristics similar to that of the Transactions. The selected transactions analyzed included the following:

Date Announced	Target	Acquirer
December 2010	Jo-Ann Stores, Inc.	Leonard Green & Partners, L.P.
July 2010	Paperchase Products Ltd.	Primary Capital Limited

August 2009	Charlotte Russe Holding Inc.	Advent International Corp.
June 2009	Tween Brands Inc.	Dress Barn Inc.
June 2009	Filene s Basement Corp.	Sym s Corp.
November 2007	Restoration Hardware, Inc.	Catterton Partners
November 2006	Golf Galaxy, Inc.	Dick s Sporting Goods Inc.
July 2006	PETCO Animal Supplies, Inc	Private equity consortium
June 2006	Michaels Stores Inc.	Private equity consortium
January 2006	The Sports Authority, Inc.	Leonard Green & Partners, L.P.
November 2005	Linens n Things, Inc.	Apollo Management, L.P.
October 2005	ShopKo Stores, Inc.	Sun Capital Partners, Inc.
September 2005	Party City Corporation	Private equity consortium
April 2005	Electronics Boutique Hldgs. Corp.	GameStop Corp.
April 2005	Brookstone Inc.	Private equity consortium

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No specific numeric or other similar criteria were used to select the selected transactions and all criteria were evaluated in their entirety without application of definitive qualifications or limitations to individual criteria. As a result, a transaction involving the acquisition of a significantly larger or smaller company with substantially similar lines of businesses and business focus may have been included while a transaction involving the acquisition of a similarly sized company with less similar lines of business and greater diversification may have been excluded.

For each of the selected transactions, Janney calculated and compared the enterprise value as a multiple of the latest twelve months of net sales and EBITDA, using publicly available information at the time of the relevant transaction. The results of these analyses are summarized in the following table:

		Precedent Transaction Multiples[(1)] Range		Implied Share Price Range	
EV/LTM	Net Sales	0.15x	1.46x	$ 2.00	$ 24.85
EV/LTM	EBITDA	2.9x	13.6x	N/M	N/M

(1) Key:

LTM = Latest twelve month period as of June 30, 2011

N/M = Not a meaningful figure due to historical and estimated EBITDA and EPS losses

Using the reference ranges set forth above, Janney determined implied enterprise values for A.C. Moore and calculated implied equity values in the same manner as with respect to the Comparable Public Company analysis described above.

Illustrative Premiums Paid Analysis

Janney analyzed the premiums paid in 100% cash acquisitions of publicly traded companies in the United States across all industries (excluding entities in the financial, healthcare, materials and utilities industries) from September 2008 to the present with transaction values of $25 million to $250 million. For each of the transactions, based on publicly available information, Janney calculated the premiums of the offer price in the transaction to the target company s closing stock price one day, one week and one month prior to the announcement of the transaction. The results of these analyses are summarized in the following table:

		Premiums Paid Percentages Range		Implied Share Price Range	
Premiums Paid	1 Day	0.1%	148.5%	$ 0.95	$ 2.36
Premiums Paid	1 Week	3.7%	165.2%	$ 1.08	$ 2.76
Premiums Paid	1 Month	2.6%	221.1%	$ 1.35	$ 4.24

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General

The preparation of a fairness 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 result, neither the fairness opinion nor its underlying analyses are necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses without considering the analyses as a whole could create an incomplete view of the processes underlying Janney s opinion. In arriving at its fairness determination, Janney considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Janney made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. Accordingly, Janney believes that its analyses and this summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors or focusing on information presented in tabular format, without considering all analyses, methodologies and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Janney s analyses and opinion. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. Janney was advised by the management of A.C. Moore that the operations and prospects of A.C. Moore had declined since the preparation by management of its five-year financial forecast for the fiscal years 2011 to 2015, or the Long-Term Forecast, and, accordingly, that the Long-Term Forecast was no longer reflective of management s best currently available estimates and judgments as to the future financial results and condition of A.C. Moore and should not be relied upon for purposes of Janney s analyses and opinion. In addition, Janney was advised by the management of A.C. Moore that it had not prepared updated financial forecasts beyond fiscal year 2011. Given the absence of a long-term forecast that the management of A.C. Moore believes was reliable for purposes of Janney s analyses and opinion, Janney did not perform an analysis of the estimated present value of the future cash flows of A.C. Moore.

In performing its analyses, Janney 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 the opinion. Janney s analyses involved judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond A.C. Moore s control. Janney s analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon estimates of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of A.C. Moore, Parent, Janney or any other person assumes responsibility if future results are materially different from the estimates used.

Janney s opinion and financial analyses in connection with their respective evaluation of the Per Share Merger Consideration were among many factors considered by the Special Committee and the Board in its evaluation of the Transactions and should not be viewed as determinative of the views of the Special Committee, the Board or management with respect to the Transactions or the consideration payable in the Transactions. Janney was not requested to, and it did not, recommend the specific consideration payable in the Transactions. The decision to enter into the Merger Agreement was solely that of the Board.

Janney, as part of its investment banking business, is engaged in the valuation of companies and their securities in connection with mergers and acquisitions. Janney acted as exclusive financial advisor to the Board in connection with the Transactions and has, to date, been compensated on a monthly retainer basis for its services. Janney will also receive a fee for rendering its opinion, which is not contingent upon the successful completion of the Transactions or the conclusion contained in such opinion. In addition, a substantial portion of Janney s fees are contingent upon the completion of the Transactions. Janney will not receive any other significant payment or compensation with regard to the Transactions. The Company has agreed to reimburse Janney for its reasonable expenses and to indemnify Janney and certain related parties for certain liabilities arising out of Janney s services to A.C. Moore. Prior to Janney s engagement in connection with the Transactions, in 2009 Janney provided limited financial advisory services to A.C. Moore. In addition, in the ordinary course of Janney s business as a broker-dealer, it may, from time to time, have a

long or short position in, and buy or sell, debt or equity securities of A.C. Moore for its own account or for the accounts of its customers.

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Projections

In connection with the sale process, A.C. Moore s management prepared certain non-public financial information and projections about A.C. Moore, which A.C. Moore provided to Sbar s in connection with its due diligence review. This is information that had been prepared by management for internal planning purposes or in connection with the Offer and the Merger and is subjective in many respects. The projected financial information for the remainder of fiscal 2011 summarized below, or the Fiscal 2011 Projections, was provided to Sbar s on September 21, 2011. The Fiscal 2011 Projections were also provided to A.C. Moore s financial advisor in connection with its opinion to the Special Committee, as described under *Opinion of A.C. Moore s Financial Advisor* above.

A.C. Moore Projected Financial Information Remainder of 2011 Fiscal Year

(in millions, except percentages, store count and earnings per share)	3rd Quarter 2011 Forecast	4th Quarter 2011 Forecast	Fiscal Year 2011 Forecast
Net sales	$ 97.9	$ 139.0	$ 438.6
Gross margin	39.4	51.3	178.2
Percent of sales	40.2%	36.9%	40.6%
Selling, general and administrative expenses	52.8	55.3	209.9
Percent of sales	54.0%	39.8%	47.8%
Store pre-opening and closing expenses	0.3	0.3	1.5
Operating profit (loss)	(13.8)	(4.3)	(33.2)
Interest expense	0.3	0.3	1.0
Income (loss) before income taxes	(14.0)	(4.6)	(34.2)
Provision for (benefit from) income taxes	0.0	0.0	(0.2)
Net income (loss)	$ (14.1)	$ (4.6)	$ (34.0)
Earnings (loss) per share	$ (0.55)	$ (0.18)	$ (1.33)
Other:[(1)]			
Store count	134	134	134
Capital expenditures	$ 6.9	$ 8.0	$ 8.0
Cash and cash equivalents	$ 7.1	$ 20.1	$ 20.1
Inventories	$ 118.7	$ 97.9	$ 97.9
Total assets	$ 205.9	$ 195.2	$ 195.2
Short-term debt	$ 24.0	$ 19.0	$ 19.0
Trade accounts payable	$ 35.6	$ 35.2	$ 35.2
Accrued expenses and other current liabilities	$ 25.8	$ 24.9	$ 24.9
Total liabilities	$ 102.2	$ 95.6	$ 95.6
Shareholders equity	$ 103.7	$ 99.6	$ 99.6

(1) Except for capital expenditures, which is presented year to date, all information is as of the end of the period.

Information contained above has generally been presented in rounded numbers. Certain of the totals presented in this section may have been affected by the use of this rounded information.

A.C. Moore currently plans to make available its actual results of operations for the third fiscal quarter ended October 1, 2011 in a Quarterly Report on Form 10-Q that is expected to be filed with the SEC in November 2011. Shareholders should review this Quarterly Report on Form 10-Q as soon as it becomes available. A.C. Moore s filings with the SEC are available at www.acmoore.com and www.sec.gov.

The financial information set forth in this section is included in this proxy statement only because this information was provided to Sbar s and A.C. Moore s financial advisor in connection with the contemplated sale of A.C. Moore as described in this proxy statement and it is not being included to influence your decision whether to vote in favor of

adopting the Merger Agreement. The inclusion of this information should not be regarded as an indication to any shareholder that the Board or any other recipient of this information considered, or now considers, that actual future results will necessarily reflect the projections contained herein, and this information should not be relied upon as such. This financial information reflects numerous estimates and assumptions with respect to industry and specific third party performance, general business, economic, regulatory, market and financial conditions, as well as matters specific to A.C. Moore s business, all of which are difficult to predict and many of which are beyond its control. As a result, there can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than such projections. Also, the economic and business environments can and do change quickly, which adds a significant level of unpredictability, unreliability and execution risk. In addition, the financial information set forth above does not reflect the effects of the Offer or the Merger.

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This financial information should be evaluated, if at all, in conjunction with A.C. Moore s historical consolidated financial statements included in A.C. Moore s periodic and other reports filed with the SEC. In light of the factors described herein and the uncertainties inherent in the projected financial information, and given that this information has been included in this proxy statement only because A.C. Moore has made certain of such information available to Sbar s and to A.C. Moore s financial advisor, shareholders are cautioned not to rely on such information as being a guarantee of future operating results.

The financial information included in this section was prepared in connection with the Offer and the Merger and is subjective in many respects. This financial information was not prepared with a view toward public disclosure or toward complying with GAAP, the published guidelines of the SEC regarding projections or pro forma financial information or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective or pro forma financial information. Neither our independent registered public accounting firm, nor any independent accountants, have compiled, examined or performed any procedures with respect to the financial information above, nor have they expressed any opinion or any other form of assurance on such financial information or its achievability, and they assume no responsibility for, and disclaim any association with, such financial information.

The Fiscal 2011 Projections reflect numerous estimates and assumptions made by A.C. Moore and its management with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to A.C. Moore s business, all of which are uncertain and difficult to predict, and many of which are beyond its control. The projected financial information was also based upon expectations of A.C. Moore s management at the time the projected financial information was prepared. As a result, such information may prove not to be reflective of actual results. The Fiscal 2011 Projections are subjective in many respects and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. As such, the Fiscal 2011 Projections constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted in such projections, including, but not limited to, A.C. Moore s performance, industry performance, general business and economic conditions, customer requirements, competition, adverse changes in applicable laws, regulations or rules, and the various risks and uncertainties set forth in this proxy statement and in A.C. Moore s other reports filed with the SEC.

In addition, the projected financial information will be affected by A.C. Moore s ability to achieve strategic goals, objectives and targets over the applicable periods. The assumptions upon which the projections were based necessarily involve judgments with respect to, among other things, future economic, governmental, competitive and regulatory conditions and financial market conditions, all of which are difficult or impossible to predict accurately and many of which are beyond A.C. Moore s control. The Fiscal 2011 Projections also reflect assumptions as to certain business decisions that may be subject to change. Such projections cannot, therefore, be considered a guarantee of future operating results, and this information should not be relied on as such. The inclusion of the above projected financial information should not be regarded as an indication that any of A.C. Moore, Parent, Purchaser or any of their respective affiliates or representatives considered or consider that information to be necessarily predictive of actual future events, and such information should not be relied upon as such.

The Fiscal 2011 Projections do not take into account any circumstances or events occurring after the date they were prepared, including the announcement and pendency of the proposed Offer and the Merger. There can be no assurance that the announcement of the Offer and the Merger will not cause its vendors to delay or cancel their shipments pending the consummation of the Offer and the Merger or the clarification of Parent s intentions with respect to the conduct of A.C. Moore s business thereafter. Any such delay or cancellation of shipments is likely to adversely affect A.C. Moore s ability to achieve the results reflected in such financial projections. The projected financial information does not take into account any changes in A.C. Moore s operations, business, financial condition or results of operations which may result from the Offer or the Merger, including without limitation any cost savings or other benefits. Further, the Fiscal 2011 Projections do not take into account the effect of any failure to complete the Offer or the Merger. The inclusion of the Fiscal 2011 Projections herein should not be deemed an admission or representation by A.C. Moore or any other person that they were viewed as material information with respect to A.C. Moore, and in

fact A.C. Moore and its management do not view the Fiscal 2011 Projections as material because of the inherent risks and uncertainties associated with such projections.

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There is no guarantee that any financial results reflected in the Fiscal 2011 Projections will be realized, or that the assumptions on which they are based will prove to be correct. A.C. Moore s shareholders are cautioned not to place undue, if any, reliance on the Fiscal 2011 Projections included in this proxy statement.

None of A.C. Moore or its affiliates, advisors, officers, directors, or representatives has made or makes any representation to any shareholder or other person regarding the ultimate performance of A.C. Moore compared to the information contained in the Fiscal 2011 Projections or that the projected results will be achieved.

BY INCLUDING THE FOREGOING INFORMATION, NEITHER A.C. MOORE NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES AND OTHER AFFILIATES AND REPRESENTATIVES UNDERTAKE ANY OBLIGATION TO UPDATE, OR PUBLICLY DISCLOSE ANY UPDATE TO, THIS INFORMATION TO REFLECT CIRCUMSTANCES OR EVENTS, INCLUDING UNANTICIPATED EVENTS, THAT MAY HAVE OCCURRED OR THAT MAY OCCUR AFTER THE PREPARATION OF THIS INFORMATION, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING THE FINANCIAL INFORMATION ARE SHOWN TO BE IN ERROR OR TO HAVE CHANGED.

Financing of the Merger

We anticipate that total funds of approximately $46 million will be needed to purchase all of the issued and outstanding Shares, and to complete the Merger and to pay related fees and expenses, and up to an additional $28.5 million to repay indebtedness of A.C. Moore at the closing of the Merger. Purchaser has placed $20 million in an escrow account pursuant to the Deposit Escrow Agreement to provide security for the obligations of Parent and Purchaser to consummate the Transactions. Pursuant to the Deposit Escrow Agreement, if the Closing does not occur on or prior to December 30, 2011, and all conditions to the obligations of Parent and Purchaser to consummate the Merger have been satisfied or waived, or all conditions to the obligations of A.C. Moore to consummate the Merger have not been satisfied or waived, then, subject to the Final Determination, as defined below, the Escrow Amount will be distributed to A.C. Moore. However, if the Closing does not occur on or prior to December 30, 2011, and all conditions to the obligations of Parent and Purchaser to consummate the Merger have not been satisfied or waived and all conditions to the obligations of A.C. Moore to consummate the Merger have been satisfied or waived, then, subject to the Final Determination, as defined below, the Escrow Amount will be returned to Purchaser.

The Final Determination means either (i) a written notice from Parent and A.C. Moore to the Deposit Escrow Agent setting forth the manner in which the Escrow Amount is to be paid, or (ii) a final court order or judgment or decision of an arbitration panel determining the rights of Parent, Purchaser and A.C. Moore with respect to the Escrow Amount, together with a letter of counsel confirming the final nature of such determination. The Final Determination will control the manner, amount and recipients in which the Escrow Amount is to be paid.

In addition, Parent and Purchaser have received the Wells Fargo Commitment, pursuant to which Wells Fargo has committed, through December 31, 2011, to provide to Purchaser a senior credit facility in an amount of up to $77.5 million, which we refer to as the Facility. The Facility is available to finance the Transactions, to pay fees and expenses related thereto, to repay our existing indebtedness, as well as to finance general corporate purposes and working capital of the surviving corporation and its subsidiaries. The documentation concerning the Facility has not been finalized, and accordingly, the actual terms may differ from the description of such terms below. Each of Parent and Purchaser will use its commercially reasonable efforts to obtain the financing described above on the terms and conditions described in the Wells Fargo Commitment (or on terms no less favorable to Parent and Purchaser with respect to the conditionality and amount (including the amount of fees to be paid) thereof) and shall not permit any amendment or modification to be made to, or any waiver of any provision or remedy under the Wells Fargo Commitment (other than to increase the amount of the Facility), if such amendment, modification or waiver reduces the aggregate amount of the Facility (including by changing the amount of fees to be paid), amends the conditions precedent to the financing in a manner that would reasonably be expected to delay or prevent the closing of the Offer or make the funding of the financing less likely to occur.

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If any portion of the required financing becomes unavailable on the terms and conditions contemplated by the Wells Fargo Commitment, Parent and Purchaser are obligated to use commercially reasonable efforts to arrange and obtain alternative financing from alternative sources. As of the date hereof, no alternative financing arrangements or alternative financing plans have been made in the event the financing described above is not available.

Interest Rate; Term. The Facility is expected to be a five year facility with interest rates at LIBOR or, at Purchaser s option, a base rate, plus a margin, ranging from 2.00% to 2.50% for LIBOR-based loans and from 1.00% to 1.50% for base rate-based loans, depending upon the amount of the Facility that is then outstanding. The Facility is expected to have a term of five years from the Closing.

Fees. Purchaser has paid a commitment fee of $77,500 and expects to pay a closing fee of $232,500 and an annual administration fee of $25,000, each to Wells Fargo. In addition, Purchaser expects to pay an unused line fee of 0.375% or 0.50% depending on the amount of the Facility that is then outstanding, on the unused portion of the Facility until the termination thereof.

Voluntary Prepayments. Purchaser will be permitted to make voluntary prepayments with respect to the Facility at any time, without premium or penalty, subject to reimbursement of certain costs. The commitments under the Facility may be irrevocably reduced or terminated by Purchaser at any time without premium or penalty.

Conditions to Initial Funding. The initial borrowing under the Facility is conditioned on the satisfaction of conditions customary in similar transactions, including, without limitation:

- The execution of final customary documentation.
- The consummation of the Transactions in accordance with the terms of the Merger Agreement.
- No material changes to the Merger Agreement in any respect reasonably expected to be materially adverse to Wells Fargo without its approval.
- Compliance with certain financial covenants after giving effect to the Offer and the Merger, including availability of at least $20 million following the first funding under the Facility.
- There not having been any event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a material adverse effect on the borrower.

Guarantees and Security. All obligations of Purchaser under the Facility will be unconditionally guaranteed by Parent and each existing and future direct and indirect subsidiaries of the surviving corporation, except that the surviving corporation will be liable as a co-borrower under the Facility. The Facility will also be secured by the capital stock of each subsidiary of the Parent, all present and future intercompany debt, and all of the present and future personal property assets of the Purchaser and its subsidiaries, including inventory and accounts receivable.

Representations, Warranties, Covenants and Events of Default. The Facility will contain certain representations and warranties, certain affirmative covenants, certain negative covenants, certain financial covenants, certain conditions and events of default that are customarily required for similar financings.

We believe the amount deposited pursuant to the Deposit Escrow Agreement and the amounts committed under the Wells Fargo Commitment will be in the aggregate sufficient to pay the Merger Consideration in respect of each Share validly tendered and accepted for payment in the Offer, the aggregate Merger Consideration, all amounts required to be paid in respect of A.C. Moore SARs pursuant to the Merger Agreement and all fees and expenses, but we cannot assure you of that. Those amounts might be insufficient if, among other things, Wells Fargo fails to fund the committed amounts in breach of the Wells Fargo Commitment or if the conditions to such commitment are not met. If any portion of such committed amounts become unavailable on the terms and conditions contemplated by the Wells Fargo Commitment, Parent and Purchaser agreed to use commercially reasonable efforts to arrange and obtain alternative financing from alternative sources in an amount sufficient to consummate the transactions contemplated by the Merger Agreement. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event that the Wells Fargo Commitment described in this proxy statement is not available as anticipated.

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Closing and Effective Time of Merger

If the Merger Agreement is adopted at the special meeting then, assuming timely satisfaction of the other necessary closing conditions, we anticipate that the Merger will be completed promptly thereafter. The Effective Time will occur as soon as practicable following the closing of the Merger upon the filing of Articles of Merger with the Secretary of State of the Commonwealth of Pennsylvania (or at such later date as we and Parent may agree and specify in the Articles of Merger).

Payment of Merger Consideration and Surrender of Stock Certificates

As promptly as reasonably practicable after the Effective Time, each record holder of Shares (other than Excluded Shares) will be sent a letter of transmittal describing how such holder may exchange its Shares for the per Share Merger Consideration.

You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

You will not be entitled to receive the per Share Merger Consideration until you deliver a duly completed and executed letter of transmittal to the paying agent. If your Shares are certificated, you must also surrender your stock certificate or certificates to the paying agent. If ownership of your Shares is not registered in the transfer records of A.C. Moore, a check for any cash to be delivered will only be issued if the applicable letter of transmittal is accompanied by all documents reasonably required by A.C. Moore to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid or are not applicable.

Interests of Certain Persons in the Merger

Overview

A.C. Moore s executive officers and the members of the Board may be deemed to have interests in the Transactions that may be different from or in addition to those of A.C. Moore s shareholders generally. The Board was aware of these interests and considered them, among other matters described in *Reasons for Recommendation of the Special Committee and A.C. Moore s Board* , in reaching its decision to approve the Merger Agreement and the Transactions. Additionally, in connection with the Transactions, no member of A.C. Moore s management has entered into an employment agreement or other agreement or commitment with respect to continuing employment, nor has any member of A.C. Moore s management entered into an equity rollover agreement or other agreement or commitment with respect to a co-investment in A.C. Moore.

For further information with respect to the arrangements between A.C. Moore and its executive officers, directors and affiliates described above, see *Advisory Vote on Golden Parachute Compensation* below, which is incorporated herein by reference.

Cash Payable Pursuant to Merger

If the Merger is consummated, each of A.C. Moore s executive officers and directors would receive the same per Share cash consideration on the same terms and conditions as the other shareholders of A.C. Moore. Additionally, pursuant to the terms of the Merger Agreement, any outstanding Shares owned by the directors and executive officers and not tendered in the Offer will be cancelled and converted at the Effective Time into the right to receive the Merger Consideration.

As of October 17, 2011, A.C. Moore s executive officers and directors beneficially owned an aggregate of 1,007,452 Shares (including shares of A.C. Moore Restricted Stock but excluding shares underlying A.C. Moore Options and A.C. Moore SARs). If the Merger is consummated, the executive officers and directors would receive an aggregate of approximately $1,611,923 in cash in respect of their Shares.

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The tables below set forth information regarding the amount of cash consideration each director and executive officer would receive pursuant to the Merger based on the number Shares beneficially owned by each of A.C. Moore s directors and executive officers (including shares of A.C. Moore Restricted Stock, but excluding shares underlying A.C. Moore Options and A.C. Moore SARs) as of October 17, 2011:

Non-employee Directors

Name	Number of Shares Owned	Merger Consideration
Michael J. Joyce	84,824	$ 135,718
Joseph F. Coradino	69,824	$ 111,718
Neil A. McLachlan	70,824	$ 113,318
Thomas S. Rittenhouse	65,824	$ 105,318
Lori J. Schafer	64,824	$ 103,718

Executive Officers

Name	Number of Shares Owned	Merger Consideration
Joseph A. Jeffries	265,276	$ 424,442
David Stern	147,076	$ 235,322
David Abelman	151,817	$ 242,907
Amy Rhoades	66,403	$ 106,245
Rodney Schriver	20,760	$ 33,216

Treatment of Equity Awards

A.C. Moore Options. Under the Merger Agreement, upon the Closing, each A.C. Moore Option, whether or not exercisable or vested, would be canceled as of the Effective Time in exchange for a cash payment equal to the product of (i) the excess, if any, of the per Share Merger Consideration over the per Share exercise price of the A.C. Moore Option, and (ii) the number of Shares subject to the A.C. Moore Option, less any amounts required to be withheld pursuant to applicable law. Because all of the A.C. Moore Options have exercise prices which are greater than the Offer Price, such A.C. Moore Options will be cancelled and no payment will be due to the option holder.

A.C. Moore SARs. A.C. Moore s non-employee directors do not hold any A.C. Moore SARs. As of October 17, 2011, A.C. Moore s executive officers held A.C. Moore SARs with respect to an aggregate of 837,441 Shares of Common Stock, with exercise prices ranging from $1.48 to $6.82 per Share. Of these A.C. Moore SARs, stock appreciation rights with respect to 41,603 Shares had exercise prices that are less than the per Share Merger Consideration and stock appreciation rights with respect to 795,838 Shares had exercise prices that are equal to or greater than the per Share Merger Consideration.

Under the Merger Agreement, upon the Closing, each outstanding A.C. Moore SAR, whether or not exercisable or vested, would be canceled as of the Effective Time in exchange for a cash payment equal to the product of (i) the excess, if any, of the per Share Merger Consideration over the per Share exercise price of the A.C. Moore SAR, and (ii) the number of Shares subject to the A.C. Moore SAR, less any amounts required to be withheld pursuant to applicable law.

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The table below sets forth information regarding the aggregate amount of spread value in cash that each executive officer would receive pursuant to the Merger based on the A.C. Moore SARs held by each of them as of October 17, 2011:

Executive Officers

Name	Aggregate Spread Value
Joseph A. Jeffries	$ 3,233
David Stern	$
David Abelman	$
Amy Rhoades	$ 1,056
Rodney Schriver	$ 704

A.C. Moore Restricted Stock. Under the Merger Agreement, each outstanding restricted stock award or performance accelerated restricted stock award which has been granted under A.C. Moore s equity compensation plans, whether or not vested, would be cancelled as of the Effective Time in exchange for the per Share Merger Consideration payable in respect of such stock. The A.C. Moore Restricted Stock held by directors and executive officers is included in the number of Shares beneficially owned by these individuals reflected in the tables above.

Agreements with Executive Officers and Payments Upon a Change of Control

A.C. Moore has entered into employment agreements with its Chief Executive Officer, Joseph A. Jeffries; its Executive Vice President and Chief Financial and Administrative Officer, David Stern; its Executive Vice President and Chief Merchandising and Marketing Officer, David Abelman; its Senior Vice President and General Counsel, Amy Rhoades; and its Vice President, Chief Accounting Officer and Controller, Rodney Schriver. Each of these agreements provides for severance payments and benefits upon certain terminations of employment. Pursuant to the Merger Agreement, from and after the Effective Time, Parent is obligated to cause the surviving corporation to assume, and agree to perform, the obligations of A.C. Moore, including without limitation, under the employment agreements with Joseph A. Jeffries, David Abelman, David Stern and Amy Rhoades, including all appendices and subsequent amendments thereto. A.C. Moore has also entered into retention award agreements with Messrs. Jeffries, Stern and Abelman and Ms. Rhoades.

Agreement with Joseph A. Jeffries. On August 19, 2010, A.C. Moore entered into an amended and restated employment letter with Mr. Jeffries in connection with his appointment as Chief Executive Officer on June 17, 2010. Upon termination without cause (as defined below) prior to a change of control (as defined below), Mr. Jeffries is entitled to receive: (i) 18 months of salary at his then current rate, paid in 18 equal monthly installments; (ii) the sum of the actual incentive bonus paid to him in the prior two fiscal years multiplied by .75, paid in 18 equal monthly installments; and (iii) health insurance benefits, to the extent he received such benefits prior to termination, for 18 months following termination. Upon termination without cause or resignation for good reason (as defined below) during the 18-month period following a change in control, Mr. Jeffries receives a lump sum cash payment consisting of the sum of: (a) Mr. Jeffries base salary through the date of termination, to the extent not yet paid; (b) the product of (i) the target annual bonus paid or payable as if the applicable target were achieved for the current fiscal year as of the date of termination, and (ii) a fraction, the numerator of which is the number of days in the current fiscal year through the date of termination, and the denominator of which is 365; (c) any deferred compensation not previously paid to Mr. Jeffries, if any, paid in accordance with the terms of the plan pursuant to which the deferral was made; (d) the sum of the actual incentive bonus paid to him in the prior two fiscal years, multiplied by .75; and (e) Mr. Jeffries annual base salary multiplied by 1.5. Mr. Jeffries will also receive insurance benefits for 18 months following termination. If A.C. Moore terminates his employment for cause or Mr. Jeffries terminates without good reason following a change of control, he is entitled to base salary and any other benefits unpaid through the date of termination.

For purposes of Mr. Jeffries amended and restated employment letter:

(a) Cause means either (i) failure of Mr. Jeffries to perform substantially his duties to A.C. Moore or its affiliates which is not cured within 60 days after a written demand for performance is delivered by a member of the Board; or

(ii) illegal conduct or gross misconduct by Mr. Jeffries in violation of A.C. Moore s code of conduct.

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(b) Change of control means:
i. the acquisition by any person of beneficial ownership of more than 50% of either the outstanding Shares of Common Stock or the voting power of the outstanding securities of A.C. Moore entitled to vote in the election of directors, other than certain acquisitions by certain related parties;
ii. the change in a majority of the Board from the date of the letter excluding certain newly appointed directors subsequent to the date of letter;
iii. reorganizations, mergers, consolidations or sales of all or substantially all of the assets of A.C. Moore unless: (x) the beneficial owners of Common Stock prior to such transaction own at least 50% of the Common Stock and voting power in the resulting entity; (y) no person beneficially owns more than 50% of the Common Stock or voting power in the resulting entity; and (z) at least a majority of the board of directors of the resulting entity were members of the Board prior to the transaction; or
iv. approval by the shareholders of A.C. Moore of a complete dissolution or liquidation of A.C. Moore.
(c) Good reason means: (i) the assignment to Mr. Jeffries of duties that are inconsistent with his position, authority, duties or responsibilities as set forth in the letter, other than an action remedied by A.C. Moore upon notice from Mr. Jeffries; (ii) the failure of A.C. Moore to comply with the compensation provisions of Mr. Jeffries letter, which failure remains uncured after notice by Mr. Jeffries; (iii) A.C. Moore requiring Mr. Jeffries to be based at an office or location 35 or more miles from his current location; or (iv) the failure of A.C. Moore to require any successor to assume expressly and abide by the terms of the letter agreement.
Agreement with David Stern. On May 13, 2009, A.C. Moore entered into an employment letter with David Stern to serve as A.C. Moore s Executive Vice President and Chief Financial Officer. Upon termination without cause prior to a change of control, Mr. Stern is entitled to receive base salary and insurance benefits, to the extent he received such benefits prior to termination, through the sixth-month anniversary of the termination date plus pro rata bonus (as defined in the agreement). In the event Mr. Stern remains unemployed after six months from his termination date, he will receive an additional month of severance and insurance benefits for each month he remains unemployed, up to a maximum of six additional months. Mr. Stern is required to actively seek employment after the termination date in order to receive the additional severance. Upon a termination by A.C. Moore without cause, or resignation for good reason during the 12-month period following a change of control, Mr. Stern is entitled to receive a lump sum cash payment consisting of the sum of: (a) Mr. Stern s base salary through the date of termination, to the extent not yet paid; (b) the product of (i) the target annual bonus paid or payable for the most recently completed fiscal year, and (ii) a fraction, the numerator of which is the number of days in the current fiscal year through the date of termination, and the denominator of which is 365; (c) any deferred compensation not previously paid to Mr. Stern, if any, paid in accordance with the terms of the plan pursuant to which the deferral was made; and (d) an amount equal to one year s salary. Mr. Stern will also receive insurance benefits for 12 months following termination. If A.C. Moore terminates his employment for cause or Mr. Stern terminates without good reason following a change of control, he is entitled to base salary through the date of termination. The definitions of cause, change of control and good reason in Mr. Stern employment letter are the same as those in Mr. Jeffries employment letter, except that the definition of good reason in Mr. Stern s employment letter also includes any purported termination by A.C. Moore of Mr. Stern s employment following a change of control, other than as expressly provided in his employment letter.
Agreement with David Abelman. On May 7, 2009, A.C. Moore entered into an employment letter with David Abelman to serve as A.C. Moore s Executive Vice President and Chief Marketing and Merchandising Officer. Mr. Abelman s employment letter was amended on March 16, 2010 and March 28, 2011. The termination and change of control provisions in Mr. Abelman s agreement are identical to those in Mr. Stern s agreement.
Agreement with Amy Rhoades. On July 24, 2006, A.C. Moore entered into an employment agreement with Amy Rhoades to serve as Vice President and General Counsel. She was appointed Senior Vice President and General Counsel on November 10, 2009. Ms. Rhoades agreement was amended on November 15, 2006, November 19, 2007 and March 28, 2011. Upon termination without cause or resignation for good reason prior to a change of control, Ms. Rhoades is entitled to receive base salary through the twelfth-month anniversary of the termination date, pro rata bonus through the date of termination, health insurance benefits for 12 months from the termination date, to the extent Ms. Rhoades received such benefits prior to the termination, and vested and earned but unpaid amounts under A.C.

Moore s incentive plans. Upon termination for cause or resignation without good reason prior to a change of control, Ms. Rhoades is entitled to receive base salary through the termination date and vested and earned but unpaid amounts under A.C. Moore s health plans. The definition of cause, change of control and good reason in Ms. Rhoad employment agreement are the same as those in Messrs. Stern s and Abelman s employment letters. The change of control provisions in Ms. Rhoades employment agreement are identical to those contained in the agreements of Messrs. Stern and Abelman.

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Agreement with Rodney Schriver. On December 6, 2010, A.C. Moore entered into an employment letter with Rodney Schriver, Vice President, Chief Accounting Officer, Controller and Treasurer. If A.C. Moore terminates his employment without cause prior to a change of control, Mr. Schriver is entitled to receive base salary through the sixth-month anniversary of the termination date. In the event Mr. Schriver remains unemployed after six months from his termination date, he will receive an additional month of base salary for each month he remains unemployed, up to a maximum of six additional months. Mr. Schriver is required to actively seek employment after the termination date in order to receive the additional monthly severance. If he is terminated without cause in the six-month period following a change of control, Mr. Schriver will receive a cash lump sum payment equal to six months base salary at his then current rate. The definitions of cause and change of control in Mr. Schriver s employment letter are the same as those in Messrs. Stern s and Abelman s employment letters and Ms. Rhoades employment agreement.

The payment of all sums and the receipt of benefits upon termination without cause or resignation for good reason following a change of control for each of the named executive officers is contingent upon the execution and delivery by the executive officer of a release of any and all claims against A.C. Moore and its subsidiaries and their present and former officers, directors, employees and agents, or the Released Parties, and a covenant not to sue the Released Parties, or a Release, and the expiration of any waiting or revocation period provided by law for the effectiveness of the Release. In addition, Mr. Jeffries is required to tender his resignation from the Board prior to any payments or benefits being provided.

Retention Award Agreements. On December 14, 2010, A.C. Moore approved retention awards for Joseph A. Jeffries, David Abelman, David Stern and Amy Rhoades. The retention award for Mr. Jeffries was an equity award. The retention awards for Mr. Abelman, Mr. Stern and Ms. Rhoades are composed of a mix of cash and equity. Mr. Jeffries was granted 125,000 shares of performance accelerated restricted stock, or A.C. Moore PARS, which vest in three equal annual installments beginning on the first anniversary of the date of grant or upon A.C. Moore s achievement of certain financial performance targets. Mr. Abelman, Mr. Stern and Ms. Rhoades will each receive a cash award on December 31, 2011 equal to 55% of current base salary, contingent on continuous full-time employment with A.C. Moore and continuing to meet performance expectations. The amount of the award for each of these officers is: Mr. Abelman $198,000; Mr. Stern $181,500; and Ms. Rhoades $115,500. The award vests automatically and is payable earlier than December 31, 2011 upon a change in control of A.C. Moore. Each of Mr. Abelman and Mr. Stern were granted 50,000 A.C. Moore PARS and 75,000 stock-settled A.C. Moore SARs. Ms. Rhoades was granted 25,000 A.C. Moore PARS and 50,000 A.C. Moore SARs. All equity grants were made under A.C. Moore s 2007 Stock Incentive Plan, which provides for automatic vesting and exercisability upon a change in control, unless otherwise provided in the applicable award agreement.

Arrangements with A.C. Moore s Non-Employee Directors

Mr. Jeffries, A.C. Moore s sole director that is an employee of A.C. Moore, receives no additional compensation for serving on the Board. Non-employee members of the Board may receive a combination of cash and equity-based compensation. Non-employee directors are entitled to receive the following compensation:

- an annual cash retainer of $35,000;
- an additional annual cash retainer of $50,000 for the Chairman of the Board;
- an additional annual cash retainer of $15,000 for the chair of the Audit Committee and $10,000 for each other member of the Audit Committee;

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an additional annual cash retainer of $10,000 for the chair of the Compensation Committee and $5,000 for each other member of the Compensation Committee;

an additional annual cash retainer of $7,500 for the chair of the Nominating and Corporate Governance Committee and $5,000 for each other member of the Nominating and Corporate Governance Committee; and

an annual grant of restricted stock with a market value of approximately $50,000 on the date of grant.

On June 29, 2010 and June 13, 2011, the non-employee directors were granted restricted stock with a market value of approximately $50,000 on the date of grant, or 22,422 and 20,161 shares, respectively. The shares vest equally over three years from the date of grant.

Compensation to Members of the Special Committee

Directors serving on the Special Committee did not receive any additional compensation for their service on the Special Committee.

Employment Matters

Pursuant to the Merger Agreement, as of the Effective Time and for a period equal to the lesser of one year from the Effective Time or the date on which the applicable agreement providing benefits expires, Parent agreed to provide or cause to be provided to employees of A.C. Moore or any of its subsidiaries as of the closing of the Merger who are employed with A.C. Moore or any of its subsidiaries immediately prior to the Effective Time, or a Continuing Employee, benefits at the same levels in effect as of the date of the Merger Agreement under the A.C. Moore employee benefit plans existing as of the date of the Merger Agreement.

With respect to any employee benefit plan maintained by Parent or any of its subsidiaries, including the surviving corporation, in which any Continuing Employee becomes a participant, Parent will use its commercially reasonable efforts to provide or cause to provide that such Continuing Employee shall receive full credit for service with A.C. Moore or any of its subsidiaries for all purposes, including eligibility to participate and vesting, to the same extent that such service was recognized as of the closing date of the Merger, which we refer to as the Closing Date, under a comparable plan of A.C. Moore and any of its subsidiaries in which the Continuing Employee participated, except where the provision of such prior service credit would result in duplication of benefits.

Parent will, and will use its commercially reasonable efforts to cause its third party insurers to, (i) waive, or cause to be waived, any pre-existing condition limitations, exclusions, actively-at-work requirements and waiting periods under any health or welfare benefit plan maintained by Parent or any of its subsidiaries in which the Continuing Employees (and their eligible dependents) will be eligible to participate from and after the Closing Date, except to the extent that such pre-existing condition limitations, exclusions, actively-at-work requirements and waiting periods were not satisfied or waived under the comparable plan of A.C. Moore and its subsidiaries in which the Continuing Employee participated and (ii) if a Continuing Employee commences participation in any health benefit plan of Parent or its subsidiaries after commencement of a plan year, to the extent practicable, cause any health benefit plan of Parent or any of its subsidiaries in which the Continuing Employee participates after the Closing Date of the Merger to recognize the dollar amount of all co-payments, deductibles and similar expenses incurred by such Continuing Employee (and his or her eligible dependents) under any A.C. Moore employee benefit plan during such plan year for purposes of satisfying such plan year s deductible and co-payment limitations under the relevant welfare benefit plans in which such Continuing Employee (and dependents) commences participation.

Indemnification of Directors and Officers

Sections 1741 through 1750 of Chapter 17, Subchapter D, of the PBCL contain provisions for mandatory and discretionary indemnification of a corporation s directors, officers and other personnel, and related matters.

Under Section 1741, subject to certain limitations, a corporation has the power to indemnify directors and officers under certain prescribed circumstances against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), to which any of them is a party or is threatened to be made a party by reason of being a director or officer of the corporation or serving at the request of the corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal proceeding, had no

reasonable cause to believe his conduct was unlawful.

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Section 1742 provides for indemnification in derivative actions except in respect of any claim, issue or matter as to which the person has been adjudged to be liable to the corporation unless and only to the extent that the proper court determines upon application that, despite the adjudication of liability but in view of all the circumstances, the person is fairly and reasonably entitled to indemnity for the expenses that the court deems proper.

Under Section 1743, indemnification under Sections 1741 and 1742 is mandatory to the extent that the officer or director has been successful on the merits or otherwise in defense of any action or proceeding.

Section 1744 provides that, unless ordered by a court, any indemnification under Section 1741 or 1742 shall be made by the corporation only as authorized in the specific case upon a determination that the representative met the applicable standard of conduct, and such determination will be made by the board of directors (i) by a majority vote of a quorum of directors not parties to the action or proceeding; (ii) if such a quorum is not obtainable, or if obtainable and a majority of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or (iii) by the shareholders.

Section 1745 provides that expenses (including attorney s fees) incurred by an officer or director in defending an action or proceeding may be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation.

Section 1746 provides generally that, except in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness, the indemnification and advancement of expenses provided by Subchapter 17D of the PBCL shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding that office.

Section 1747 grants to a corporation the power to purchase and maintain insurance on behalf of any director or officer against any liability incurred by him or her in his or her capacity as officer or director, whether or not the corporation would have the power to indemnify him or her against the liability under Subchapter 17D of the PBCL.

Sections 1748 and 1749 extend the indemnification and advancement of expenses provisions contained in Subchapter 17D of the PBCL to successor corporations in fundamental changes and to representatives serving as fiduciaries of employee benefit plans.

Section 1750 provides that the indemnification and advancement of expenses provided by, or granted pursuant to, Subchapter 17D of the PBCL, shall, unless otherwise provided when authorized or ratified, continue to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and personal representative of such person.

The Articles of Incorporation of A.C. Moore, as amended, or the Articles, provide that A.C. Moore s directors are not personally liable for monetary damages for any action taken, or any failure to take action, unless they have breached or failed to perform the duties of their office, and such breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

Subject to certain limitations, A.C. Moore s Amended and Restated Bylaws, or the Bylaws, provide for indemnification of and advancement of expenses to its directors and officers to the fullest extent permitted by applicable law. The Bylaws also provide that no indemnification or advancement or reimbursement of expenses may be provided to any director or officer of A.C. Moore: (a) with respect to expenses or the payment of profits arising from the purchase or sale of A.C. Moore s securities in violation of Section 16(b) of the Exchange Act; (b) if a final unappealable judgment or award establishes that such director or officer engaged in intentional misconduct or a transaction from which he or she derived an improper personal benefit; and (c) for amounts paid in settlement of any action, suit or proceeding without the written consent of A.C. Moore, which consent shall not be unreasonably withheld.

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The Merger Agreement provides that from and after the Effective Time until the sixth anniversary of the Effective Time, the surviving corporation will indemnify, defend and hold harmless each person who at the Effective Time is, or was at any time prior to the Effective Time, a director, officer, employee, fiduciary or agent of A.C. Moore or any subsidiary of A.C. Moore, or the Indemnified Parties, to the extent such persons are indemnified or entitled to be indemnified as of the date of the Merger Agreement, against all costs and expenses (including, but not limited to, fees and expenses of attorneys, experts and litigation consultants as well as any appeal bonds), judgments, fines, losses, claims, damages, liabilities and settlement amounts paid in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, whenever asserted, based on or arising out of, in whole or in part, (a) the fact that an Indemnified Party was, or was or is deemed to have status as, a director or officer of A.C. Moore or a subsidiary of A.C. Moore or (b) acts or omissions by an Indemnified Party in the Indemnified Party s capacity as a director, officer, employee, fiduciary or agent of A.C. Moore or a subsidiary of A.C. Moore or taken at the request of A.C. Moore or a subsidiary of A.C. Moore (including in connection with serving at the request of A.C. Moore or a subsidiary of A.C. Moore as a director, officer, employee, agent, trustee or fiduciary of another person (including any employee benefit plan)).

The Merger Agreement provides that all obligations of A.C. Moore or any subsidiary of A.C. Moore to any Indemnified Party in respect of advancement, indemnification or exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time as provided in applicable law or the Articles, the Bylaws or other organizational documents of A.C. Moore or any subsidiary of A.C. Moore as in effect on the date of the Merger Agreement shall continue in full force and effect in accordance with their respective terms, in each case, whether or not A.C. Moore s insurance covers all such costs. From and after the Effective Time, the surviving corporation shall be liable to pay and perform in a timely manner such indemnification, advancement and exculpation obligations.

To the extent an Indemnified Party has or may, in the future, have certain rights to indemnification, advancement of expenses and/or insurance provided by other entities and/or organizations not associated with Parent, A.C. Moore and their insurers, which we refer to as the Other Indemnitors, Parent, Purchaser and A.C. Moore agreed that, with respect to any advancement or indemnification obligation owed, at any time, to an Indemnified Party by Parent, Purchaser, A.C. Moore, the surviving corporation or any Other Indemnitor, whether pursuant to any articles of incorporation, by-laws, partnership agreement, operating agreement, indemnification agreement or other document or agreement or pursuant to the Merger Agreement, each of which we refer to as an Indemnification Agreement, (i) the surviving corporation will at all times be the indemnitor of first resort (i.e., its obligations to Indemnified Party shall be primary and any obligation of the Other Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by an Indemnified Party shall be secondary), (ii) it will at all times be required to advance the full amount of expenses incurred by an Indemnified Party and shall be liable for the full amount of all reasonable expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of any Indemnification Agreement, without regard to any rights an Indemnified Party may have against the Other Indemnitors, and (iii) it irrevocably waives, relinquishes and releases the Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation, indemnification or any other recovery of any kind in respect thereof. The Merger Agreement also provides that no advancement, indemnification or other payment by the Other Indemnitors on behalf of an Indemnified Party with respect to any claim for which an Indemnified Party has sought indemnification from A.C. Moore or the surviving corporation will affect the foregoing, and the Other Indemnitors will have a right of contribution and/or be subrogated to the extent of such advancement, indemnification or other payment to all of the rights of recovery of an Indemnified Party against A.C. Moore or the surviving corporation, and A.C. Moore and/or the surviving corporation will jointly and severally indemnify, defend and hold harmless against such amounts actually paid by the Other Indemnitors to or on behalf of an Indemnified Party.

The surviving corporation agreed that until the date that is six years from the Effective Time, it will cause the articles of incorporation and by-laws of the surviving corporation to contain provisions no less favorable to the Indemnified Parties with respect to limitation of liabilities of directors and officers and advancement and indemnification than are set forth as of the date of the Merger Agreement in the Articles and Bylaws, which provisions shall not be amended, repealed or otherwise modified in a manner that would adversely affect the rights thereunder of the Indemnified Parties.

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In addition, from and after the Effective Time, A.C. Moore or the surviving corporation will pay any reasonable expenses (including, but not limited to, fees and expenses of legal counsel, experts and litigation consultants, as well as any appeal bonds) of any Indemnified Party (including in connection with enforcing the advancement, indemnity and other related obligations) as incurred to the fullest extent permitted under applicable law; provided, that the person to whom or for whose benefit expenses are advanced provides an undertaking to repay such advances to the extent, and only to the extent, required by applicable law.

The Merger Agreement further provides that the surviving corporation will pay for and will maintain for six years after the Effective Time, the policies of directors and officers liability insurance maintained by A.C. Moore as of the date of the Merger Agreement with respect to acts or omissions occurring at or prior to the Effective Time (including the Transactions) for the individuals who were then covered, or prior to the Effective Time became covered, by A.C. Moore s directors and officers liability insurance policy on terms and scope with respect to such coverage, and in amount, not less favorable than the policy in effect on the date of the Merger Agreement. A.C. Moore may obtain a different policy provided that the policy limits, terms and conditions are at least as favorable to the directors and officers as the limits, terms and conditions in the existing policies of A.C. Moore. The surviving corporation will not be required to pay an annual premium in excess of 300% of the last annual premium paid prior to the Effective Time.

In the event that Parent, the surviving corporation or any of their successors or assigns (i) consolidates with or merges into any other person and is not the continuing or surviving person of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then, and in each such case, proper provision will be made so that the successors and assigns of Parent and the surviving corporation assume the obligations set forth in these provisions of the Merger Agreement.

Parent and Purchaser agreed that all rights to exculpation, indemnification and advancement of expenses for acts or omissions occurring at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, existing as of the date of the Merger Agreement in favor of the current or former directors, officers or employees, as the case may be, of A.C. Moore as provided in the Articles or Bylaws will survive the Merger and will continue in full force and effect.

Sbar s, Parent s and Purchaser s affiliate, agreed to guarantee, on a limited basis, the obligations of the surviving corporation with respect to indemnification described above.

Vendor Arrangement with Sbar s

Sbar s is A.C. Moore s largest arts and crafts merchandise vendor, supplying product across many merchandise categories for retail sale in A.C. Moore store locations. Other than A.C. Moore s standard purchase order terms and conditions, which include, among other things, annual commitments by vendors for advertising contributions, freight and payment terms, Sbar s and A.C. Moore have not entered into contractual arrangements relating to the purchase of merchandise. Based on total dollar value, as of October 1, 2011, during fiscal 2011 A.C. Moore has purchased from Sbar s approximately $26.9 million of merchandise, or 17 percent of total merchandise purchases. In fiscal 2010, A.C. Moore purchased from Sbar s approximately $36.5 million of merchandise, or 17 percent of total merchandise purchases. In fiscal 2009, A.C. Moore purchased from Sbar s approximately $44.6 million in merchandise, or 18 percent of total merchandise purchases.

Persons Retained, Employed, Compensated or Used

A.C. Moore retained Janney as its financial advisor in connection with the Offer and the Merger and, in connection with such engagement, Janney provided the opinion described in *Opinion of A.C. Moore s Financial Advisor* above, which is filed as **Annex E** hereto and is incorporated herein by reference. The Board selected Janney as A.C. Moore s financial advisor because Janney has substantial experience in similar transactions. Janney is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, strategic transactions, corporate restructurings, and valuations for corporate and other purposes, which the board believed would assist it in successfully evaluating and negotiating the transactions contemplated by the Merger Agreement.

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Pursuant to an engagement agreement, which we refer to as the Engagement Agreement, between A.C. Moore and Janney dated December 5, 2009, as amended December 23, 2010, February 17, 2011, June 7, 2011 and October 3, 2011, A.C. Moore agreed to pay Janney: (i) a retainer fee of $50,000 in 2009; (ii) a retainer fee of $75,000 in 2010; (iii) a monthly retainer fee of $25,000 in 2011, with $125,000 of the retainer fees credited against the advisory fee described in the next paragraph; (iv) a financial advisory fee of $75,000 upon the delivery of a report by Janney of strategic alternatives for A.C. Moore; and (v) $100,000 upon the mutual execution a letter of intent between A.C. Moore and a counterparty in a Merger, Sale or Acquisition (as defined in the Engagement Agreement).

A.C. Moore also agreed to pay Janney an advisory fee if A.C. Moore enters into a definitive agreement with respect to, and closes or consummates a Merger, Sale or Acquisition (as defined in the Engagement Agreement) involving A.C. Moore. In such event, Janney is entitled to (i) 1.50% of the first $75 million of the Merger Consideration (as defined in the Engagement Agreement); (ii) 3.00% of the amount of Merger Consideration that exceeds $75 million; and (iii) $250,000 for the delivery of a fairness opinion for such transaction.

A.C. Moore has also agreed to reimburse Janney for expenses incurred in connection with its engagement by A.C. Moore. A.C. Moore also has agreed to indemnify Janney and certain related persons against liabilities arising out of or in connection with the services rendered and to be rendered by it under its engagement by A.C. Moore.

Janney and its affiliates may trade or hold securities of A.C. Moore and/or its affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold long or short positions in those securities. In addition, Janney may seek to, in the future, provide financial advisory and financing services to A.C. Moore, Parent or entities that are affiliated with A.C. Moore or Parent, for which it would expect to receive compensation. Additional information pertaining to our retention of Janney is set forth under the heading *Opinion of A.C. Moore s Financial Advisor* above.

A.C. Moore has also retained [ ] to solicit proxies on the Board s behalf. A.C. Moore estimates that [ ] will receive fees of approximately $[ ], plus reasonable out-of-pocket expenses incurred on its behalf, to assist in the solicitation of proxies. [ ] has advised A.C. Moore that approximately [ ] of its employees will be involved in the solicitation of proxies by it on A.C. Moore s behalf. In addition, A.C. Moore will indemnify [ ] and certain related persons indemnified against certain liabilities arising out of or in connection with the engagement.

Except as described above, neither A.C. Moore nor any person acting on its behalf has employed, retained or compensated any other person to make solicitations or recommendations to shareholders on A.C. Moore s behalf concerning the Offer or the Merger, except that such solicitations or recommendations may be made by A.C. Moore s directors or officers, for which services no additional consideration will be paid.

Parent has hired Computershare Trust Company, N.A. and Computershare Inc. as depositary and paying agent for the Offer, respectively, and D.F. King & Co., Inc. as information agent for the Offer.

Accounting Treatment

The Merger will be accounted for as a purchase transaction for financial accounting purposes.

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Material United States Federal Income Tax Consequences

The following is a summary of certain material United States federal income tax consequences to beneficial owners of Shares upon the exchange of Shares for cash pursuant to the Merger. This summary is general in nature and does not discuss all aspects of United States federal income taxation that may be relevant to a holder of Shares in light of its particular circumstances. In addition, this summary does not describe any tax consequences arising under the laws of any local, state or foreign jurisdiction and does not consider any aspects of United States federal tax law other than income taxation. This summary deals only with Shares held as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment), and does not address tax considerations applicable to any holder of Shares that may be subject to special treatment under the United States federal income tax laws, including:

- a bank, insurance company, or other financial institution;
- a tax-exempt organization;
- a retirement plan or other tax-deferred account;
- a partnership, an S corporation or other pass-through entity (or an investor in a partnership, S corporation or other pass-through entity);
- a mutual fund;
- a real estate investment trust;
- a dealer or broker in stocks and securities, or currencies;
- a trader in securities that elects mark-to-market treatment;
- a holder of Shares subject to the alternative minimum tax provisions of the Code;
- a holder of Shares that received the Shares through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation;
- a United States Holder (as defined herein) that has a functional currency other than the United States dollar;
- controlled foreign corporations, passive foreign investment companies, or corporations that accumulate earnings to avoid United States federal income tax;
- a person that holds the Shares as part of a hedge, straddle, constructive sale, conversion or other risk reduction strategy or integrated transaction; or
- a United States expatriate.

This summary is based on the Code, the Treasury regulations promulgated under the Code, and rulings and judicial decisions, all as in effect as of the date hereof, and all of which are subject to change or differing interpretations at any time, with possible retroactive effect. We have not sought, and do not intend to seek, any ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and no assurance can be given that the IRS will agree with the views expressed herein, or that a court will not sustain any challenge by the IRS in the event of litigation.

THE DISCUSSION SET OUT HEREIN IS INTENDED ONLY AS A SUMMARY OF THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO A HOLDER OF SHARES OF A.C. MOORE COMMON STOCK. WE URGE YOU TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO YOU IN CONNECTION WITH THE MERGER IN LIGHT OF YOUR OWN PARTICULAR CIRCUMSTANCES, INCLUDING FEDERAL ESTATE, GIFT AND OTHER NON-INCOME TAX CONSEQUENCES, AND TAX CONSEQUENCES UNDER STATE, LOCAL OR FOREIGN TAX LAWS.

For purposes of this discussion, the term United States Holder means a beneficial owner of Shares that is, for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (or any other entity or arrangement treated as a corporation for United States federal income tax purposes) organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the

trust or (ii) the trust has validly elected to be treated as a United States person under applicable Treasury regulations.

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A non-United States Holder is any beneficial owner of Shares that is not a United States Holder or a partnership (or other entity treated as a partnership for United States federal income tax purposes).

If a partnership (including any entity or arrangement treated as a partnership for United States federal income tax purposes) holds Shares, the tax treatment of a holder that is a partner in the partnership generally will depend upon the status of the partner and the activities of the partner and the partnership. Such holder should consult its own tax advisor regarding the tax consequences of exchanging the Shares pursuant to the Merger.

United States Holders

Payments with Respect to Shares

The exchange of Shares for cash pursuant to the Merger will be a taxable transaction for United States federal income tax purposes, and a United States Holder who receives cash for Shares pursuant to the Merger will recognize gain or loss, if any, equal to the difference between the amount of cash received and the holder s adjusted tax basis in the Shares exchanged therefor. Gain or loss will be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction). Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if such United States Holder s holding period for the Shares is more than one year at the time of the exchange. Long-term capital gain recognized by an individual holder generally is subject to tax at a lower rate than short-term capital gain or ordinary income. There are limitations on the deductibility of capital losses.

Information Reporting and Backup Withholding

A United States Holder generally will be subject to information reporting and backup withholding at the applicable rate (currently, 28%) with respect to the proceeds from the disposition of Shares pursuant to the Merger. A United States Holder can avoid backup withholding if it provides a valid taxpayer identification number and complies with certain certification procedures (generally, by providing a properly completed IRS Form W-9) or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules from a payment to a United States Holder will be allowed as a credit against that holder s United States federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. Each United States Holder should complete and sign the IRS Form W-9, which will be included with the Letter of Transmittal to be returned to the Depositary, to provide the information and certification necessary to avoid backup withholding, unless an exemption applies and is established in a manner satisfactory to the Depositary.

Non-United States Holders

Payments with Respect to Shares

Payments made to a non-United States Holder with respect to Shares exchanged for cash pursuant to the Merger generally will be exempt from United States federal income tax unless:

- the non-United States Holder is an individual who was present in the United States for 183 days or more during the taxable year of the exchange and certain other conditions are met;
- the gain is effectively connected with the non-United States Holder s conduct of a trade or business in the United States, and, if required by an applicable tax treaty, attributable to a permanent establishment maintained by the holder in the United States; or
- A.C. Moore is or has been a United States real property holding corporation, or a USRPHC, for United States federal income tax purposes at any time during the shorter of the five-year period ending on the date of exchange of the Shares or the period that the non-United States Holder held Shares.

Gain described in the first bullet point above generally will be subject to tax at a flat rate of 30% (or such lower rate as may be specified under an applicable income tax treaty) on any gain from the exchange of the Shares, net of applicable United States-source losses from sales or exchanges of other capital assets recognized by the holder during the year. Unless a tax treaty provides otherwise, gain described in the second bullet point above will be subject to United States federal income tax on a net income basis in the same manner as if the non-United States Holder were a resident of the United States. Non-United States Holders that are foreign corporations also may be subject to a 30% branch profits tax (or applicable lower treaty rate). Non-United States Holders are urged to consult any applicable tax treaties that may provide for different rules.

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With respect to the third bullet point above, the determination whether A.C. Moore is a USRPHC depends on the fair market value of its United States real property interests relative to the fair market value of its other trade or business assets and its foreign real property interests. The Merger Agreement requires A.C. Moore to deliver a certificate to Parent stating that A.C. Moore has not been a USRPHC for United States federal income tax purposes during the time period described above. Moreover, since the Shares are regularly traded on an established securities market (within the meaning of applicable Treasury regulations), even if A.C. Moore constitutes a USRPHC, any gain realized on the receipt of cash for Shares pursuant to the Merger generally will be subject to United States federal income tax only if the non-United States Holder owns (actually or constructively) more than five percent of the Shares.

Information Reporting and Backup Withholding

A non-United States Holder may be subject to information reporting and backup withholding at the applicable rate (currently, 28%) with respect to the proceeds from the exchange of Shares pursuant to the Merger. A non-United States Holder can avoid backup withholding by certifying on an appropriate IRS Form W-8 that such non-United States Holder is not a United States person, or by otherwise establishing an exemption in a manner satisfactory to the Depositary. Non-United States Holders should consult their tax advisors regarding the certification requirements for non-United States persons.

Any amounts withheld under the backup withholding tax rules will be allowed as a refund or a credit against the non-United States Holder s United States federal income tax liability, provided the required information is timely furnished to the IRS.

THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO PARTICULAR HOLDERS OF SHARES OF A.C. MOORE COMMON STOCK. HOLDERS OF SHARES OF A.C. MOORE COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF EXCHANGING THEIR SHARES OF A.C. MOORE COMMON STOCK FOR CASH IN THE MERGER UNDER ANY FEDERAL, STATE, FOREIGN, LOCAL OR OTHER TAX LAWS.

Regulatory Approvals and Notices

The Pennsylvania Takeover Disclosure Law, or the Takeover Law, provides that it is unlawful for any person (except for certain persons described in the Takeover Law) to make a takeover offer (as defined in the Takeover Law) involving a target company or to acquire any equity securities of the target company pursuant to the offer, unless at least 20 days prior thereto, the person making the offer (i) files with the Pennsylvania Securities Commission a registration statement containing certain information prescribed by the Takeover Law, (ii) sends a copy of the registration statement by certified mail to the target company at its principal office and (iii) publicly discloses the offering price of the proposed offer and the fact that a registration statement has been filed with the Pennsylvania Securities Commission, unless the securities or the offer are exempt from such requirements. An offer as to which the target company, acting through its board of directors, recommends acceptance to its shareholders, if at the time such recommendation is first communicated to the shareholders, the offeror has filed a notice with the Pennsylvania Securities Commission containing certain information described in the Takeover Law, is exempt from such requirements. A.C. Moore s Board approved the Offer and purchase of tendered Shares by either Parent or Merger Sub or their affiliates, and Parent filed a notice with the Pennsylvania Securities Commission as required by the Takeover Law. Consequently, the provisions of the Takeover Law requiring the filing of a registration statement with the commission do not apply to the Offer or the Merger.

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Shareholder Demand Letter

On October 6, 2011, the Board received a demand letter from a purported shareholder, referred to as the Shareholder of A.C. Moore. The Shareholder alleges that the members of the Board breached their fiduciary duties to A.C. Moore and its shareholders in connection with the Transactions. In particular, the Shareholder alleges that A.C. Moore has suffered damages as a result of the Board s actions because: (i) the per share consideration is allegedly inadequate and undervalues A.C. Moore; and (ii) the Board allegedly agreed to provisions in the Merger Agreement which could preclude other bidders from making successful competing offers for A.C. Moore. The Shareholder has demanded that the Board remedy the foregoing breaches of fiduciary duties. On October 12, 2011, the Board appointed a special committee to consider the allegations set forth in the Shareholder demand letter.

Litigation

On October 11, 2011, a putative class action lawsuit captioned Provoncha v. A.C. Moore Arts & Crafts, Inc., et al., Docket No. C 147-11, was filed in the Superior Court of New Jersey, Chancery Division, Camden County. The complaint names as defendants the members of the Board, as well as A.C. Moore, Parent and Purchaser. The complaint purports to be brought individually and on behalf of similarly situated public shareholders of A.C. Moore and alleges, among other things, claims for breaches of fiduciary duties of good faith, loyalty and due care against the Board in connection with the Transactions and that Parent and Purchaser aided and abetted the purported breaches of fiduciary duties. The complaint seeks, among other things, injunctive relief, including enjoining the Board, and anyone acting in concert with them, from proceeding with the Transactions; certification of the action as a class action; and an award of attorneys fees and other fees and costs, in addition to other relief. The complaint was amended on October 21, 2011 to set forth additional substantive allegations, including allegations that the Schedule 14D-9 contains materially misleading statements and omits material information. A.C. Moore believes the plaintiff s allegations lack merit and intends to contest them vigorously; however, there can be no assurance that we will be successful in our defense.

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THE MERGER AGREEMENT

The following is a summary of certain provisions of the Merger Agreement and certain other agreements related to the transactions contemplated by the Merger Agreement. The description in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the Merger Agreement and Amendment No. 1 to the Merger Agreement, copies of which is attached as ***Annex A*** *and* ***Annex B*** *and are incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We encourage you to read the Merger Agreement, as amended, carefully and in its entirety. This section is not intended to provide you with any factual information about us. Such information can be found elsewhere in this proxy statement and in the public filings we make with the SEC, as described in the section entitled, Where You Can Find More Information, beginning on page [ ].*

Explanatory Note Regarding the Merger Agreement

The Merger Agreement has been provided solely to inform you of its terms. The Merger Agreement contains customary representations and warranties the parties made to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the contracts among the parties and may be subject to important qualifications and limitations agreed to by the parties in connection with the negotiated terms, including, but not limited to, information in confidential disclosure schedules provided by A.C. Moore in connection with the signing of the Merger Agreement. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to shareholders or may have been used for purposes of allocating risk among the parties rather than establishing matters as facts. A.C. Moore shareholders and other investors are not third-party beneficiaries under the Merger Agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or conditions of A.C. Moore, Parent, Purchaser or any of their respective subsidiaries or affiliates.

Terms of the Merger Agreement and Certain Other Agreements

The Offer

On October 18, 2011, Purchaser commenced the Offer for all of the outstanding Shares at a price of $1.60 per Share to the seller in cash, without interest, and less any applicable withholding taxes. The Offer contemplated that, after completion of the Offer and the satisfaction or waiver of all conditions, we will merge with Purchaser and all outstanding Shares, other than Excluded Shares, will be converted into the right to receive the Merger Consideration. The Offer was commenced pursuant to the Merger Agreement.

Under the terms of the Merger Agreement, the parties agreed to complete the Merger whether or not the Offer is completed. If the Offer is not completed, the parties agreed that the Merger could only be completed after the receipt of shareholder approval of the adoption of the Merger Agreement at the special meeting. We are soliciting proxies for the special meeting to obtain shareholder approval of the adoption of the Merger Agreement to be able to consummate the Merger regardless of the outcome of the Offer, subject to the satisfaction of the conditions therein.

We refer in this proxy statement to the Offer and to terms of the Merger Agreement applicable to the Offer, however, the Offer is being made separately to the holders of Shares and is not applicable to the special meeting.

Short-Form Merger and Top-Up Option

If, following completion of the Offer, Purchaser owns at least 80% of the then outstanding Shares on a fully-diluted basis (assuming the issuance of the Top-Up Option Shares as described below), the parties agreed to take all necessary and appropriate action to complete the Merger without a meeting of A.C. Moore shareholders pursuant to the short-form merger procedures available under the PBCL. A.C. Moore granted to Purchaser an irrevocable option, referred to as the Top-Up Option, which Purchaser may exercise on or prior to the second business day after the acceptance for payment of Shares tendered in the Offer, if necessary, to purchase from A.C. Moore the number of Shares that, when added to the Shares already owned by Parent or any of its subsidiaries following consummation of the Offer, constitutes one Share more than 80% of the Shares then outstanding on a fully-diluted basis (assuming the issuance of the Top-Up Option Shares). In the event that Purchaser does not hold at least 80% of the outstanding Shares following the consummation of the Offer, including through exercise of the Top-Up Option, A.C. Moore must

obtain the approval of its shareholders to consummate the Merger. This proxy statement is being delivered to you in order to solicit such approval in this circumstance.

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Conditions to the Offer

The Offer is conditioned upon, among other things, there being validly tendered and not properly withdrawn prior to the expiration of the Offer a number of Shares, or the Shares, that represents at least 70.7% of the outstanding Shares on a fully-diluted basis, which we refer to as the Minimum Condition, and where fully-diluted basis means the number of Shares outstanding, together with all Shares, if any, that A.C. Moore would be required to issue pursuant to the exercise or conversion of any in the money options to purchase Common Stock, stock appreciation rights and all warrants and other rights to acquire, or securities convertible into, or exchangeable for Common Stock (other than Shares issuable upon exercise of the Top-Up Option described below), that are outstanding and vested (or will be vested) immediately prior to the purchase of tendered Shares by Purchaser.

Purchaser s obligation to accept for payment and pay for all Shares that have been validly tendered and not properly withdrawn in the Offer is subject to a number of conditions, including: (i) satisfaction of the Minimum Condition, (ii) the receipt of financing, in an amount sufficient to consummate the Offer and the Merger, by Parent or Purchaser or confirmation from the lenders that such financing will be available at closing of the Merger, which we refer to as the Closing, (iii) the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) on A.C. Moore and its subsidiaries, and (iv) other customary conditions. Pursuant to the Merger Agreement, however, without the prior written consent of A.C. Moore, Purchaser cannot (i) decrease the Offer Price or change the form of the consideration payable in the Offer, (ii) decrease the number of Shares sought pursuant to the Offer, (iii) amend or waive the Minimum Condition, (iv) add to the conditions to the Offer specified in the Merger Agreement, (v) amend or modify the conditions to the Offer set forth in the Merger Agreement (other than to waive such conditions, except for the Minimum Condition), (vi) make any change in the Offer that would require an extension or delay of the then current expiration date, or (vii) make any other change in the terms or conditions of the Offer that is materially adverse to the holders of Shares.

Extensions and Terminations of the Offer

The Offer must remain open until November 16, 2011. In addition, subject to the terms of the Merger Agreement, including the termination rights of Parent, Purchaser and A.C. Moore: (i) if, at any time as of which the Offer is scheduled to expire, any condition to the Offer has not been satisfied or waived, Purchaser must extend the Offer for one or more periods of not more than five business days each beyond the scheduled expiration date; and (ii) Purchaser must extend the Offer at any time or from time to time for any period required by any rule, regulation, interpretation or position of the SEC or the staff of the SEC or Nasdaq applicable to the Offer, including in connection with an increase in the Offer Price.

Pursuant to the Merger Agreement, and except as otherwise provided therein, Purchaser will not terminate or withdraw the Offer or extend the expiration date of the Offer unless at the expiration date the conditions to the Offer have not been satisfied or earlier waived (except for the Minimum Condition, which cannot be waived), or in the case of termination, such termination is in connection with the termination of the Merger Agreement in accordance with its terms. If any condition to the Offer is not satisfied at the then-scheduled expiration date of the Offer or, by November 22, 2011, the SEC has confirmed that it does not have any further comments on the preliminary proxy statement filed by A.C. Moore with the SEC in connection with the special meeting of A.C. Moore s shareholders, which we refer to as the Proxy Statement Clearance Date, even though the Offer has been extended, then Purchaser will terminate the Offer and A.C. Moore will hold the shareholders meeting to approve the Merger Agreement in order to consummate the Merger as set forth below.

If at any scheduled expiration date of the Offer, (i) any condition to the Offer has not been satisfied or waived and (ii) the Proxy Statement Clearance Date has occurred, then (A) Purchaser may irrevocably and unconditionally terminate the Offer or (B) from and after the close of business on November 22, 2011, A.C. Moore will have the right to cause Purchaser to terminate the Offer at the next then-scheduled expiration date following receipt of notice from A.C. Moore. Such termination is referred to as an Offer Termination. In the event of an Offer Termination, A.C. Moore must proceed with and take all actions necessary to hold the special meeting of shareholders to approve the Merger Agreement.

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Recommendation

The Board, at a meeting duly called and held prior to the execution of the Merger Agreement at which all directors of A.C. Moore were present, unanimously determined (i) to approve and adopt the Transaction Documents and to approve and authorize the consummation of the Transactions; (ii) to authorize the execution and delivery of the Transaction Documents in the name of A.C. Moore; (iii) that the Transaction Documents and the Transactions are fair to and in the best interests of A.C. Moore s shareholders; (iv) to recommend that the shareholders of A.C. Moore accept the Offer and tender their Shares in the Offer and, to the extent such a meeting is required under the PBCL, vote in favor of the approval of the Merger and the approval and adoption of the Merger Agreement at any meeting of shareholders of A.C. Moore called to consider the approval of the Merger and the Merger Agreement; and (v) to approve for all purposes that the Merger Agreement and the Transactions be exempt from applicable anti-takeover laws.

Financing

Parent and Purchaser represented in the Merger Agreement that they will have available funds (including the amounts deposited in escrow pursuant to the Deposit Escrow Agreement) and the Wells Fargo Commitment to enable them to have sufficient funds, which we refer to as the Financing, to permit Purchaser to perform all of its obligations under the Merger Agreement. Parent and Purchaser agreed to use commercially reasonable efforts to obtain the Financing on the terms and conditions described in the Wells Fargo Commitment. If any portion of the Financing becomes unavailable on the terms and conditions contemplated by the Wells Fargo Commitment, Parent and Purchaser agreed to use commercially reasonable efforts to arrange and obtain alternative financing from alternative sources in an amount sufficient to consummate the transactions contemplated by the Merger Agreement, which we refer to as an Alternative Financing. Wells Fargo also serves as the deposit escrow agent under the Deposit Escrow Agreement and Wells Fargo Retail Finance, LLC is A.C. Moore s senior secured lender.

Deposit Escrow Agreement

Parent and Purchaser are newly-formed entities that were formed for the purpose of entering into the Merger Agreement with A.C. Moore and acquiring A.C. Moore. As such, in order to provide some security for the obligations of Parent and Purchaser to consummate the Transactions, concurrently with the execution of the Merger Agreement, the Deposit Escrow Agreement was entered into by and among Parent, Purchaser, A.C. Moore and Wells Fargo, as the Deposit Escrow Agent, pursuant to which Purchaser deposited the $20 million Escrow Amount into an escrow account in order to secure Parent s and Purchaser s obligations under the Merger Agreement. On the date that Purchaser accepts for payment all Shares that have been validly tendered and not properly withdrawn pursuant to the Offer, the Deposit Escrow Agent will pay the Escrow Amount to the paying agent for the Offer, or the Paying Agent, in partial payment of the aggregate Offer Price in accordance with written instructions to be provided by Parent and A.C. Moore. Except as provided in the following paragraph, if the closing of the Offer does not occur, the Deposit Escrow Agent will pay the Escrow Amount to the Paying Agent in partial payment of the aggregate Merger Consideration, in accordance with written instructions to be provided by Parent and A.C. Moore.

Pursuant to the Deposit Escrow Agreement, if the Closing does not occur on or prior to December 30, 2011, and all conditions to the obligations of Parent and Purchaser to consummate the Merger have been satisfied or waived, or all conditions to the obligations of A.C. Moore to consummate the Merger have not been satisfied or waived, then, subject to the Final Determination, as defined below, the Escrow Amount will be distributed to A.C. Moore. However, if the Closing does not occur on or prior to December 30, 2011, and all conditions to the obligations of Parent and Purchaser to consummate the Merger have not been satisfied or waived and all conditions to the obligations of A.C. Moore to consummate the Merger have been satisfied or waived, then, subject to the Final Determination, as defined below, the Escrow Amount will be returned to Purchaser.

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A.C. Moore s Board of Directors

The Merger Agreement initially provided Parent with the right to designate directors to the Board of A.C. Moore in certain circumstances, however this right was removed pursuant to Amendment No. 1 to the Merger Agreement. Parent has agreed to use its commercially reasonable efforts to cause the Board to have, following the closing of the Offer and until the consummation of the Merger, at least three directors who each were directors of A.C. Moore on the date the Merger Agreement was entered into, which we refer to as the Continuing Directors. If any Continuing Director is unable to serve due to resignation, death or disability or any other reason, the remaining Continuing Directors are entitled to elect or designate another individual who is not an employee of A.C. Moore or any of its subsidiaries to fill the vacancy and such director will be deemed to be a Continuing Director. If no Continuing Director remains on the Board prior to the Effective Time, a majority of the members of the Board on the date the Merger Agreement was entered into will be entitled to designate three persons who are not employees of A.C. Moore, Parent, Purchaser or any affiliates of Parent or Purchaser and are reasonably satisfactory to Parent to fill the vacancies. Following the consummation of the Offer and until the consummation of the Merger, the affirmative vote of a majority of the Continuing Directors will be required to authorize any contract between A.C. Moore and any of its subsidiaries, on the one hand, and Parent, Purchaser and any of their affiliates, on the other hand, amend or terminate the Merger Agreement on behalf of A.C. Moore, use or waive any of A.C. Moore s rights or remedies under the Merger Agreement, extend time for performance of A.C. Moore s or Purchaser s obligations under the Merger Agreement, amend A.C. Moore s Articles or Bylaws if such action would adversely affect A.C. Moore s shareholders (other than Parent or Purchaser) or the rights of the Indemnified Parties pursuant to the Merger Agreement, take any action by A.C. Moore in connection with the Merger Agreement or the Transactions which is required to be taken by the Board or take any other action that would adversely affect the rights of A.C. Moore shareholders (other than Parent or Purchaser).

The Merger

The Merger Agreement provides that, following completion of the Offer, if applicable, and subject to the terms and conditions of the Merger Agreement, and in accordance with the PBCL, at the Effective Time:

- Purchaser will be merged with and into A.C. Moore and the separate corporate existence of Purchaser will cease;
- A.C. Moore will be the surviving corporation and will continue to be governed by the laws of the Commonwealth of Pennsylvania and the separate corporate existence of A.C. Moore will continue unaffected by the Merger; and
- all of the property, rights, privileges, powers, immunities and franchises of Purchaser and A.C. Moore will vest in the surviving corporation, and all debts, liabilities, obligations and duties of Purchaser and A.C. Moore will become the debts, liabilities, obligations and duties of the surviving corporation.

In the event that the Minimum Condition is not met, and in certain other circumstances, the parties have agreed to complete the Merger without the prior completion of the Offer, after the receipt of shareholder approval at the special meeting.

Following the completion of the Merger, the Common Stock will be delisted from Nasdaq and deregistered under the Exchange Act and will cease to be publicly traded.

Articles of Incorporation; Bylaws; Directors and Officers of the Surviving Corporation

At the Effective Time, A.C. Moore s Articles and Bylaws as in effect immediately prior to the Effective Time will be amended so as to read in their entirety as set forth in the applicable exhibits to the Merger Agreement, and as so amended, will be the articles of incorporation and bylaws of the surviving corporation. The directors of Purchaser will become the directors of the surviving corporation. The officers of A.C. Moore at the Effective Time will become the initial officers of the surviving corporation.

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Conditions to the Merger

The respective obligations of each party to effect the Merger are subject to the satisfaction (or, to the extent permissible under applicable law, waiver by the party entitled to the benefit thereof), at or prior to the Effective Time, of each of the following conditions:

- If and to the extent required by the PBCL and the Articles and Bylaws, the Merger Agreement must be duly adopted by the affirmative vote of the shareholders of A.C. Moore in accordance with applicable law.
- No law, restraining order (preliminary, temporary or permanent), executive order, decree, ruling, judgment or injunction or other order of a court or governmental entity of competent jurisdiction, which we refer to as a Restraint, is in effect prohibiting the consummation of the Merger or making the consummation of the Merger illegal.
- Unless an Offer Termination has occurred, Purchaser must have accepted for purchase all Shares validly tendered and not properly withdrawn pursuant to the Offer.

Solely if the Offer Termination has occurred or the Offer closing has not occurred, the obligations of Parent and Purchaser to effect the Merger are further subject to the satisfaction or (to the extent permitted by law) waiver at or prior to the Effective Time of the following conditions:

- The representations and warranties of A.C. Moore set forth in the Merger Agreement regarding (i) capitalization, due authorization and takeover laws must be true and correct in all material respects as of the Closing Date and (ii) regarding all other matters must be true and correct as of the Closing Date, except (A) that the accuracy of representations and warranties that by their terms speak as of the date of the Merger Agreement or some other date will be determined as of such date and (B) where any such failure of the representations and warranties in the aggregate to be true and correct would not have a Company Material Adverse Effect (without giving effect to any materiality or Company Material Adverse Effect qualifications contained therein).
- A.C. Moore must have performed or complied in all material respects with its obligations required to be performed or complied with by it under the Merger Agreement at or prior to the Closing.
- Since the date of the Merger Agreement, no change, event or occurrence must have occurred that has had or would reasonably be expected to have a Company Material Adverse Effect.
- As of immediately prior to the Closing Date, A.C. Moore is Solvent, which is defined to mean that, with respect to A.C. Moore and its subsidiaries, taken as a whole, (i) the sum of its debt (including contingent liabilities) does not exceed the present fair saleable value of its present assets; (ii) its capital is not unreasonably small in relation to its business; and (iii) it does not have or intend to incur debts including current obligations beyond its ability to pay such debt as they mature in the ordinary course of business.
- Parent or Purchaser must have received the proceeds of the Financing or the Alternative Financing and/or the lenders party to the Wells Fargo Commitment or any other commitment letters for the Alternative Financing must have definitely and irrevocably confirmed to Parent or Purchaser that all of the Financing or any Alternative Financing, which must be at least in an amount sufficient to consummate the Offer and the Merger, will be available at the Closing on the terms and conditions set forth in the Wells Fargo Commitment or any other commitment letters for the Alternative Financing.

If an Offer Termination has occurred or the Offer Closing has not occurred, then the obligation of A.C. Moore to effect the Merger is further subject to the satisfaction or (to the extent permitted by law) waiver at or prior to the Effective Time of the following conditions:

- The representations and warranties of Parent and Purchaser set forth in the Merger Agreement must be true and correct as of the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect, as defined in the Merger Agreement.
- Parent and Purchaser must have performed or complied in all material respects with its obligations required to be performed or complied with by it under the Merger Agreement at or prior to the Closing Date.

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Merger Consideration

At the Effective Time, each Share issued and outstanding immediately prior to the Effective Time, other than Excluded Shares, will automatically be converted into the right to receive the per Share Merger Consideration, in cash, without interest and less any applicable withholding taxes. All Shares converted into the right to receive the Merger Consideration will automatically be canceled and cease to exist.

Payment for A.C. Moore Shares

Prior to the Effective Time, Parent will appoint a bank, trust company or transfer agent reasonably acceptable to A.C. Moore to act as the Paying Agent under the Merger Agreement. Prior to the Effective Time, Parent will deliver, by wire transfer of immediately available funds, to an account designated in writing by the Paying Agent, in trust for the benefit of the holders of Shares, an amount in cash equal to the Merger Consideration multiplied by the number of Shares to be converted in the Merger, which we refer to as the Exchange Fund.

As promptly as practicable after the Effective Time, but in no event later than five business days following the Effective Time, Parent will cause the Paying Agent to mail to each holder of record of Common Stock a form of letter of transmittal with instructions for use in effecting the surrender of certificates of Common Stock in exchange for the Merger Consideration, which we refer to as the Letter of Transmittal. Upon (i) in the case of Shares represented by a certificate, the surrender of such certificate for cancellation to the Paying Agent or (ii) in the case of Shares held in book-entry form, the receipt of an agent s message by the Paying Agent, in each case together with the Letter of Transmittal, duly, completely and validly executed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Paying Agent, the holder of such Shares will be entitled to receive (and the Paying Agent shall deliver) an amount equal to the Merger Consideration multiplied by the number of Shares to be converted.

After one year following the Effective Time, Parent will be entitled to require the Paying Agent to deliver to it any funds which had been made available to the Paying Agent and not disbursed to holders of Shares (including, without limitation, all interest and other income received by the Paying Agent in respect of all funds made available to it), and, thereafter, such holders will be entitled to look to Parent (subject to abandoned property, escheat and other similar laws) only as general creditors thereof with respect to any Merger Consideration, without interest, that may be payable upon due surrender of the certificates (or evidence of Shares in book-entry form) held by them.

If any certificate is lost, stolen or destroyed, then, upon the making of an affidavit of that fact by the shareholder claiming such certificate to be lost, stolen or destroyed and, if required by the Paying Agent, the posting of a bond, in such amount as Parent or the Paying Agent may reasonably direct, as indemnity against any claim that may be made against it with respect to such certificate, Parent will direct the Paying Agent to pay, in exchange for such lost, stolen or destroyed certificate, the Merger Consideration to be paid in respect of the Shares represented by such certificate.

Treatment of A.C. Moore Options, A.C. Moore SARs and A.C. Moore Restricted Stock

The Merger Agreement provides that each A.C. Moore Option, whether or not exercisable or vested, will be canceled at the Effective Time, in exchange for a payment, in cash, equal to the product of (i) the excess, if any, of the per Share Merger Consideration over the per Share exercise price of the A.C. Moore Option, and (ii) the number of Shares subject to the A.C. Moore Option, less any amounts required to be withheld pursuant to applicable law. Each A.C. Moore SAR, whether or not exercisable or vested, will be canceled at the Effective Time, in exchange for a payment, in cash, equal to the product of (i) the excess, if any, of the per Share Merger Consideration over the per Share exercise price of the A.C. Moore SAR, and (ii) the number of Shares subject to the A.C. Moore SAR, less any amounts required to be withheld pursuant to applicable law. Each award of A.C. Moore Restricted Stock will be cancelled at the Effective Time in exchange for the Merger Consideration payable in respect of such stock.

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Representations and Warranties

The Merger Agreement contains representations and warranties of A.C. Moore, Parent and Purchaser.

Some of the representations and warranties in the Merger Agreement made by A.C. Moore are qualified as to materiality or Company Material Adverse Effect. For purposes of the Merger Agreement, Company Material Adverse Effect means any fact, circumstance, event, change, effect, violation or occurrence that, individually or in the aggregate with all other facts, circumstances, events, changes, effects, violations or occurrences, (a) has or would be reasonably expected to have a material adverse effect on the financial condition, business, assets, liabilities or results of operations of A.C. Moore and its subsidiaries, taken as a whole, or (b) prevents, impedes, interferes with, hinders or delays in any material respect the ability of A.C. Moore to consummate the Merger or the other transactions or perform its obligations, in each case as contemplated by the Merger Agreement. In the case of clause (a) only, none of the following, and no effect arising out of or resulting from the following, would be deemed to be a Company Material Adverse Effect and would not be considered in determining whether there has occurred, or may, would or could occur, a Company Material Adverse Effect with respect to clause (a):

(i) any changes, events, occurrences or conditions generally affecting the economy or the credit, financial or capital markets in the United States or elsewhere in the world, including changes in interest or exchange rates,

(ii) changes, events, occurrences or effects arising out of, resulting from or attributable to acts of sabotage, terrorism, war (whether or not declared),

(iii) changes, events, occurrences or effects arising out of, resulting from or attributable to any escalation or worsening of such acts of sabotage, terrorism or war (whether or not declared) threatened or underway as of the date of the Merger Agreement,

(iv) changes, events, occurrences or effects arising out of, resulting from or attributable to pandemics, earthquakes, hurricanes, tornados, tsunamis or other natural disaster occurring in the United States or elsewhere in the world,

(v) changes, events, occurrences or effects arising out of, resulting from or attributable to changes in law, Generally Accepted Accounting Principles or other accounting standards, regulations or principles or any changes in the interpretation or enforcement of any of the foregoing, or changes in regulatory or political conditions,

(vi) changes as a result of any action or failure to take action, in each case consented to or requested by Parent,

(vii) events attributable to the announcement or performance of the Merger Agreement or the consummation of the transactions contemplated thereby or the pendency of the Offer or the Merger (including the loss or departure of officers or other employees of A.C. Moore or any of its subsidiaries, or the termination, reduction (or potential reduction) or any other negative effect (or potential negative effect) on A.C. Moore s relationships or agreements with any of its customers, suppliers or other business partners,

(viii) events attributable to the taking of any action by A.C. Moore or its subsidiaries if that action is contemplated or required by, the Merger Agreement, or with Parent s or Purchaser s consent, or the failure to take any action by A.C. Moore or its subsidiaries if that action is prohibited by the Merger Agreement, or the consummation of the transactions contemplated thereby,

(ix) a decline in the market price, or a change in the trading volume, of the Common Stock (provided that any event, condition, change, occurrence or development of a state of circumstances that may have caused or contributed to such change in market price or trading volume shall not be excluded),

(x) any change in A.C. Moore s credit ratings, if any,

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(xi) any failure by A.C. Moore to meet any published estimates, projections, predictions, or expectations of the Company s revenue, earnings or other financial performance or results of operations for any period (other than those directly publicly disseminated by A.C. Moore during fiscal year 2011, the effects ((excluding the effects referred to in clause (xiv) below)) of the failure of which are reasonably expected to result in material damages to A.C. Moore, and provided further that any event, condition, change, occurrence or development of a state of circumstances that may have caused or contributed to such failure to meet any published estimates, projections, predictions, or expectations shall not be excluded),

(xii) any failure by A.C. Moore to meet any internal budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations including any budgets, plans or forecasts previously made available to Parent,

(xiii) effects arising out of or related to any matters disclosed on the disclosure schedules accompanying the Merger Agreement, or

(xiv) effects arising out of or related to any legal proceedings commenced by or involving any of the current or former shareholders of A.C. Moore (on their own behalf or on behalf of A.C. Moore) arising out of or related to any failure by A.C. Moore referred to in clause (xi) above, the Merger Agreement or any of the transactions contemplated thereby, which, based on the underlying merits of such legal proceedings, are not reasonably expected to result in an award of material damages or injunctive relief against A.C. Moore or its directors;

Any fact, circumstance, event, change or occurrence referred to in clauses (i) through (v) immediately above will be taken into account in determining whether a Company Material Adverse Effect has occurred or is reasonably expected to occur to the extent that such fact, circumstance, event, change, violation or occurrence has had, or would reasonably be expected to have, a materially disproportionate impact on the financial condition, business, assets, liabilities or results of operations of A.C. Moore and its subsidiaries, taken as a whole, relative to other participants in the industries in which A.C. Moore and its subsidiaries are involved (in which event the extent of such material adverse change may be taken into account in determining whether a Company Material Adverse Effect has occurred).

In the Merger Agreement, A.C. Moore made customary representations and warranties to Parent and Purchaser with respect to, among other things:

corporate organization and qualification;
capitalization;
authorization;
non-contravention;
SEC filings, financial statements and controls;
absence of certain changes or events;
litigation;
Offer documents and the proxy statement;
taxes;
employee benefit plans;
labor matters;
environmental laws and regulations;
property and assets;
lack of undisclosed liabilities

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intellectual property;
compliance with laws;
material contracts;
permits;
insurance;
certain business practices;
brokers and finders;
Janney s opinion;
takeover laws;
major suppliers; and
prohibited payments.

In the Merger Agreement, Parent and Purchaser made customary representations and warranties to A.C. Moore with respect to, among other things:

corporate organization and qualification;
authorization;
non-contravention;
litigation;
SEC filings;
possession of sufficient funds and financing of the Transactions;
brokers and finders;
lack of ownership of Common Stock;
solvency;
lack of contracts with A.C. Moore management and directors;
the Deposit Escrow Agreement; and
the Guaranty.

None of the representations and warranties contained in the Merger Agreement survives the consummation of the Merger.

Conduct of Business of A.C. Moore

The Merger Agreement provides that, until the earlier of the Effective Time and three business days after the Offer Closing, except with the prior written consent of Parent, as required by applicable law, as otherwise expressly contemplated or permitted by the Merger Agreement, (i) A.C. Moore will, and will cause each of its subsidiaries to, conduct its operations in all material respects according to its ordinary course of business consistent with past practice and (ii) A.C. Moore will not and will cause its subsidiaries not to, take certain actions with respect to the following, subject to the thresholds and exceptions specified in the Merger Agreement:

issuing, delivering, selling, disposing of, pledging or otherwise encumbering A.C. Moore securities;
redeeming, purchasing or otherwise acquiring A.C. Moore securities;

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effecting a stock split, combination, subdivision or reclassification of Shares;
declaring, setting aside for payment or paying any dividend in respect of A.C. Moore securities or otherwise making any payments to shareholders;
adopting a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of A.C. Moore or its subsidiaries or alter through merger, liquidation, reorganization or restructuring the corporate structure of A.C. Moore or its subsidiaries (other than the Merger);
amending the Articles or Bylaws;
entering into, adopting, amending, renewing or extending any employee benefit plan or any other compensatory program, policy or arrangement with respect to any current or former employee, officer, director or other consultant of A.C. Moore or any of its subsidiaries or, except as in accordance with past practice, increasing the salaries or wages of employees;
making any material change in financial accounting methods, principles or practices;
acquiring any equity interest in or business of any third party or division thereof for a purchase price in excess of $500,000, or enter into any agreement, arrangement or understanding with respect to any such acquisition;
other than sales of inventory in the ordinary course of business consistent with past practice, selling, leasing (as lessor), licensing, or otherwise disposing of any tangible properties or assets in excess of $250,000;
selling, leasing, mortgaging, or otherwise disposing of any real properties or any interests therein;
making or changing any material tax election or settling or compromising any material tax liability, claim or assessment or filing any material amended tax return;
incurring any (i) obligations for borrowed money, (ii) capitalized lease obligations or (iii) guarantees and other arrangements, except for indebtedness incurred in the ordinary course of business under A.C. Moore s existing credit facility, provided that the aggregate principal amount of indebtedness (net of repayments) outstanding under such facility may not exceed $28.5 million on the Closing Date and that A.C. Moore may incur letters of credit in the ordinary course of business in an amount not to exceed $5 million in the aggregate;
making capital expenditures;
settling, compromising, discharging or agreeing to settle any litigation, investigation, arbitration or proceeding other than those that do not involve the payment by A.C. Moore or any of its subsidiaries of monetary damages in excess of $100,000 in any individual instance, or $250,000 in the aggregate, after taking into account any applicable reserves and any applicable insurance coverage, and do not involve any material injunctive or other non-monetary relief or impose material restrictions on the business or operations of A.C. Moore or its subsidiaries;
modifying, extending, amending, terminating, canceling, renewing or supplementing material contracts; and
authorizing of any of, or committing or agreeing to take any of, the foregoing actions.

No Solicitation

From the date of the Merger Agreement until the earlier of the Effective Time or the termination of the Merger Agreement, A.C. Moore agreed that it will not, and will not knowingly permit any officer, director or employee of, or any investment banker, attorney or other advisor or representative of A.C. Moore, each of which we refer to as a Representative, to:

solicit or initiate, or knowingly encourage or facilitate, directly or indirectly, the submission of any Acquisition Proposal, as defined below, by a third party;

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participate in discussions or negotiations regarding, or furnish to any third party information with respect to, or knowingly facilitate the making of any proposal that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal; or

enter into any agreement with respect to any Acquisition Proposal with any third party.

Notwithstanding the restrictions described above, from the date of the Merger Agreement and prior to the earlier to occur of the Offer Closing and obtaining approval by A.C. Moore s shareholders of the Merger Agreement, which we refer to as the Shareholder Approval, if A.C. Moore or any Representative receives an Acquisition Proposal from a third party and the Board or a committee thereof determines in good faith, after consulting with outside legal and financial advisors, that any such Acquisition Proposal constitutes, or would reasonably be expected to lead to, a Superior Proposal, as defined below, and the Board or such committee determines in good faith, after consultation with outside legal counsel, that the failure to take such action would be inconsistent with the best interests of A.C. Moore s shareholders, then A.C. Moore and its Representatives may:

furnish, pursuant to an acceptable confidentiality agreement, information (including non-public information) and/or access with respect to A.C. Moore and its subsidiaries to the party making such Acquisition Proposal; and

engage in or otherwise participate in discussions and/or negotiations directly or through its Representatives with the party making such Acquisition Proposal.

At any time prior to the earlier to occur of the Offer Closing and obtaining the Shareholder Approval, the Board or a committee thereof may (i) authorize A.C. Moore to terminate the Merger Agreement and enter into an agreement, arrangement or understanding with respect to an Acquisition Proposal and/or make a Board Recommendation Change following receipt of an Acquisition Proposal that the Board or such committee determines in good faith, after consultation with its outside financial and legal advisors, constitutes, or is reasonably likely to lead to, a Superior Proposal, provided, that such Acquisition Proposal did not result, directly or indirectly, from a material breach of A.C. Moore s non-solicitation obligations, and that the Board or such committee has determined in good faith, after consultation with outside legal counsel, that the failure to take such action would be inconsistent with the best interests of A.C. Moore s shareholders, or (ii) make a Board Recommendation Change if the Board or such committee determines in good faith, after consultation with outside legal counsel, that the failure to do so would be inconsistent with the best interests of A.C. Moore s shareholders.

A.C. Moore must promptly (but in no event later than forty-eight hours) advise Parent of any Acquisition Proposal received by A.C. Moore and the material terms of such Acquisition Proposal and must keep Parent reasonably informed on a reasonably current basis of the status of, and any material changes to, the terms of any such Acquisition Proposal and the status of discussions and negotiations with respect thereto. Neither the Board nor any committee thereof may terminate the Merger Agreement and enter into an agreement, arrangement or understanding with respect to an Acquisition Proposal or make a Board Recommendation Change unless A.C. Moore promptly notifies Parent, in writing at least three business days before taking such action, of its intention to do so, including the material terms and conditions of such Acquisition Proposal and the identity of the third party making the Acquisition Proposal.

For purposes of this proxy statement and the Merger Agreement:

an Acquisition Proposal means any proposal or offer from any third party to acquire beneficial ownership (as determined under Rule 13d-3 of the Exchange Act) of all or more than 20% of the assets of A.C. Moore and its subsidiaries, taken as a whole, or 20% or more of any class of equity securities of A.C. Moore pursuant to a merger, consolidation or other business combination, sale of Shares of stock, sale of assets, tender offer, exchange offer or similar transaction or series of related transactions, which is structured to permit such third party to acquire beneficial ownership of more than 20% of the assets of A.C. Moore and its subsidiaries, taken as a whole, or 20% or more of any class of equity securities of A.C. Moore.

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a Superior Proposal means any bona fide written proposal not solicited or initiated in material violation of A.C. Moore s non-solicitation obligations that (i) relates to an acquisition by a third party of either (A) more than 50% of A.C. Moore s outstanding securities pursuant to a tender offer, merger or otherwise or (B) more than 50% of the assets used in the conduct of the business of A.C. Moore and its subsidiaries, taken as a whole, and (ii) the Board determines in its good faith judgment (after consultation with outside legal counsel and financial advisors) would, if consummated, result in a transaction that is more favorable to A.C. Moore s shareholders from a financial point of view than the transactions contemplated by the Merger Agreement and reasonably capable of being consummated on the terms proposed, taking into account all legal, financial, regulatory, and other aspects of the proposal.

The Recommendation of A.C. Moore s Board

A.C. Moore s Board resolved to recommend that the holders of Shares accept the Offer, tender their Shares to Purchaser pursuant to the Offer and, if required, adopt the Merger Agreement at a meeting of shareholders. A.C. Moore s Board agreed to include the Board Recommendation in this proxy statement and Schedule 14D-9 filed with the SEC and to permit Parent to include the Board Recommendation in the other documents related to the Offer.

The Board may make a Board Recommendation Change in the circumstances described under *No Solicitation* above. The Merger Agreement does not prevent A.C. Moore, the Board or a committee thereof from (i) taking and disclosing to shareholders a position contemplated by Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation M-A promulgated under the Exchange Act, or other applicable law, if the Board determines, after consultation with outside legal counsel, that failure to so disclose such position could be inconsistent with applicable law, (ii) making any disclosure to shareholders required by applicable law or by the rules and regulations of Nasdaq, or (iii) otherwise making such disclosure to shareholders or otherwise that the Board (after consultation with counsel) concludes in good faith that the failure to make such disclosure would be inconsistent with applicable law. In addition, the parties to the Merger Agreement agreed that a factually accurate public statement by A.C. Moore that describes receipt of an Acquisition Proposal and the operation of the Merger Agreement with respect thereto, or any stop, look and listen communication by the Board pursuant to Rule 14d-9(f) of the Exchange Act, or any similar communication to shareholders, will not constitute a Board Recommendation Change or a withdrawal or modification, or proposal by the Board to withdraw or modify, the recommendation of the Merger Agreement or the Transactions, or an approval or recommendation with respect to any Acquisition Proposal.

Financing Efforts

Each of Parent and Purchaser agreed to use commercially reasonable efforts to obtain the Financing on the terms and conditions described in the Wells Fargo Commitment and agreed not to permit any amendment or modification to be made to, or any waiver of any provision or remedy under the Wells Fargo Commitment (other than to increase the amount of the Financing), if such amendment, modification or waiver reduces the aggregate amount of the Financing, amends the conditions precedent to the Financing in a manner that would reasonably be expected to delay or prevent the Offer Closing or, if the Offer Termination has occurred, the Closing or make the funding of the Financing less likely to occur.

Each of Parent and Purchaser agreed to use commercially reasonable efforts (i) to maintain in effect the Wells Fargo Commitment and to negotiate and enter into definitive agreements with respect to the Wells Fargo Commitment on the terms and conditions contained in the Wells Fargo Commitment, (ii) to satisfy on a timely basis all conditions applicable to it in such definitive agreements that are within its control, (iii) upon satisfaction of such conditions, to consummate the Financing at or prior to the Offer Closing (with respect to amounts required to consummate the Offer, if the Offer Termination has not occurred) and the Closing (with respect to amounts required to consummate the Merger and make other payments due at such time in accordance with the terms hereof) and (iv) to comply with its obligations under the Wells Fargo Commitment.

If any portion of the Financing becomes unavailable on the terms and conditions contemplated by the Wells Fargo Commitment, (i) Parent and Purchaser agreed to promptly notify A.C. Moore and (ii) Parent and Purchaser agreed to use commercially reasonable efforts to arrange and obtain an Alternative Financing as promptly as practicable following the occurrence of such event. Parent agreed to keep A.C. Moore reasonably informed of the status of its efforts to arrange the Financing and provide to A.C. Moore copies of the material definitive documents for the Financing and will give the Company prompt notice: (i) of any breach of any material provisions of any of the Wells

Fargo Commitment by any party to the Wells Fargo Commitment of which it has actual knowledge; (ii) of the receipt of any written notice or other written communication from a financing source for the Financing with respect to any actual or potential breach, default, termination or repudiation by any party to the Wells Fargo Commitment of any material provisions of the Wells Fargo Commitment; and (iii) of the occurrence of an event or development that Parent or Purchaser expects to have a material and adverse impact on the ability of Parent or Purchaser to obtain all or any portion of the Financing contemplated by the Wells Fargo Commitment on the terms, in the manner or from the sources contemplated by the Wells Fargo Commitment or the definitive documents related to the Financing.

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Prior to the Effective Time, A.C. Moore agreed to provide to Parent and Purchaser all cooperation that is reasonably requested by Parent and that is customary in connection with the arrangement of debt financing in acquisition transactions, provided that no such requested cooperation may unreasonably interfere with the ongoing operations of A.C. Moore and its subsidiaries, provided that they shall not be required to pay any commitment or other similar fee, pay any expense (other than as provided in the Merger Agreement) or incur any other obligation or liability in connection with the Financing prior to the Effective Time. In addition, A.C. Moore is not required to take any action in connection with the Financing that would (i) cause any condition to the Merger to fail to be satisfied or otherwise cause any breach of the Merger Agreement (unless waived by Parent), (ii) require A.C. Moore or any of its subsidiaries to take any action that will conflict with or violate A.C. Moore s organizational documents or any laws or result in the material contravention of, or that would reasonably be expected to result in a material violation or breach of, or default under, any material contract to which A.C. Moore or any of its subsidiaries is a party (in each case prior to the Effective Time) or (iii) result in any officer or director of A.C. Moore or its subsidiaries incurring any personal liability with respect to any matters relating to the Financing. Parent and Purchaser agreed to indemnify, defend and hold harmless A.C. Moore, its affiliates and their respective Representatives for and against any and all liabilities, losses, damages, claims, reasonable costs and expenses, interest, awards, judgments and penalties suffered or incurred by them in connection with any certifications provided by them and required to arrange the Financing (other than arising from (i) fraud, gross negligence, willful misconduct or intentional misrepresentation or (ii) misstatements or omissions in written historical information of the type prepared by A.C. Moore or any of its subsidiaries in the ordinary course of business provided specifically for use in connection with the Financing) to the fullest extent permitted by applicable law and with appropriate contribution to the extent such indemnification is not available.

A.C. Moore agreed to keep Parent reasonably informed of the status of its existing credit facility and will give Parent prompt notice: (i) of any breach of any material provisions of such facility of which it has actual knowledge; (ii) of the receipt of any written notice or other written communication with respect to any actual or potential breach, default, termination or repudiation by any party to such facility; and (iii) of the occurrence of an event or development that A.C. Moore expects to have a material and adverse impact on the ability of A.C. Moore to obtain all or any portion of the financing contemplated by such facility on the terms, in the manner or from the sources contemplated by the facility.

Obligations with Respect to the Shareholders Meeting and the Proxy Statement

The Merger Agreement provides that, as soon as practicable after the date of the Merger Agreement (and in any event, but subject to Parent s timely performance of its obligations described below, on or prior to October 25, 2011), A.C. Moore would prepare and file this proxy statement in preliminary form, or the Proxy Statement, with the SEC relating to the special meeting of shareholders. A.C. Moore agreed to (i) use its commercially reasonable efforts to have the Proxy Statement cleared by the SEC as soon as practicable; (iii) use its commercially reasonable efforts to mail to the holders of Shares the Proxy Statement as promptly as practicable after clearing comments received from the SEC or after being notified by the SEC that the Proxy Statement will not be subject to review by the SEC, and (iii) otherwise comply in all material respects with all legal requirements applicable to the shareholders meeting. Subject to applicable laws, A.C. Moore and Parent (with respect to itself and Purchaser) shall each furnish the other with all information as may be reasonably necessary or advisable in connection with the Proxy Statement and otherwise cooperate with the other in the preparation of the Proxy Statement.

A.C. Moore agreed to notify Parent promptly of the receipt of any comments of the SEC or the SEC staff with respect to the Proxy Statement and of any request by the SEC or the SEC Staff for any amendment or supplement thereto or for additional information. Each of A.C. Moore, Parent and Purchaser agreed to use commercially reasonable efforts, after consultation with the other parties hereto, to respond promptly to all such comments of and requests by the SEC or the SEC staff and to cause the Proxy Statement and all required amendments and supplements thereto to be mailed to the holders of Shares entitled to vote at the shareholders meeting at the earliest practicable time.

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If required by applicable law in order to consummate the Merger, then A.C. Moore will have the right, at any time after the latest of (i) the expiration date of the Offer, (ii) three business days after the Proxy Statement Clearance Date and (iii) November 22, 2011, to (and Parent and Purchaser will have the right, at any time beginning three business days after the Proxy Statement Clearance Date, to request in writing that A.C. Moore, and upon receipt of such written request, the Company shall, as promptly as practicable and in any event within 10 business days), (A) establish a record date (which record date shall be as soon as legally permissible) for and give notice of a meeting of its shareholders, for the purpose of voting upon the adoption of the Merger Agreement, and (B) mail to the holders of Shares as of the record date established for the shareholders meeting the Proxy Statement.

A.C. Moore, acting through the Board, will, in accordance with applicable law and the Articles, the Bylaws and Nasdaq rules, (i) duly call, give notice of, convene and hold an annual or special meeting of its shareholders as promptly as reasonably practicable after the Proxy Statement Clearance Date for the purpose of considering and taking action on the Merger Agreement and the Transactions, (ii) include the Board Recommendation in the Proxy Statement and use its commercially reasonable efforts to obtain the approval of A.C. Moore shareholders. Notwithstanding the foregoing, in the event that Purchaser acquires at least 80% of the then outstanding Shares on a fully-diluted basis pursuant to the Offer or the exercise, if any, of the Top-Up Option or otherwise, the parties agreed to take all necessary and appropriate action to cause the Merger to become effective, in accordance with Section 1924(b)(1)(ii) of the PBCL, as promptly as reasonably practicable after such acquisition without a meeting of the shareholders of A.C. Moore.

Efforts to Close the Transaction

Upon the terms and subject to the conditions of the Merger Agreement, each of the parties agreed to use commercially reasonable efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate the transactions contemplated by the Merger Agreement, including the Offer and the Merger.

Takeover Laws

The parties agreed to use commercially reasonable efforts to ensure that no state takeover law or similar law is or becomes applicable to the Merger Agreement or the Transactions, including the Offer and the Merger. If any state takeover law or similar law becomes applicable to the Merger Agreement or any of the Transactions, including the Offer and the Merger, the parties agreed to use commercially reasonable efforts to ensure that the Merger and the other Transactions may be consummated as promptly as practicable on the terms contemplated by the Merger Agreement and otherwise to minimize the effect of such law on the Merger Agreement and the Transactions, including the Merger.

Indemnification, Exculpation and Insurance

The Merger Agreement provides that all obligations of A.C. Moore or any subsidiary to any individual who at the Effective Time is, or at any time prior to the Effective Time was, a director, officer, employee, fiduciary or agent of A.C. Moore or any subsidiary, which we refer to as the Indemnified Parties, in respect of advancement, indemnification or exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time as provided in applicable law or the Articles, the Bylaws or other organizational documents of A.C. Moore or any subsidiary in effect as of the date of the Merger Agreement will survive the Transactions and continue in full force and effect in accordance with their respective terms, in each case, whether or not A.C. Moore s insurance covers all such costs. From and after the Effective Time, the surviving corporation shall be liable to pay and perform in a timely manner such indemnification, advancement and exculpation obligations. Without limiting the foregoing, for six years from the Effective Time, the surviving corporation will cause its articles of incorporation and by-laws to contain provisions no less favorable to the Indemnified Parties with respect to limitation of liabilities of directors and officers and advancement and indemnification than are set forth as of the date of the Merger Agreement in the Articles and Bylaws, which provisions will not be amended, repealed or otherwise modified in a manner that would adversely affect the rights thereunder of the Indemnified Parties.

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The Merger Agreement provides that, until the sixth anniversary of the Effective Time, the surviving corporation will, to the extent to which such persons are indemnified, or entitled to be indemnified as of the date of the Merger Agreement, indemnify, defend and hold harmless each Indemnified Party against all costs and expenses (including, but not limited to, fees and expenses of attorneys, experts and litigation consultants as well as any appeal bonds), judgments, fines, losses, claims, damages, liabilities and settlement amounts paid in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, whenever asserted, based on or arising out of, in whole or in part, (i) the fact that an Indemnified Party was, or was or is deemed to have status as, a director or officer of A.C. Moore or such subsidiary or (ii) acts or omissions by an Indemnified Party in the Indemnified Party s capacity as a director, officer, employee, fiduciary or agent of A.C. Moore or such subsidiary or taken at the request of A.C. Moore or such subsidiary, at or at any time prior to the Effective Time (including any claim, suit, action, proceeding or investigation relating in whole or in part to the Transactions contemplated by the Merger Agreement).

The surviving corporation will bear the full cost of and maintain in effect, applicable on and after the Effective Time, for a period equal to six years immediately following the Effective Time, referred to as the D&O Tail Period, the current directors and officers liability insurance policies (including, but not limited to, both primary and any and all excess policies) maintained by A.C. Moore on the date of the Merger Agreement, which we refer to as the D&O Policies, on terms and scope with respect to such coverage, and in amount, not less favorable to such individuals than those of such policy in effect on the date of the Merger Agreement, provided that (i) in no event will the surviving corporation be required to expend more than an amount per year of coverage equal to 300% of current annual premiums paid by A.C. Moore for such insurance and (ii) in the event of an expiration, termination or cancellation of such current policies, Parent or the surviving corporation will be required to obtain as much coverage as is possible under substantially similar policies for such maximum annual amount in aggregate annual premiums. Alternatively, A.C. Moore may substitute one or more prepaid, fully-earned and non-cancellable tail policies with respect to such directors and officers liability insurance with policy limits, terms and conditions at least as favorable to the individuals and/or A.C. Moore covered under such insurance policy as the limits, terms and conditions in the existing policies of A.C. Moore.

Parent, Purchaser and A.C. Moore agreed that, with respect to any advancement or indemnification obligation owed to an Indemnified Party by Parent, Purchaser, A.C. Moore, the surviving corporation to an Indemnified Party that has rights to indemnification, advancement of expenses and/or insurance provided by Other Indemnitors pursuant to an Indemnification Agreement, the surviving corporation (i) will, at all times, be the indemnitor of first resort, (ii) will, at all times, be required to advance the full amount of expenses incurred by an Indemnified Party and will be liable for the full amount of all reasonable expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of any Indemnification Agreement, without regard to any rights an Indemnified Party may have against the Other Indemnitors, and (iii) irrevocably waives, relinquishes and releases the Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation, indemnification or any other recovery of any kind in respect thereof.

Sbar s agreed to guarantee the surviving corporation s indemnification obligations under the Merger Agreement to A.C. Moore s officers and directors, subject to certain limitations, pursuant to the Limited Guaranty, dated as of October 3, 2011, made and delivered by Sbar s to A.C. Moore, in favor of, and for the benefit of, the Guaranteed Parties (as defined in the Guaranty).

Litigation, Actions and Other Proceedings

The parties agreed to cooperate and use commercially reasonable efforts to vigorously contest and resist any action or proceeding, including administrative or judicial action or proceeding, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits consummation of the Transactions, including the Offer and the Merger, including, without limitation, by vigorously pursuing all available avenues of administrative and judicial appeal, unless Parent determines, in its reasonable discretion after consulting with A.C. Moore, that litigation is not in its best interests or unless A.C. Moore determines, in its reasonable discretion after consulting with Parent, that litigation is not in its best interests.

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Employee Matters

The Merger Agreement provides that, as of the Effective Time and for a period equal to the lesser of one year following the Effective Time or the date on which the insurance or other contract or agreement providing benefits under the applicable plan expires (or such shorter period of time that such employee remains an employee of the surviving corporation following the Effective Time), provide or cause to be provided to Continuing Employees benefits at the same levels in effect on the date of the Merger Agreement under the currently existing employee benefit plans of A.C. Moore.

Termination of the Merger Agreement

The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after receipt of the shareholder approval:

by mutual written consent of Parent and A.C. Moore;

by either Parent or A.C. Moore:

if the Merger is not consummated on or before December 30, 2011; provided that the right to terminate the Merger Agreement on such date shall not be available to Parent or A.C. Moore if (i) the Offer Closing has occurred or (ii) the failure of Parent or A.C. Moore, as applicable, to perform any of its obligations under the Merger Agreement has been a principal cause of the failure of the Merger to be consummated on or before such date;

if any law, restraining order (preliminary, temporary or permanent), executive order, decree, ruling, judgment or injunction or other order of a court or governmental entity of competent jurisdiction is in effect enjoining, restraining, preventing or prohibiting the consummation of the Offer or the Merger and is final and non-appealable and has the effect of making consummation of the Offer or the Merger illegal or otherwise restraining, preventing or prohibiting consummation of the Offer or the Merger; or

by Parent:

if there has occurred a breach of or failure to perform any representation, warranty, covenant or agreement on the part of A.C. Moore, which breach or failure to perform would cause any conditions of the Offer or the Merger not to be satisfied and (i) if such breach or failure to perform cannot be cured by A.C. Moore, at least 20 business days elapse since the date of delivery of notice of such breach or failure to perform to A.C. Moore from Parent and such breach or failure to perform shall not have been cured in a manner such that such breach or failure to perform no longer results in the applicable condition not being satisfied or (ii) if such breach or failure to perform is capable of being cured by A.C. Moore, A.C. Moore does not cure such breach or failure to perform within 10 business days after the date of delivery of notice of such breach or failure to perform to A.C. Moore, provided, that Parent will not have the right to terminate the Merger Agreement in these circumstances if A.C. Moore s breach or failure to perform any of its representations, warranties, covenants or other agreement under the Merger Agreement was primarily due to the failure of Parent or Purchaser to perform any of their obligations under the Merger Agreement;

if a Board Recommendation Change occurs;

A.C. Moore breaches its non-solicitation obligations resulting in the announcement, submission or making of an Acquisition Proposal;

if, after a tender offer or exchange offer is commenced that, if successful, would result in any person or group (as defined under Section 13(d) of the Exchange Act) becoming a beneficial owner of 20% or more of the outstanding Shares (other than by Parent or Purchaser), the Board fails to recommend that A.C. Moore s holders not tender their Shares in such tender or exchange offer within 10 business days after commencement of such tender offer or exchange offer;

the Board fails to reconfirm the Board Recommendation promptly, and in any event within five business days, following Parent s reasonable request to do so; or

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by A.C. Moore,

if (i) in violation of the Merger Agreement, Parent or Purchaser terminates the Offer without having accepted all of the Shares tendered for payment thereunder, fails to timely accept for payment and purchase all Shares that have been validly tendered and not withdrawn pursuant to the Offer if all conditions to the Offer have been satisfied or waived as of the expiration of the Offer (including any extensions thereof), or modified certain terms of the Offer without the prior written consent or waiver of A.C. Moore; and (ii) A.C. Moore does not breach any of its obligations under the Merger Agreement in any manner that proximately causes or results in the failure of the Offer to be consummated;

if Parent or Purchaser breaches or fails to perform any of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach or failure to perform (i) would cause any of the conditions to the Offer or the Merger to not be satisfied, (ii) was notified by A.C. Moore in a written notice delivered to Parent or Purchaser and (iii) cannot be cured by December 30, 2011 or at least 30 days shall have elapsed since the date of delivery of a written notice of such breach from A.C. Moore to Parent or Purchaser and such breach is not cured in a manner such that such breach no longer results in the applicable condition not being satisfied; provided, however, that the right to terminate the Merger Agreement in these circumstance would not be available to A.C. Moore if (A) Parent s or Purchaser s breach or failure to perform any of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement was primarily due to the failure of A.C. Moore to perform any of its obligations under the Merger Agreement or (B) Parent waives the applicable condition to the Offer; or

prior to the Acceptance Date or, in certain circumstances, prior to the consummation of the Merger, in order to enter into a transaction that is a Superior Proposal; provided, that such takeover proposal did not result from a breach of A.C. Moore s obligations with respect to solicitation of takeover proposals.

Effect of Termination

If the Merger Agreement is terminated in accordance with its terms, the Merger Agreement will become null and void and, subject to certain designated provisions of the Merger Agreement which survive, including the termination, confidentiality and indemnification provisions, among others, there will be no liability on the part of Parent, Purchaser or A.C. Moore. No party is relieved of any liability for any willful and material breach of any of its representations, warranties, covenants or agreements set forth in the Merger Agreement prior to such termination.

Termination Fee

A.C. Moore may be required to pay a termination fee to Parent in the amount of $2 million, including, without limitation, in the following circumstances:

the Merger Agreement is terminated by Parent as a result of a Board Recommendation Change;

the Merger Agreement is terminated by A.C. Moore in order to accept a Superior Proposal; or

(i) a bona fide Acquisition Proposal is publicly disclosed and not withdrawn prior to the termination of the Merger Agreement, and (ii) following such disclosure, the Merger Agreement is terminated by A.C. Moore or Parent because the Merger has not occurred prior to December 30, 2011 or by Parent as a result of a Board Recommendation Change, and (iii) within 12 months of the date the Merger Agreement is terminated, A.C. Moore enters into a definitive agreement with respect to, or recommends to its shareholders, an Alternative Transaction (as defined below) or an Alternative Transaction is consummated with a third party.

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For the purposes of the third bullet above, the term Alternative Transaction means a transaction of a type described in the definition of Acquisition Proposal except that the references to 20% in the definition of Acquisition Proposal are be deemed to be references to 50%.

Specific Performance

The Merger Agreement provides the parties are entitled to an injunction or injunctions to prevent breaches or threatened breaches of the Merger Agreement and to enforce specifically the terms and provisions of the Merger Agreement in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. To the extent permitted by law, any requirements for the securing or posting of any bond with such remedy are waived.

Fees and Expenses

Whether or not the Offer, the Merger or any other transactions contemplated by the Merger Agreement are consummated, each party agreed to pay its own expenses incident to preparing for, entering into and carrying out the Merger Agreement and the consummation of the transactions contemplated thereby.

Amendment

At any time prior to the Effective Time, the parties may modify or amend the Merger Agreement provided, however, that (i) after Purchaser purchases any Shares pursuant to the Offer, no amendment will be made that decreases the Merger Consideration, and (ii) after receipt of shareholder approval, no amendment may be made which by applicable law or any applicable rule or regulation of any stock exchange requires further approval by A.C. Moore s shareholders, without the approval of such shareholders.

Governing Law

The Merger Agreement is governed by, and construed in accordance with, Delaware law, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any state other than the State of Delaware, except to the extent that provisions of the PBCL are applicable hereto.

Ancillary Agreements

Deposit Escrow Agreement

Concurrently with the execution of the Merger Agreement, Parent, Purchaser, A.C. Moore and Wells Fargo Bank, National Association, as Deposit Escrow Agent entered into the Deposit Escrow Agreement, pursuant to which Purchaser deposited the $20 million Escrow Amount into an escrow account in order to secure Parent s and Purchaser s obligations under the Merger Agreement. On the date that Purchaser accepts for payment all Shares that have been validly tendered and not properly withdrawn pursuant to the Offer, the Deposit Escrow Agent will pay the Escrow Amount to the paying agent in partial payment of the aggregate Offer Price in accordance with written instructions to be provided by Parent and A.C. Moore. If the closing of the Offer does not occur, Deposit Escrow Agent will pay the Escrow Amount to the paying agent in partial payment of the aggregate Merger Consideration, in accordance with written instructions to be provided by Parent and A.C. Moore.

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Pursuant to the Deposit Escrow Agreement, if the Closing does not occur on or prior to December 30, 2011, upon the Final Determination:

- the Deposit Escrow Amount will be paid to A.C. Moore if Parent s and Purchaser s conditions to the consummation of the Merger have been satisfied or waived, but A.C. Moore s conditions to the consummation of the Merger have not been satisfied or waived; and
- the Deposit Escrow Amount will be paid to Purchaser if Parent s and Purchaser s conditions to the consummation of the Merger have not been satisfied or waived, but A.C. Moore s conditions to the consummation of the Merger have been satisfied or waived.

In each case, the distribution of the Escrow Amount is contingent on the Final Determination which shall control the manner, amount and recipients in and to which the Escrow Amount is to be paid. The Final Determination means either (i) a written notice from Parent and A.C. Moore to the Deposit Escrow Agent setting forth the manner in which the Escrow Amount is to be paid, or (ii) a final court order or judgment or decision of an arbitration panel determining the rights of Parent, Purchaser and A.C. Moore with respect to the Escrow Amount, together with a letter of counsel confirming the final nature of such determination.

Limited Guaranty

Sbar s agreed to guarantee the surviving corporation s indemnification obligations under the Merger Agreement to A.C. Moore s officers and directors, subject to certain limitations, pursuant to the Limited Guaranty, dated as of October 3, 2011, made and delivered by Sbar s to A.C. Moore, in favor of, and for the benefit of, the Guaranteed Parties (as defined in the Guaranty).

Vote Required and Board of Directors Recommendation

Approval of the proposal to adopt the Merger Agreement requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon.

THE A.C. MOORE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSAL TO ADOPT THE MERGER AGREEMENT.

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ADJOURNMENT OF THE SPECIAL MEETING

Adjournment of the Special Meeting

In the event that there are insufficient votes, in person or represented by proxy, at the time of the special meeting to approve the proposal to adopt the Merger Agreement, A.C. Moore may move to adjourn the special meeting, if necessary or appropriate, in order to, among other reasons, enable the Board to solicit additional proxies in favor of the adoption of the Merger Agreement. In that event, A.C. Moore will ask its shareholders to vote only upon the adjournment proposal and not on the other proposals discussed in this proxy statement.

If the shareholders approve the adjournment proposal, A.C. Moore could adjourn the special meeting (and any reconvened session of the special meeting) and use the additional time to solicit additional proxies, including the solicitation of proxies from shareholders that have previously voted. Among other things, approval of the adjournment proposal could mean that, even if A.C. Moore had received proxies representing a sufficient number of votes to defeat the proposal to adopt the Merger Agreement, A.C. Moore could adjourn the special meeting without a vote on such proposal and seek to convince its shareholders to change their votes in favor of the adoption of the Merger Agreement.

If the special meeting is adjourned, A.C. Moore is not required to give notice of the time and place of the reconvened meeting, other than by announcement at the meeting at which the adjournment is taken, unless the Board fixes a new record date for the adjourned meeting or the PBCL requires notice of the business to be transacted and such notice has not been previously given.

Vote Required and Board of Directors Recommendation

Approval of the proposal to adjourn the special meeting, if necessary or appropriate for, among other reasons, soliciting additional proxies requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon.

THE A.C. MOORE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE TO, AMONG OTHER REASONS, SOLICIT ADDITIONAL PROXIES.

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ADVISORY VOTE ON GOLDEN PARACHUTE COMPENSATION

Background

Joseph A. Jeffries, David Stern, David Abelman, Amy Rhoades and Rodney Schriver are the named executive officers listed in A.C. Moore s Annual Report on Form 10-K, as amended, filed with the SEC on May 2, 2011. A.C. Moore has entered into agreements with Messrs. Jeffries, Stern, Abelman and Schriver and Ms. Rhoades that provide for severance payments and benefits in the event of a termination of the employee without cause or a termination by the employee for good reason following a change in control. A.C. Moore also has other agreements that will provide compensation to these persons in connection with the Transactions. These agreements are described in *The Merger Interests of Certain Persons in the Merger* beginning on page [ ].

Aggregate Amounts of Potential Compensation

The following table sets forth, in the format prescribed by SEC rules and regulations, the information regarding the aggregate dollar value of the various elements of compensation that would be received by the persons listed in the table that is based on or otherwise relates to the Transactions. In preparing the table, A.C. Moore made the following assumptions:

- the Closing occurred on October 17, 2011, the last practicable date prior to the filing of this proxy statement;
- all outstanding, unvested A.C. Moore SARs vest in connection with the Transactions, and the holders thereof will receive an amount in cash equal to the product of (a) the total number of Shares subject to such A.C. Moore SAR, multiplied by (b) the excess, if any, of $1.60 over the exercise price per Share of such A.C. Moore SAR;
- all outstanding, unvested A.C. Moore Restricted Stock vests in connection with the Transactions, and the holders thereof will receive an amount in cash equal to $1.60 for each such Share;
- no Shares are withheld by A.C. Moore to cover the tax obligations of the persons listed in the table upon the vesting of unvested A.C. Moore SARs and A.C. Moore Restricted Stock; and
- the persons listed in the table that were employed by A.C. Moore at the time of the closing of the Merger were terminated by A.C. Moore without cause, or such persons terminated their employment for good reason, immediately following a change in control on October 17, 2011.

In addition to the above assumptions, the costs of providing continued health or other benefits are based on estimates. Any changes in these assumptions or estimates would affect the amounts shown in the following table.

	Golden Parachute Compensation						
Name	Cash ($)[1]	Equity ($)[2]	Pension/ NQDC ($)	Prerequisites /Benefits ($)[3]	Tax Reimbursements ($)	Other ($)	Total ($)
Joseph A. Jeffries	$ 938,938	$ 323,860	$	$ 20,340	$	$	$ 1,283,138
David Stern	$ 511,500	$ 165,437	$	$ 12,648	$	$	$ 689,585
David Abelman	$ 558,000	$ 165,437	$	$ 13,560	$	$	$ 736,997
Amy Rhoades	$ 325,500	$ 85,971	$	$ 8,628	$	$	$ 420,099
Rodney Schriver	$ 102,775	$ 25,669	$	$	$	$	$ 128,444

(1) The amounts in this column for Messrs. Jeffries, Stern, Abelman, Schriver and Ms. Rhoades represent: (i) for Mr. Jeffries, severance payments attributable to a double trigger arrangement consisting of 18 months of base salary and $226,438 of pro rata bonus; (ii) for Mr. Stern, $330,000 of severance attributable to a double trigger arrangement and $181,500 of retention award attributable to a single trigger arrangement; (iii) for Mr. Abelman, $360,000 of severance attributable to a double trigger arrangement and $198,000 of retention award attributable to a single trigger arrangement; (iv) for Ms. Rhoades, $210,000 of severance attributable to a double trigger arrangement and $115,500 of retention award attributable to a single trigger arrangement; and (v) for Mr. Schriver, severance payments attributable to a double trigger arrangement consisting of six months of base salary.

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(2) The amounts in this column represent the following payments of value for unvested A.C. Moore Restricted Stock and unvested A.C. Moore SARs vesting upon the change of control (i.e., attributable to a single trigger arrangement): (i) for Mr. Jeffries, $322,782 in A.C. Moore Restricted Stock and $1,078 in A.C. Moore SARs; (ii) for Messrs. Stern and Abelman, $165,437 in A.C. Moore Restricted Stock; (iii) for Ms. Rhoades, $85,619 in A.C. Moore Restricted Stock and $352 in A.C. Moore SARs; and (iv) for Mr. Schriver, $25,434 in A.C. Moore Restricted Stock and $235 in A.C. Moore SARs.

(3) The amounts in this column represent health insurance benefits attributable to a double trigger arrangement for Messrs. Jeffries (for a period of 18 months following termination) and Messrs. Stern and Abelman and Ms. Rhoades (each for a period of 12 months following termination).

Narrative to Golden Parachute Compensation Table

See *The Merger Interests of Certain Persons in the Merger* beginning on page [ ], which is incorporated herein by reference.

Vote Required and Board of Directors Recommendation

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Section 14A of the Exchange Act requires A.C. Moore to provide its shareholders with the opportunity to cast an advisory (non-binding) vote on the compensation that may be payable to its named executive officers in connection with the Merger, which we refer to in this proxy statement as the golden parachute compensation. As required by those rules, A.C. Moore is asking its shareholders to vote on the adoption of the following resolution:

RESOLVED, that the compensation that may be paid or become payable to A.C. Moore Arts & Crafts, Inc. s named executive officers in connection with the Merger, as disclosed in the table entitled Golden Parachute Compensation pursuant to Item 402(t) of Regulation S-K including the associated narrative discussion, and the agreements or understandings pursuant to which such compensation may be paid or become payable, are hereby APPROVED.

The vote on this proposal is a vote separate and apart from the vote on the proposal to adopt the Merger Agreement. Accordingly, you may vote to approve this proposal on golden parachute compensation and vote not to adopt the Merger Agreement and vice versa. Because the vote is advisory in nature only, it will not be binding on either A.C. Moore or Purchaser if the Merger Agreement is adopted. As A.C. Moore is contractually obligated to pay the compensation to named executive officers disclosed in this proxy statement, such compensation will be paid, subject only to the conditions applicable thereto, if the Merger Agreement is adopted by shareholders and completed, regardless of the outcome of the advisory vote.

Approval of the proposal to approve, on an advisory basis, the golden parachute compensation requires the affirmative vote of a majority of the votes cast by all shareholders of A.C. Moore entitled to vote thereon.

THE A.C. MOORE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSAL TO APPROVE, ON AN ADVISORY BASIS, THE GOLDEN PARACHUTE COMPENSATION TO BE RECEIVED BY A.C. MOORE S EXECUTIVE OFFICERS IN CONNECTION WITH THE MERGER AS PRESENTED IN THIS PROXY STATEMENT.

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MARKET PRICE OF A.C. MOORE COMMON STOCK

The Common Stock is listed for trading on Nasdaq under the symbol ACMR . The table below shows, for the periods indicated, the high and low sales prices for Common Stock, as reported on Nasdaq.

	Common Stock Price	
	High	Low
Fiscal Year Ended January 2, 2010		
First Quarter ended April 4, 2009	$ 2.68	$ 1.00
Second Quarter ended July 4, 2009	$ 4.38	$ 1.87
Third Quarter ended October 3, 2009	$ 4.21	$ 2.85
Fourth Quarter ended January 2, 2010	$ 5.63	$ 2.29
Fiscal Year Ended January 1, 2011		
First Quarter ended April 3, 2010	$ 3.62	$ 2.41
Second Quarter ended July 3, 2010	$ 4.20	$ 2.06
Third Quarter ended October 2, 2010	$ 2.69	$ 1.71
Fourth Quarter ended January 1, 2011	$ 2.90	$ 1.82
Fiscal Year Ending December 31, 2011		
First Quarter ended April 2, 2011	$ 3.56	$ 2.12
Second Quarter ended July 2, 2011	$ 2.94	$ 2.27
Third Quarter ended October 1, 2011	$ 2.48	$ 1.03
Fourth Quarter through [ ], 2011	$ [ ]	$ [ ]

The closing price of our Common Stock on Nasdaq on October 3, 2011, the last trading day prior to the public announcement of the Merger Agreement, was $0.95 per Share. In addition, on February 14, 2011, the date immediately prior to the date on which A.C. Moore announced that it was pursuing financial and strategic alternatives, the closing price of our Common Stock on Nasdaq was $2.44. On [ ], 2011, the most recent practicable date before this proxy statement was mailed to our shareholders, the closing price of our Common Stock on Nasdaq was $[ ] per Share. You are encouraged to obtain current market quotations of our Common Stock in connection with voting your Shares.

No cash dividends have been paid on our Common Stock to date. Under the terms of the Merger Agreement, A.C. Moore is not permitted to declare or pay dividends in respect of Shares unless approved in advance by Parent in writing.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of October 19, 2011, certain information with respect to the beneficial ownership of Common Stock by (i) each person who is known by A.C. Moore to be the beneficial owner of more than 5% of Common Stock, (ii) each director of A.C. Moore, (iii) each named executive officer of A.C. Moore and (iv) all directors and executive officers of A.C. Moore as a group. The information about the beneficial owners contained in the table below is based on information supplied by such persons or SEC filings. Except as otherwise indicated, to the knowledge of A.C. Moore, the beneficial owners of Shares listed below have sole investment and voting power with respect to such Shares.

	Shares Beneficially Owned[1]	
Name of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**Percent of Class**
Joseph A. Jeffries	283,236(2)	1.1
David Stern	147,076(3)	*
David Abelman	151,817(4)	*
Amy Rhoades	91,068(5)	*
Rodney Schriver	29,979(6)	*
Rick A. Lepley	143,710(7)	*
Joseph F. Coradino	79,824(8)	*
Michael J. Joyce	114,824(9)	*
Neil A. McLachlan	74,324(10)	*
Thomas S. Rittenhouse	69,324(11)	*
Lori J. Schafer	84,824(12)	*
All executive officers and directors as a group (10 persons)	1,126,296(13)	4.4
Dimensional Fund Advisors LP	1,777,036(14)	7.0
Glenn J. Krevlin	2,275,000(15)	10.7
Glenhill Advisors, LLC	2,275,000(15)	10.7
Glenhill Capital Management, LLC	2,275,000(15)	10.7
Glenhill Capital Overseas Master Fund, LP	2,535,777(15)	10.0
T. Rowe Price Associates, Inc.	1,804,967(16)	7.1
Paradigm Capital Management, Inc.	1,370,220(17)	5.4

* Denotes less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to Common Stock. Shares issuable upon the exercise of securities currently exercisable or exercisable within 60 days of October 19, 2011 are deemed outstanding for computing the Share ownership and percentage ownership of the person holding such securities, but are not deemed outstanding for computing the percentage of any other person. The address for all curren