A.C. Moore Arts & Crafts, Inc.
Form 10-K/A
November 14, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 2)

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 1, 2011

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 000-23157

A.C. MOORE ARTS & CRAFTS, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**22-3527763**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
130 A.C. Moore Drive, Berlin, New Jersey	**08009**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: (856) 768-4930

Securities registered pursuant to Section 12(b) of the Act:

Common stock, no par value

(Title of class)

The NASDAQ Stock Market LLC

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes þ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this Chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rue 405 of Regulation S-T (232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

o Large accelerated filer	o Accelerated filer	o Non-accelerated filer (Do not check if a smaller reporting company)	þ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes þ No

As of July 2, 2010, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $40,868,379 million based on $2.21, the closing price per share of the registrant s common stock on such date, as reported on the NASDAQ Stock Market. [1]

The number of shares of the registrant s common stock outstanding as of March 28, 2011 was 25,394,412.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the 2011 Annual Meeting of Shareholders are incorporated into Part III of this Form 10-K; provided, however, that the Audit Committee Report and any other information in the proxy statement that is not required to be included in this Annual Report on Form 10-K shall not be deemed to be incorporated herein by reference.

(1) The aggregate market value of the voting stock equals the number of shares of the registrant s common stock outstanding, reduced by the number of shares of common stock held by executive officers, directors and shareholders owning in excess of 10 percent of the registrant s common stock, multiplied by the last reported sale price for the registrant s common stock on the last business day of the registrant s most recently completed second fiscal quarter. The information provided shall in no way be construed as an admission that any person whose holdings are excluded from this figure is an affiliate of the registrant or that any person whose holdings are included in this figure is not an affiliate of the registrant and any such admission is hereby disclaimed. The information provided herein is included solely for record keeping purposes of the Securities and Exchange Commission.

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EXPLANATORY NOTE

A.C. Moore Arts & Crafts, Inc. (A.C. Moore) is filing this Amendment No. 2 on Form 10-K/A (the Amended 10-K) to the Annual Report on Form 10-K for the fiscal year ended January 1, 2011 as originally filed on March 31, 2011 (the Original 10-K) to correct the inadvertent omission of the signature of A.C. Moore s principal financial officer from the signature page of the Original 10-K. This Amended 10-K only amends the signature page to the extent described above, and does not amend any other information in the Original 10-K. This Amended 10-K does not update the Original 10-K to reflect events, results or developments concerning A.C. Moore s business, financial condition or results of operations occurring after the Original 10-K or modify or update those disclosures for subsequent events. Except for the foregoing amended item, this Amended 10-K continues to describe conditions as of the date of the Original 10-K. Among other things, and without limiting the foregoing, forward looking statements made in the Original 10-K have not been revised to reflect events, results or developments that occurred or facts that became known to us after the date of the Original 10-K, and such forward looking statements should be read in their historical context.

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Cautionary Statement Relating to Forward-Looking Statements

As used herein, unless the context otherwise requires, all references to A.C. Moore, the Company, we, our, us and similar terms in this report refer to A.C. Moore Arts & Crafts, Inc. together with its subsidiaries.

Certain oral statements made by our management from time to time and certain statements contained herein or in other reports filed by us with the Securities and Exchange Commission (SEC) or incorporated by reference herein or therein are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), with respect to our results of operations and our business. All such statements, other than statements of historical facts, including those regarding market trends, our financial position and results of operations, business strategy, projected costs, and plans and objectives of management for future operations, are forward-looking statements. In general, such statements are identified by the use of forward-looking words or phrases including, but not limited to, intended, will, should, may, believes, expects, expected, anticipates and anticipated or the negative thereof or variations thereon or similar terminology. These forward-looking statements are based on our current expectations. Although we believe that the expectations reflected in forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. These forward-looking statements represent our current judgment. We disclaim any intent or obligation to update our forward-looking statements. Because forward-looking statements involve risks and uncertainties, our actual results could differ materially. Important factors that could cause actual results to differ materially from our expectations include those that are discussed in this Annual Report on Form 10-K, particularly in Item 1. Business, Item 1A. Risk Factors and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this Cautionary Statement.

PART I

ITEM 1. BUSINESS.

General

We are a specialty retailer of arts, crafts and floral merchandise for a wide range of customers. Our first store opened in Moorestown, New Jersey in 1985. As of January 1, 2011, we operated 134 stores in the Eastern United States. Our stores typically range from 20,000 to 25,000 square feet with an average of 22,800 square feet. In fiscal 2010, net sales totaled $448.1 million. For stores open for the full calendar year, our average net sales per square foot was $146 and our average net sales per store was $3.3 million. We also serve customers nationally through our e-commerce site, www.acmoore.com.

Our mission is to be the first choice of our customers for product selection, value and service that inspires and fulfills unlimited creative possibilities. We believe we provide our customers with the tools and ideas for their creative endeavors through a solution-oriented arts and crafts shopping experience that is differentiated by our broad merchandise assortment, exciting stores, knowledgeable sales associates and competitive prices. We strive to exceed customer expectations and encourage repeat business.

Our assortment of merchandise consists of more than 60,000 stock-keeping units (SKUs), with approximately 40,000 SKUs offered at each store at any one time. As of January 1, 2011, we offered custom framing in 132 stores. In-store events and programs for children and adults provide hands-on arts and crafts experience and encourage the creativity of our customers.

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We were organized as a Pennsylvania corporation in 1997 by exchanging 4,300,000 shares of our common stock for all of the capital stock of our operating subsidiary which was organized in 1984.

On December 19, 2008, our Board of Directors approved a change in the Company s fiscal year end, moving it from December 31 to a 52 or 53 week fiscal year ending on the Saturday before or after December 31 of each year. The change was effective beginning with the Company s 2008 fiscal year (fiscal 2008), which ended on Saturday, January 3, 2009. Fiscal 2009 ended January 2, 2010 (fiscal 2009), fiscal 2010 ended on January 1, 2011 (fiscal 2010) and fiscal 2011 will end on December 31, 2011 (fiscal 2011).

Industry Overview and Competition

In its Attitude & Usage Study for the twelve month period ending December 31, 2010, the Craft and Hobby Association (CHA) found that the core arts and crafts industry size was approximately $28.6 billion, a 4.4 percent increase from the prior year. The CHA study reported that 56 percent of U.S. households, or approximately 63 million households, participated in crafts in the past year, with the average annual spend per crafting household totaling $470, up from $432 in the prior twelve month reporting period. The largest categories in terms of retail volume identified in the CHA study were general crafts, fine arts and paper and memory crafts, with these three categories comprising more than 50 percent of sales within the industry. The average craft consumer visited a store 15 times during the past year for their projects, participated in 13 projects and spent an average of $36 on each project. The majority of crafters are women aged 18 to 55 years old.

The market in which we compete is fragmented, with 25 percent of market share held by craft chain stores, according to the CHA study. Independent craft or art retailers, discount stores (mass merchandisers), fabric and craft stores, and internet sales combined account for another approximately 50 percent of market share, with the balance spread among other channels, such as home centers or hardware stores, department stores and catalogs. We believe we are one of four retailers in the United States that are dedicated to serving the arts and crafts market and have annual sales in excess of $100 million. We compete with many retailers and classify our principal competition within the following three categories:

***Multi-store arts and crafts retailers*.** This category includes multi-store arts and crafts chains operating more than 35 stores and comprises: Michaels Stores, Inc., which operates approximately 1,000 Michaels stores in the United States and Canada; Jo-Ann Stores, Inc., which operates approximately 520 small-format stores and 230 large-format stores nationwide in addition to sales on its e-commerce site; and Hobby Lobby Stores, Inc., which operates approximately 470 stores primarily in the Midwestern and Southeastern United States.

***Mass merchandisers*.** This category includes Wal-Mart Stores, Inc., Target Corporation and other mass merchandisers. These retailers typically dedicate a relatively small portion of their selling space to a limited assortment of arts and crafts supplies and floral merchandise, as well as seasonal merchandise and home décor.

***Small, local specialty retailers*.** This category includes thousands of local independent arts and crafts retailers. Typically, these are single store operations managed by the owner. The stores generally offer a limited selection and have limited resources for advertising, purchasing and distribution.

We believe that the principal competitive factors of our business are assortment, convenience, service and pricing. We believe that we are well-positioned to compete in the markets in which we do business.

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Business and Operating Strategy

We have experienced net losses in each of the last three fiscal years. These losses are primarily the result of declines in same store sales for each of the last four years. We anticipate a net loss in fiscal 2011. Management s primary business and operating initiatives are designed to address what we believe to be opportunities to improve our results. These initiatives support our focus on driving sales, improving store profitability and increasing gross margin.

Drive sales. We continue to be focused on driving sales through better execution in customer service; a broad and differentiated merchandise assortment; a high in-stock position, especially in basic craft components; and increased productivity of our integrated marketing/advertising programs.

Customer insight. Understanding our customers expectations of A.C. Moore, along with product trends and customer interests, is core to our ability to develop stronger relationships and be our customers store of choice. We primarily utilize our social networking sites and our REWARDS loyalty program to gain consumer insight, supplemented by other studies from time to time.

Differentiated merchandise assortment. We continually seek to identify new and unique product lines and merchandise assortments that differentiate us from our competitors. We regularly review our supplier base and product assortment to ensure that we are offering newness to our customers and enhancing the overall shopping experience.

Improved in-stock position. A high in-stock position is critical to maximizing our sales potential and enhancing customer loyalty. Since 2007, we have invested significant resources in supply chain and inventory management systems. We continue to refine our inventory management processes to ensure we maintain high in-stock levels, especially on basic craft components that are meaningful to our customers.

Integrated marketing/advertising program. We continue to enhance and diversify our marketing and advertising mix based on our customer and craft consumer preferences. Our marketing mix is designed to allow us to reach both current and prospective customers in an efficient manner. Diversified marketing vehicles allow us to market more efficiently based on our customer product preferences. Through these different vehicles, we can target our marketing of promotional items, new products and programs, creating both sales and margin enhancements.

Promotional strategies. We continue to test new advertising and marketing vehicles to enhance both sales and margin. While print advertising remains an important vehicle for us, we continue to build our direct marketing capabilities to drive profitable sales and traffic from both existing and prospective customers. We also continue to test other vehicles based on insight on how our customers and crafters use media.

A.C. Moore Rewards program. In July 2009, we launched our REWARDS customer loyalty program throughout the chain. We utilize this powerful tool to interact with our customers based on their purchase history and product preferences, delivering targeted product information and promotions. We believe this initiative will increase our share of wallet with our existing customers and enable us to differentiate ourselves from our competition.

Improve store profitability**.** We continue to strive to improve our store profitability. During 2010, we continued to focus on improving store profitability using the following tactics:

Real estate portfolio strategy**.** Management continually reviews opportunities to open stores in new and existing markets and to relocate or remodel existing stores where strategically prudent and economically viable. Existing stores are reviewed on a periodic basis to identify underperforming locations for potential relocation, remodeling or closure. During 2010, we opened two new stores, relocated three stores, and remodeled 12 stores. We also completed several lease renegotiations, which lowered the cost of occupancy in these stores.

Store operations leadership. In fiscal 2010, we reorganized our store operations leadership team to provide more training and development capabilities within our field organization. We believe this structure will enhance our ability to improve store profitability.

Increase gross margin. We are focused on increasing gross margin through implementation of a category management process where we regularly review our product mix, and optimize our regular and promotional prices and supply chain.

Category management. The category management process leverages merchandise assortment planning tools, the use of a merchandise planning calendar and an open-to-buy process focused on sales and inventory productivity.

Price optimization. We believe we have significant opportunities to increase our gross margin by optimizing our regular shelf prices and employing our market basket tools to improve the profitability and sales of promotional products. We believe that we offer competitive pricing, but there are opportunities to strategically improve margins while focusing on growing market share.

Supply chain optimization. In addition to our ongoing supply chain initiatives, which include improving in-stock positions, optimizing inventory levels, increasing merchandise turns and improving distribution efficiencies, in fiscal 2010 we completed two significant projects: automated replenishment and advance shipment notification (ASN) supported cross-docking. Over 70 percent of our products were on automated replenishment by the end of fiscal 2010, improving service levels to our stores. Our second key project was ASN supported cross-docking. This program now allows our vendors to ship orders, which were previously shipped to stores, directly to our warehouse. Once at our warehouse, these orders are received, combined with orders picked from our warehouse stock and shipped to the stores on the same trailers. This project has lowered vendor direct-to-store shipments, reduced freight costs, and enabled us to leverage our current distribution center to handle the vast majority of all merchandise sold in our stores, allowing store associates to spend more time serving our customers. At the end of fiscal 2010, over 90 percent of our merchandise was shipped to stores directly from our distribution center.

Merchandising

Our merchandising product strategy is to offer a broad assortment of unique and differentiated arts, crafts and floral merchandise that crafters expect from a craft superstore. We also offer a comprehensive selection of ready-made frames and custom framing services. We strive to offer the products and brands that our customers and craft consumers demand, and have these products in stock at competitive prices to support our mission of being our customers arts and crafts store of choice in the markets in which we compete. Our assortment of merchandise consists of more than 60,000 stock keeping units (SKUs), with approximately 40,000 SKUs offered at each store at any one time. We also offer more than 50,000 SKUs online for purchase via our e-commerce site at www.acmoore.com.

The following table includes a general list of merchandise categories, with the percentage of our total net sales for each of the last three fiscal years:

	Fiscal		
	2010	2009	2008
Art and scrapbooking	26.7%	27.7%	29.4%
Traditional crafts	34.3	32.2	27.7
Floral and floral accessories	9.0	8.9	9.9
Fashion crafts	8.9	9.3	9.6
Home décor and frames	16.9	17.3	17.8
Seasonal items	4.2	4.6	5.6
Total	100.0%	100.0%	100.0%

A.C. Moore stores regularly feature seasonal merchandise that complements our merchandising strategy. We offer seasonal merchandise for each holiday period, including Valentine s Day, St. Patrick s Day, Easter, Halloween, Thanksgiving and Christmas. The Christmas selling season is our largest in terms of sales and selling space in our stores.

For a discussion relating to the seasonality of our business, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Quarterly Results and Seasonality.

Purchasing and Inventory Management

Our merchandising team oversees all of our purchasing. Buyers regularly attend trade and consumer shows to monitor industry trends and to obtain new craft products and inspiration. In fiscal 2010, we purchased inventory from more than 500 vendors worldwide. Criteria for the selection of vendors include, among other things, the quality and uniqueness of their product offerings, pricing, and vendor responsiveness to our delivery requirements and timing needs. In fiscal 2010, using total cost value:

- The largest 25 vendors accounted for approximately 60 percent of our purchases;
- The largest vendor, SBAR S, Inc., a distributor of arts and crafts merchandise, accounted for approximately 17 percent of our purchases; and
- Approximately 10 percent of our purchases, primarily floral and seasonal items, were directly imported from foreign manufacturers or their agents, almost exclusively from China. All of our overseas purchases are denominated in U.S. dollars.

Our inventory management team works closely with our merchandising team. Our objectives for inventory management include maintaining high store in-stock levels, reducing clearance inventory levels, and optimizing our overall investment in inventory. The primary ways in which we manage our inventory are in-store tracking using a handheld radio frequency device, monitoring inventory positions through our perpetual inventory and automated replenishment systems, and reviewing item-level sales data to track the performance and levels of inventory not managed through our automated replenishment system, such as seasonal or promotional items. Over 70% of our inventory is managed through our automated replenishment system. In addition, store and distribution center inventories are verified through periodic physical and cycle counts conducted throughout the year on a rotating schedule.

Our perpetual inventory and automated merchandise replenishment systems, implemented, respectively, in 2008 and 2009, provide us with the capability to achieve our inventory management objectives. Our automated replenishment system uses perpetual inventory records to analyze individual store/SKU on-hand quantities. We also analyze other pertinent information, such as sales forecasts, seasonal selling patterns and special events or promotions, to generate recommended merchandise reorder information. Recommended reorders are delivered electronically to our vendors and our distribution center. These systems enable us to better forecast merchandise ordering quantities for our vendors and give us the ability to identify, order and replenish the stores merchandise using less store associate labor.

Marketing

Our marketing and advertising efforts are focused on retaining and growing our share of wallet with existing customers while simultaneously working to grow our market share by attracting new customers in the markets in which we compete. Our current activities focus on efficiently reaching our customer and craft consumers through print advertising, direct marketing, our REWARDS loyalty program, social networking and various community marketing events. We market to our customers through our e-mail programs and e-commerce site, which offers an expanded assortment and enables us to extend our reach beyond brick and mortar locations.

Additionally, we continue to place importance on providing our customers with inspiration and education through our year long calendar of classes and product demonstrations. We believe these activities drive traffic, promote new or key products, and support our customers desire to learn about new trends, techniques and projects. Our customer is eager to learn more about their craft interests and master new activities, and our programs and demonstrations encourage their desire to engage in crafting and share completed projects as gifts.

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Store Design and Operations

Our stores provide a one-stop-shopping destination for arts, crafts and floral merchandise. We design our stores to be attractive and easy-to-shop with a layout intended to lead customers through the entire store in order to expose them to all of our merchandise categories.

In the third quarter of fiscal 2007, we opened our first store using the Nevada model. By the end of fiscal 2010, we had 39 Nevada class stores. We intend to use this format for all new store openings, relocations and remodels. The Nevada model design promotes the A.C. Moore brand, employs a shop-within-a-shop strategy with separate pods for merchandise in the same category, and presents merchandise effectively through related product adjacencies, improved sight lines and attractive and helpful signage. We believe that this model provides an inviting, functional shopping visit that sells creativity, imagination and fun for our customers and improves the overall store experience.

In fiscal 2010, we reorganized our field structure into two regions, each of which is led by a Regional Vice President. Each region is comprised of five districts led by district managers who report to the Regional Vice President. An individual store is managed by a general manager. Stores with higher volume also have assistant general managers.

Store Expansion, Relocations and Remodels

Following a real estate portfolio review announced in June 2008 and in light of our overall performance and economic conditions, we have approached new store growth with caution and have expanded our relocation and remodeling efforts. In fiscal 2008, we opened nine stores during the year and closed nine stores in the second half of the year. No stores were relocated or remodeled in fiscal 2008. In fiscal 2009, we opened three stores, relocated two stores, and remodeled one store. No stores were closed in fiscal 2009. In fiscal 2010, we opened two stores, relocated three stores, remodeled 12 stores, and closed three stores. All stores relocated or remodeled in fiscal 2010 and fiscal 2009 were updated to our Nevada format. For fiscal 2011, we plan to open two new stores and remodel four to six stores. The two new stores opened in February 2011, giving us a total of 136 stores, of which 41 are the Nevada format. One of the new stores was in an adjacent market and the other one was in a new market.

We believe that the fragmented nature of our industry presents an opportunity for growth. Over the longer term, our objective is to achieve an appropriate balance between store openings in new or adjacent markets and existing markets. Stores opened in new markets could fail to perform to our expectations due to undeveloped awareness of the A.C. Moore brand in that market. Stores opened in adjacent or existing markets could adversely affect comparable store sales through cannibalization of sales in existing stores, but provide efficiencies by leveraging advertising and distribution costs. New store openings and the pace at which we open new stores will depend upon various factors, including but not limited to, economic and real estate market conditions, performance of our existing store base, available capital, the cost of that capital and our ability to identify attractive new store sites and negotiate suitable lease terms.

We will also continue to consider the relocation, remodeling or closure of existing stores. We will relocate or remodel existing stores where economically viable and provided that we believe the relocation or remodel will improve the quality and performance of our current store base. Management also routinely reviews store performance and future prospects to identify underperforming locations and assess closure of those stores that are no longer strategically or economically viable.

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Distribution

We own and operate an approximately 707,000 square foot distribution center located in Berlin, New Jersey that also has an additional approximately 60,000 square feet for our corporate offices. We transport merchandise from this facility to our stores using contract carriers. Deliveries are one to three times per week, depending on store sales volume, distance from the distribution center, and time of year.

In fiscal 2010, we completed the implementation of cross-docking. This increased the amount of product transported to our retail stores through our distribution center and decreased vendor direct-to-store shipments. In fiscal 2009, based on purchase dollars, approximately 53 percent of merchandise was transported to our retail stores through our distribution center. By the end of fiscal 2010, this amount increased to over 90 percent of merchandise. Vendors ship the remainder directly to our stores. Cross-docking merchandise through our distribution center has resulted in decreased freight expenses, partially offset by increased distribution center handling costs, fewer store labor hours required for merchandise receiving, and increased inventory accuracy.

In fiscal 2011, we will continue our focus on improving service levels, optimizing delivery schedules, and increasing efficiencies within the distribution center.

We believe that our distribution center can support significant growth in store count without incurring material additional capital costs.

Information Technology

Over the past several years, the Company has made the enhancement of our information systems a priority. In 2008, a retail merchandising system was implemented, we began piloting an automated inventory replenishment system, and the store telecommunications network was upgraded. In 2009, a new business intelligence platform was installed, an advanced sales forecasting module was implemented, and the rollout of a new space planning tool to streamline and standardize the management of store fixtures was completed.

Our commitment to the enhancement of our information systems continued in fiscal 2010. In the first half of fiscal 2010, we implemented a new distribution center cross dock system. Under this process, the majority of the deliveries that were previously sent from supplier directly to the stores are consolidated and sent to the distribution center for shipment to the stores.

Also in 2010, we replaced over 50 percent of our hardware infrastructure. Various systems were upgraded, including the financial, warehouse management, allocations, store support, transaction processing and POS systems. In addition, we deployed new register hardware and pin pad devices across the stores.

Associates

As of January 1, 2011, we had 1,449 full-time and 3,261 part-time associates, 4,447 of whom worked in our stores, 101 in our distribution center and 162 in our corporate offices. None of our associates are covered by a collective bargaining agreement. We believe our relationship with our associates is positive.

Trademarks

We own or have applied to register numerous trademarks and service marks in the United States or regionally in connection with our business. Some of our principal marks include A.C. Moore, A.C. Moore Arts & Crafts, Dream It. Create It. Share It., and other marks incorporating Moore . We believe these marks and certain other individual marks are, in the aggregate, of material importance to our business. Depending on the jurisdiction, trademarks are generally valid as long as they are in use, properly maintained, and have not been found to have become generic. Registrations of trademarks generally may be renewed indefinitely so long as they are in use.

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Website and Availability of Information

Our internet address is www.acmoore.com. We make available free of charge on or through www.acmoore.com our Annual Report on Form 10-K, quarterly reports on Form 10-Q and 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, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Additionally, charters for the Audit, Compensation and Nominating and Corporate Governance Committees of our Board of Directors and our Code of Ethical Business Conduct can each be found on our website at www.acmoore.com under the heading About Us , Corporate Profile.

We will provide, at no cost, paper or electronic copies of our reports and other filings made with the SEC. Requests should be directed to:

David Stern
Executive Vice President
Chief Financial Officer and Administrative Officer
A.C. Moore Arts & Crafts, Inc.
130 A.C. Moore Drive
Berlin, New Jersey 08009

The information on the website noted above is not, and should not be considered, part of this Annual Report on Form 10-K, and is not incorporated by reference in this document. This website is only intended to be an inactive textual reference.

ITEM 1A. RISK FACTORS.

Future losses may adversely affect our financial condition and cash flows.

We have experienced net losses in each of the past three fiscal years. We had net losses in fiscal 2008, fiscal 2009 and fiscal 2010, of $26.6 million, $25.9 million and $30.2 million, respectively. These losses are primarily the result of declines in same store sales for each of the last four years. Our same store sales declined 10.3% in fiscal 2007, 8.7% in fiscal 2008, 10.8% in fiscal 2009 and 5.4% in fiscal 2010. We anticipate a net loss in fiscal 2011. Our primary sources of liquidity include available cash and cash equivalents, cash generated from operations and borrowing under our credit facility. We believe that these sources of liquidity will be sufficient to finance our working capital and capital expenditure requirements for at least the next 12 months. However, we cannot provide any assurance of when our business will return to profitability or that we will not incur future losses.

Our announcement on February 15, 2011 that we are exploring strategic alternatives for the Company could have a material adverse effect on our business, financial results and operations.

On February 15, 2011, we announced that our Board of Directors is exploring strategic alternatives to enhance shareholder value including, but not limited to, a potential sale of the Company, corporate financing or capital raise. The announcement of our strategic alternatives exploration could cause disruptions or create uncertainty in our business, which could have a material adverse effect on our business, financial results and operations. Any disruptions or uncertainty could affect our relationships with customers, vendors and employees. We could lose customers or vendors, and contracts or initiatives could be delayed or terminated, due to any uncertainty surrounding our business. Departures of important employees, who decide to pursue other opportunities in light of our announcement, could negatively impact our business and operations. We have diverted, and will continue to divert, significant management resources and attention in our effort to evaluate strategic alternatives, which could also negatively impact our business and results of operations.

As part of the strategic alternatives exploration we are considering corporate financing or a capital raise. Any equity, hybrid or debt financing, if available at all, may be on terms that are not favorable to common shareholders. In the case of equity financings, dilution to our shareholders could result, and, in any case, such securities may have rights, preferences and privileges that are senior to those of our common shareholders. If we cannot obtain adequate capital on favorable terms or at all, our business, financial condition and results of operations could be adversely affected. There can be no assurance that a transaction will result from this process. If we identify and pursue a particular transaction, we may not be able to complete the transaction. Further, there is no guarantee that the terms or conditions of any completed transaction will be favorable. We may incur significant costs in connection with exploring strategic alternatives regardless of whether any transaction is actually completed.

If we are unable to comply with the terms of our credit facility, it could materially harm our business and financial condition and restrict our operating flexibility.

In January 2009, we entered into an asset-based senior secured revolving credit facility. On March 4, 2011, this facility was extended for an additional five years through March 4, 2016. In addition to customary terms and conditions, we are required to maintain greater than $90.0 million in book value of inventory and have excess availability of more than 10 percent of the borrowing base or $6.0 million, whichever is less. We currently have $22.2 million outstanding under this facility, which includes $3.2 million in stand-by letters of credit.

In the event we are required to draw down further on this facility, our debt will increase and may become substantial relative to our cash position. In the event that we have substantial indebtedness, then our business may be negatively impacted. For example, we may become more vulnerable to general adverse economic and industry conditions; our ability to fund future working capital, capital expenditures and other general corporate requirements may be limited; a substantial portion of our cash flow from operations may be required to service our debt; and our flexibility to react to changes in our business and the industry in which we operate may be limited. If we are unable to satisfy our debt service requirements, we may default under this facility.

The agreement defines various events of default which include, without limitation, a material adverse effect (as defined in the agreement), failure to pay amounts when due, cross-default provisions, material liens or judgments, insolvency, bankruptcy or a change of control. Upon the occurrence of an event of default, the lender may take actions that include increasing the interest rate on outstanding obligations, discontinuing advances and accelerating the Company s obligations. There can be no assurance that we will be able to comply with the terms of the facility. In the event that we are unable to comply with the facility, we would seek alternate sources of liquidity. The tightening of the credit markets or a downgrade in our credit ratings based on further deterioration in our financial results could make it more difficult for us to refinance our existing indebtedness, to enter into agreements for new indebtedness or to obtain funding through other sources, such as the issuance of securities. Difficulty in maintaining or obtaining sources of liquidity would have a material adverse impact on our business.

Economic conditions could have a material adverse effect on our business, revenue and protitability.

Challenging economic conditions could have a significant impact on our business. As a retailer that is dependent upon consumer discretionary spending, our customers may allocate less money for discretionary purchases as a result of job losses, foreclosures, bankruptcies, reduced availability of credit and a decline in consumer confidence. Any resulting further decreases in our customer traffic or average value per transaction negatively impact our financial performance, as reduced revenues result in sales deleveraging that creates additional downward pressure on margin. Any or all effects of challenging economic conditions could have a material adverse effect on our business, financial condition and results of operations, including but not limited to, our ability to raise additional capital or draw down on our credit facility, if needed.

In addition, the impact of economic conditions on our major suppliers cannot be predicted. The inability of key suppliers to access liquidity, or the insolvency of key suppliers, could lead to their failure to deliver merchandise. If we are unable to purchase products when needed, or if we experience further deterioration in sales traffic in our stores over an extended period of time, our sales and cash flows could be negatively impacted.

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Competition could negatively impact our operations and results.

The arts and crafts industry is highly competitive. We compete against a diverse group of retailers, including multi-store arts and crafts retailers, mass merchandisers, small local specialty retailers, e-commerce vendors and a variety of other retailers. Almost all of our stores face aggressive competition in their market area from one or more of our major competitors. Some of our competitors have substantially greater financial resources and operate significantly more stores than we do. We compete with these and other retailers for customers, suitable retail locations, suppliers and qualified associates. Moreover, alternative methods of selling crafts, such as through e-commerce or direct marketing, result in additional competitors and increased price competition because our customers can comparison shop more readily. In addition, we ultimately compete for our customers against alternative sources of entertainment and leisure independent of the arts and crafts industry.

We have experienced comparable store sales declines in each of the last four fiscal years and net losses in each of the last three fiscal years. If we are unable to compete effectively, we could experience further loss of market share, resulting in additional sales declines and losses. Competition may also result in price reductions that would negatively impact our gross margin.

Our ability to increase sales, profitability and cash flow depends on our ability to increase the productivity and profitability of existing stores. Continued sales declines in our existing stores may further increase our losses and significantly impair cash flow.

We are currently planning to open two new stores in fiscal 2011. Because we are planning on opening a limited number of new stores in 2011, any sales growth would come primarily from increases in comparable store sales. We have experienced declines in comparable store sales for each of the past four years and net losses in each of the last three fiscal years. Our comparable store sales declined 10.3% in fiscal 2007, 8.7% in fiscal 2008, 10.8% in fiscal 2009 and 5.4% in fiscal 2010. If we are unable to reverse or decrease our comparable store sales decline, our profitability would depend significantly on our ability to increase margin or reduce costs as a percentage of sales. There can be no assurance that we will be able to increase our comparable store sales, improve our margin or reduce costs as a percentage of sales. Further, in the event that we implement initiatives to reduce the cost of operating or supporting our stores, sales and profitability may be negatively impacted.

Our real estate strategy may not result in improved profitability.

We review on an ongoing basis the performance of stores in our real estate portfolio to assess viability of continued operation or potential for remodeling or relocation. As a result of this review, and in light of economic conditions and the decline in sales of our existing store base, we may determine to close stores or exit certain markets where we cannot achieve operating efficiencies. The estimated costs and charges associated with closing stores or exiting markets that we may incur may vary materially based on various factors, including but not limited to, timing in execution and the outcome of negotiations with landlords and other third parties.

In addition, our inability to remodel or relocate stores as planned could have a material adverse effect on our results of operations. We have expanded our relocation and remodeling efforts since fiscal 2008. Business may be lost during relocating or remodeling existing stores as a result of customer inconvenience and this business may not be recovered. Various factors, including but not limited to, labor, supply or real estate issues, could cause these capital projects to exceed the time and financial budgets we have projected. As a result of these events and circumstances, unexpected costs may occur, which could result in our not realizing any or all of the anticipated benefits of our strategy. There is no assurance that our real estate strategy will lead to improved operating results.

Changes in estimates, assumptions and judgments made by management related to our evaluation of store closure reserves and impairments could significantly affect our financial results.

Establishing store closure reserves and evaluating the need for store impairments is highly complex and involves many subjective estimates, assumptions and judgments by our management. For instance, management makes estimates and assumptions with respect to future cash flow projections, long-term business plans, and future net rental obligations less estimated sublease income. If our actual results are not consistent with our estimates, assumptions and judgments by our management, we may be required to increase our store closure reserve or recognize additional impairments.

Higher costs or any failure to achieve targeted results associated with the implementation of new programs or initiatives could affect our results of operations adversely.

We have undertaken a variety of operating and infrastructure initiatives related to, among other things, supply chain, merchandise assortment, advertising and marketing and real estate remodeling. These changes may result in temporary disruptions to our business and negatively impact sales. The failure to execute any of these initiatives, or the failure to obtain the anticipated results of such initiatives, could have an adverse impact on our future operating results.

A weak fourth quarter would have a material adverse effect on our operating results for the year.

Our business is highly seasonal. Due to the importance of our peak selling season, which includes the Fall and Winter holiday seasons, the fourth quarter has historically contributed, and is expected to continue to contribute, significantly to our operating results for the entire year. In anticipation of increased sales activity during the fourth quarter, we incur significant additional expense both prior to and during the fourth quarter. These expenses may include acquisition of additional inventory, advertising, in-store promotions, seasonal staffing needs and other similar items. As a result, any factors negatively affecting us during the fourth quarter of any year, including adverse weather and unfavorable economic conditions, would have a material adverse effect on our results of operations for the entire year.

Our quarterly results fluctuate due to a variety of factors and are not necessarily a meaningful indicator of future performance.

Our quarterly results have fluctuated in the past and may fluctuate significantly in the future depending upon a variety of factors, including, among other things:

- the mix of merchandise sold,
- the timing and level of markdowns,
- promotional events and changes in advertising,
- adverse weather conditions (particularly on weekends),
- store openings, closings, remodels or relocations,
- length and timing of the holiday seasons,
- merchandise in-stock positions,
- competitive factors, and
- general economic and political conditions.

We believe that period-to-period comparisons of past operating results cannot be relied upon as indicators of future performance. If our operating results fall below the expectations of securities analysts and investors, the market price of our securities would likely decline.

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We may not be able to anticipate successfully changes in merchandise trends and consumer demands and our failure to do so may lead to lost sales.

Our success depends, in large part, on our ability to anticipate and respond in a timely manner to changing merchandise trends and consumer demand. Accordingly, any delay or failure by us in identifying and correctly responding to changing merchandise trends and consumer demand could adversely affect consumer acceptance of the merchandise in our stores. In addition, we make decisions regarding merchandise well in advance of each of the seasons in which such merchandise will be sold. Significant deviations from projected demand for merchandise would have a material adverse effect on our results of operations and financial condition, either from lost sales due to insufficient inventory or lower margin due to the need to mark down excess inventory.

The failure to respond accurately to inventory requirements may have a material adverse impact on our results from operations.

The failure of our buying, replenishment, allocation and store teams to respond accurately to inventory requirements could adversely affect consumer acceptance of the merchandise in our stores and negatively impact sales, which could have a material adverse effect on our results of operations and financial condition. If we misjudge the market, we may significantly overstock unpopular products and be forced to take significant inventory markdowns, which would have a negative impact on our operating results and cash flow. Conversely, shortages of key items could have a material adverse impact on our operating results.

Unfavorable consumer response to our promotional strategies could materially and adversely affect our sales, profitability and cash flow.

Advertising promotions, price, quality and value have a significant impact on consumers shopping decisions. If we misjudge consumer response to our promotional strategies, our financial condition and operating results could be materially and adversely impacted.

Adverse events could have a greater impact on us than if we had a larger store base in different geographical regions.

As of January 1, 2011, we operated a chain of 134 stores. Because our current and planned stores are located in the Eastern United States, the effect on us of adverse events in this region, such as weather or unfavorable regional economic conditions, may be greater than if our stores were more geographically dispersed. Because overhead costs are spread over a smaller store base, increases in our selling, general and administrative expenses could affect our profitability more negatively than if we had a larger store base. One or more unsuccessful new stores, or a decline in sales at an existing store, will have a more significant effect on our results of operations than if we had a larger store base.

A disruption in our operations could have a material adverse effect on our financial condition and results of operations.

Although we have a crisis management plan, we do not have a formal disaster recovery or business continuity plan in place, and could therefore experience a significant business interruption in the event of a natural disaster, catastrophic event or other similar event. The occurrence of such events or other unanticipated problems could cause interruptions or delays in our business, supply chain or infrastructure which would have a material adverse effect on our financial condition and results of operations. At the end of fiscal 2010, over 90 percent of our merchandise was fulfilled through our distribution center. In addition, our vendors may also be subject to business interruptions from such events. Significant changes to our supply chain or other operations could have a material adverse impact on our results. Our back-up operations and business interruption insurance may not be adequate to cover or compensate us for losses that may occur.

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Significant changes in our relationships with key suppliers may adversely impact our business.

Our performance depends on our ability to purchase merchandise and services at sufficient levels at competitive prices. Our future success is dependent upon our ability to maintain a good relationship with our suppliers. SBAR S, one of our suppliers, accounted for approximately 17 percent of the aggregate dollar volume of our purchases in fiscal 2010. Generally, we do not have any long-term purchase agreements or other contractual assurances of continued supply, pricing or access to new products, and any vendor could discontinue selling to us at any time. We may not be able to acquire desired merchandise in sufficient quantities or on terms acceptable to us in the future, or be able to develop relationships with new vendors to replace discontinued vendors. Our inability to acquire suitable merchandise or services in the future or the loss of one or more key vendors and our failure to replace any one or more of them may have a material adverse effect on our business, results of operations and financial condition. Our smaller vendors generally have limited resources, production capacities and operating histories, and some of our vendors have limited the distribution of their merchandise in the past. These vendors may be susceptible to cash flow problems, downturns in economic conditions, production difficulties, quality control issues and difficulty delivering agreed-upon quantities on schedule. We also cannot assure you that we would be able, if necessary, to return product to these vendors, obtain refunds of our purchase price or obtain reimbursement or indemnification from any of our vendors if their products prove defective. In addition, any significant change in the payment terms that we have with our key suppliers could adversely affect our financial condition and liquidity.

Our reliance on imported merchandise may negatively impact our business in the event of disruptions or increased costs associated with obtaining such merchandise.

We have in recent years placed increased emphasis on obtaining floral, seasonal and other items from overseas vendors, with approximately 10 percent of all of our merchandise being purchased directly by us from overseas vendors in fiscal 2010. In addition, many of our domestic suppliers purchase their merchandise from foreign sources. China is the source of a substantial majority of our imported merchandise. Because a large percentage of our merchandise is manufactured or sourced abroad, we are required to order these products further in advance than would be the case if these products were manufactured domestically. Risks associated with our reliance on imported merchandise include, but are not limited to:

- Disruptions in the flow of imported goods because of factors such as:
  - Raw material shortages, factory consolidations, work stoppages, strikes and political unrest;
  - The inability of vendors to secure adequate credit facilities;
  - Problems with trans-ocean shipping, including storage of shipping containers; and
  - Global or international economic uncertainties, crises or disputes.
- Increases in the cost of purchasing or shipping imported merchandise that may result from:
  - Increases in shipping rates imposed by trans-ocean carriers;
  - Changes in currency exchange rates and local economic conditions, including inflation;
  - Failure of the United States to maintain normal trade relations with China; and
  - Import duties, quotas and other trade sanctions.

A disruption in supply of our imported merchandise, or the imposition of additional costs of purchasing or shipping imported merchandise, could have a material adverse effect on our business, financial condition and results of operations unless and until alternative supply arrangements are secured. Products from alternative sources may be of lesser quality or more expensive than those we currently purchase, resulting in a loss of sales or profit.

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Our information technology may prove inadequate.

We depend on our information technology systems for many aspects of our business. Some of our key software has been developed by our own programmers and this software may not be easily integrated with other software and systems. Our business will be materially and adversely affected if our systems are disrupted or if we are unable to improve, upgrade, integrate or expand upon our existing systems. We may not be able to fully realize the anticipated benefits from automated replenishment. We may fail to properly optimize the effectiveness of these systems, or to adequately implement, support and maintain the systems, which could have a material adverse impact on our financial condition and operating results.

We are a retailer that is dependent on attracting and retaining a large number of quality associates in entry level or part-time positions. Since our ability to meet our labor needs is subject to factors we cannot control, the performance of our business could be negatively impacted by changes in these factors and our cost of doing business could increase as a result of changes in federal, state or local regulations.

Our performance is dependent on attracting and retaining a large number of quality associates. Many of those associates are in entry level or part-time positions with historically high rates of turnover. Our ability to meet our labor needs while controlling our costs is subject to factors we cannot control such as unemployment levels, prevailing wage rates, minimum wage legislation, workers compensation costs and changing demographics. Changes that adversely impact our ability to attract and retain quality associates could adversely affect our performance. In addition, changes in the federal or state minimum wage, living wage requirements or changes in other wage or workplace regulations, including, for example, health care, employee leave or unionization regulations, could increase our costs and adversely affect our financial condition and operating results.

We are dependent upon the services of our senior management team. The loss of Joseph A. Jeffries, our Chief Executive Officer, David Abelman, our Chief Marketing and Merchandising Officer, or David Stern, our Chief Financial Officer, could have a negative impact on our ability to execute on our business and operating strategy.

We are dependent on the services, abilities and experience of our executive officers, including Joseph A. Jeffries, our Chief Executive Officer, David Abelman, our Chief Marketing and Merchandising Officer, and David Stern, our Chief Financial Officer. The loss of the services of any of these senior executives and any general instability in the composition of our senior management team could have a negative impact on our ability to execute on our business and operating strategy. In addition, success in the future is dependent upon our ability to attract and retain other qualified personnel, including but not limited to, store general managers. Any inability to do so may have a material adverse impact on our business and operating results.

An increase in the cost of fuel, oil and oil-based products could impact our margin.

Prices for oil have fluctuated dramatically. These fluctuations impact our distribution costs and the distribution costs of our vendors. If the price of fuel continues to increase, our distribution costs will increase, which could impact our margin. In addition, many of the products we sell, such as paints, are oil-based. If the price of oil continues to increase, the cost of the oil-based products we purchase and sell may increase, which could impact our margin. In addition, increasing fuel costs could cause a reduction in consumer discretionary spending which could have a negative impact on sales.

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The Consumer Product Safety Improvement Act and other existing or future government regulation could harm our business or may cause us to incur additional costs associated with compliance.

We are subject to various federal, state and local laws and regulations, including but not limited to, laws and regulations relating to labor and employment, U.S. customs and consumer product safety, including the Consumer Product Safety Improvement Act, or the CPSIA. The CPSIA created more stringent safety requirements related to lead and phthalates content in children s products. The CPSIA regulates the future manufacture of these items and existing inventories and may cause us to incur losses if we offer for sale or sell any non-compliant items. Failure to comply with the various regulations applicable to us may result in damage to our reputation, civil and criminal liability, fines and penalties and increased cost of regulatory compliance. These current and any future laws and regulations could harm our business, results of operations and financial condition.

The price and volume of our common stock has been volatile and may continue to be so. This volatility may mean that, at times, the holders of our common stock may be unable to resell their shares at or above the price at which they acquired them.

Our common stock has been subject to significant price and volume volatility, as stock markets in general have experienced significant price and volume volatility and as we have had operating losses. The market price and volume of our common stock may continue to be subject to significant fluctuations due not only to general stock market conditions but also to any change in sentiment in the market regarding our operations or business prospects.

The following factors could affect the market price of our common stock:

- our announcement on February 15, 2011 that we are exploring strategic alternatives, as well as any related developments;
- economic conditions;
- changes in our business, operations or prospects;
- continued operating losses;
- loss or bankruptcy of any of our distribution partners or suppliers;
- departure of key personnel;
- variations in our quarterly operating results;
- announcements by our competitors of significant contracts, new products or product enhancements, acquisitions, distribution partnerships, joint ventures or capital commitments;
- actions by NASDAQ if we failed to satisfy NASDAQ listing rules;
- sales of common stock or other securities by us in the future; and
- fluctuations in stock market prices and volumes.

In the past, securities class action litigation often has been initiated against a company following a period of volatility in the market price of the company s securities. If class action litigation is initiated against us, we will incur substantial costs and our management s attention will be diverted from our operations. All of these factors could cause the market price of our stock to decline, and investors may lose some or all of the value of their investment.

EXECUTIVE OFFICERS

Our executive officers are as follows:

Name	Age	Position
Joseph A. Jeffries	45	Chief Executive Officer and Member of the Board of Directors
David Abelman	51	Executive Vice President and Chief Merchandising and Marketing Officer
David Stern	44	Executive Vice President and Chief Financial and Administrative Officer
Amy Rhoades	39	Senior Vice President and General Counsel
Rodney Schriver	54	Vice President, Chief Accounting Officer and Controller

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Mr. Jeffries has served as Chief Executive Officer since June 2010 and as a member of the Board of Directors since August 2010. He was appointed Acting Chief Executive Officer in March 2010. He served as Executive Vice President and Chief Operating Officer from August 2008 to June 2010. He joined A.C. Moore in November 2007 as our Executive Vice President of Operations. Previously, Mr. Jeffries served as Vice President, Store Operations, Space Planning and Visual Merchandising for Office Depot, Inc., a global supplier of office products and services, a position he held from 2004 to November 2007. During 2004 and 2005, he also served as Vice President, Store and Copy Center Operations of Office Depot. From 1999 to 2003, Mr. Jeffries served in the following capacities at Office Depot: Director, Store Prototype Development; Director, Store Operations; and Senior Manager, Store Processes. Prior to his employment with Office Depot, Mr. Jeffries held management positions with Home Quarters Warehouse, Inc., a home improvement retail chain.

Mr. Abelman has served as Executive Vice President and Chief Marketing and Merchandising Officer since May 2009. Previously, Mr. Abelman served as Senior Vice President of Marketing for Michaels Stores, Inc., the privately held arts and crafts specialty retailer, from August 2005 through December 2007. As a member of Michaels Executive Committee, Mr. Abelman was responsible for marketing, advertising and brand strategy. Mr. Abelman has held senior marketing and merchandising positions with several leading retailers and retail-focused sales and marketing firms during his career. Prior to Michaels, from November 2002 through August 2005, he was the Vice President of Retail Marketing North America for Office Depot, Inc., where he oversaw marketing for all Office Depot stores in North America. Mr. Abelman also spent nine years in senior management positions and was a member of the Executive Board at Daymon Associates, an international sales and marketing organization specializing in private label development.

Mr. Stern has served as Executive Vice President and Chief Financial Officer since June 2009 and Chief Administrative Officer since August 2010. Previously, Mr. Stern served as Divisional Vice President, Financial Planning and Analysis of Coldwater Creek Inc., the Nasdaq-traded specialty retailer, since October 2008. He joined Coldwater Creek as its Divisional Vice President, Corporate Controller in June 2007. From May 2000 through June 2007, Mr. Stern served as Chief Financial Officer of Petro Services, Inc., a $500 million privately held convenience store retailer with approximately 150 locations.

Ms. Rhoades has served as Senior Vice President and General Counsel since November 2009. She joined A.C. Moore as Vice President and General Counsel in July 2006. From April 2003 to July 2006, Ms. Rhoades was an attorney at the law firm of Blank Rome LLP.

Mr. Schriver has served as Vice President and Controller since March 2007 and was appointed Chief Accounting Officer in August 2010. He joined A.C. Moore as Controller in July 2004. Prior to joining A.C. Moore, Mr. Schriver served as Vice President and Assistant Controller with Charming Shoppes, Inc., a national specialty retailer, from 1989 to 2004. Previously, he was a Senior Auditor with Ernst & Young, an independent registered public accounting firm.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

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ITEM 2. PROPERTIES.

As of January 1, 2011, we operated 134 stores in 17 states. All of our stores are leased. The number of our stores located in each state for the past three fiscal years is summarized in the following table:

		Fiscal Year		
	State	**2010**	**2009**	**2008**
1.	Connecticut	4	4	4
2.	Delaware	2	2	2
3.	Florida	6	6	6