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A C MOORE ARTS & CRAFTS INC
Form 10-Q
July 30, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

OR

☐ 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 charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

22-3527763
(I.R.S. Employer
Identification No.)

500 University Court, Blackwood, NJ 08012

(Address of principal executive offices)
(Zip Code)

(856) 228-6700

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if
changed since last report)

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.

☒ Yes ☐ No

Indicate by check mark whether the registrant is an accelerated filer
(as defined in Rule 12b-2 of the Exchange Act).

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[X] Yes [] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at July 28, 2003
-----	-----
Common Stock, no par value	19,244,207

A.C. MOORE ARTS & CRAFTS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

A. C. MOORE ARTS & CRAFTS, INC. CONSOLIDATED BALANCE SHEETS (dollars in thousands)

	June 30, 2003
ASSETS	(unaudited)
Current assets:	
Cash and cash equivalents	\$36,503
Inventories	108,883
Prepaid expenses and other current assets	4,589

	149,975
Marketable securities	14,189
Property and equipment, net	30,459
Other assets	1,821

	\$196,444
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Current portion of capital leases	\$ 1,161
Trade accounts payable	26,966
Accrued payroll and payroll taxes	3,376
Accrued expenses	6,538
Income taxes payable	--

	38,041
Long-term liabilities:	
Capitalized equipment leases, less current portion	--
Deferred tax liability	5,850
Other long-term liabilities	4,292

	10,142

	48,183

SHAREHOLDERS' EQUITY	
Preferred stock, no par value, 10,000,000 shares authorized, none issued	
Common stock, no par value, 40,000,000 shares authorized, 19,139,665 shares outstanding at June 30, 2003 and	

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18,806,047 outstanding at December 31, 2002	102,413
Retained earnings	45,848

	148,261

	\$196,444
	=====

See accompanying notes to financial statements

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A. C. MOORE ARTS & CRAFTS, INC.

CONSOLIDATED STATEMENTS OF INCOME (dollars in thousands, except per share data) (unaudited)

	Three months ended June 30,		
	2003	2002	
	-----	-----	-----
Net sales	\$ 93,686	\$ 82,866	\$
Cost of sales (including buying and distribution costs)	58,893	52,170	
Gross Margin	-----	-----	-----
	34,793	30,696	
Selling, general and administrative expenses	32,838	29,514	
Pre-opening expenses	372	384	
Income from operations	-----	-----	-----
	1,583	798	
Net interest (income)	(118)	(187)	
Income before income taxes	-----	-----	-----
	1,701	985	
Income tax expense	650	401	
Net income	-----	-----	-----
	\$ 1,051	\$ 584	\$
Basic net income per share	=====	=====	=====
	\$ 0.06	\$ 0.03	\$
Weighted average shares outstanding	=====	=====	=====
	19,033,158	18,682,222	18
Diluted net income per share	=====	=====	=====
	\$ 0.05	\$ 0.03	\$
Weighted average shares outstanding plus impact of stock options	=====	=====	=====
	19,762,411	19,779,186	19

See accompanying notes to financial statements

A.C. MOORE ARTS & CRAFTS

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Six Mo J

	2003

Cash flows from operating activities:	
Net Income	\$ 1,471
Adjustments to reconcile net income to net cash (used in) operating activities:	
Depreciation and amortization	3,297
Provision for deferred income taxes	700
Changes in assets and liabilities:	
Inventories	(6,386)
Prepaid expenses and other current assets	(1,860)
Accounts payable, accrued payroll, payroll taxes	
and accrued expenses	(1,436)
Income taxes payable	(2,141)
Other long-term liabilities	318
Other	30

Net cash (used in) operating activities	(6,007)

Cash flows from investing activities:	
Capital expenditures	(5,759)
Investment in marketable securities	(14,189)

Cash flows (used in) investing activities	(19,948)

Cash flows from financing activities:	
Proceeds from sale of shares	--
Proceeds from line of credit	--
Repayment of line of credit	--
Exercise of stock options	1,559
Repayment of capital leases	(685)

Net cash provided by financing activities	874

Net increase (decrease) in cash	(25,081)
Cash and cash equivalents at beginning of period	61,584

Cash and cash equivalents at end of period	\$ 36,503
	=====

See accompanying notes to financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) Basis of Presentation

The consolidated financial statements included herein include the accounts of A.C. Moore Arts & Crafts, Inc. and its wholly owned subsidiaries (collectively the "Company"). The Company is a chain of 74 retail stores selling arts and crafts merchandise. The stores are located throughout the eastern United States.

These financial statements have been prepared by management without audit and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. Due to the seasonality of the Company's business, the results for the interim periods are not necessarily indicative of the results for the year. The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. In the opinion of management, all such adjustments are of a normal and recurring nature.

(2) Common Stock and Earnings per Share

On June 25, 2002, the Company's Board of Directors declared a two-for-one stock split to shareholders of record as of the close of business on July 15, 2002 payable on July 31, 2002. All references to the number of shares of common stock, per share prices and earnings per share amounts in the consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q have been adjusted to reflect the split on a retroactive basis.

(3) Management Estimates

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reported period and related disclosures. Significant estimates made as of and for the three and six month periods ended June 30, 2003 and 2002 include provisions for shrinkage, capitalized buying, warehousing and distribution costs related to inventory, and markdowns of merchandise inventories. Actual results could differ materially from those estimates.

(4) Marketable Securities

Marketable securities represent investments in municipal bonds with maturities of twelve months or longer from time of purchase. They are classified as held-to-maturity and recorded at amortized cost.

(5) Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force reached consensus on Issue 02-16, Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor. EITF Issue 02-16 addresses the accounting for cash consideration received by a customer from a vendor (e.g., slotting fees, cooperative advertising payments, buydowns) and rebates or refunds from a vendor that is payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period. The EITF is effective for agreements modified or entered into after January 1, 2003. We are currently evaluating the impact of EITF Issue 02-16, and have not determined whether or not the adoption of the provisions of EITF Issue 02-16 will have a

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material impact on our consolidated operating results or financial position.

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In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" an amendment of FASB Statement No. 123. SFAS 148 amends SFAS 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. It also amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. The Company adopted the disclosure requirements of SFAS 148 for the fiscal year ended December 31, 2002.

The Company accounts for its employee stock options using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Compensation cost for stock options is measured as the excess of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

Had compensation cost for the Company's stock-based compensation plan been determined based on the fair value at the grant date for awards under those plans, consistent with the requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," net income and earnings per share would have been reduced to the following pro-forma amounts:

		Three Months Ended June 30,		Six
		2003	2002	2003
Net income.....	As reported	\$,051,000	\$ 584,000	\$ 1,471,0
	Compensation cost, net	277,000	139,000	554,0
	Pro forma	774,000	445,000	917,0
Basic earnings per share....	As reported	\$.06	\$.03	\$.
	Pro forma	.04	.02	.
Diluted earnings per share..	As reported	\$.05	\$.03	\$.
	Pro forma	.04	.02	.

The pro forma results may not be representative of the effects on reported operations for future years. The fair value of the options was calculated using a Black-Scholes options pricing model with the following weighted-average assumptions: risk-free interest rate of 4.1% for 2002, 5.1% for 2001, 6.3% for 2000 and; no dividend yield; and a weighted average expected life of the options of seven years. In accordance with the provisions of SFAS No. 123 the expected stock price volatility was 45.2% for 2002, 48.4% for 2001, and 46.6% for 2000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains certain forward-looking statements. These forward-looking statements do not constitute historical facts and involve risks and uncertainties. Actual results could differ materially from

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those referred to in the forward-looking statements due to a number of factors, including, but not limited to, the following: customer demand, the effect of economic conditions, the impact of adverse weather conditions, the impact of competitors' locations or pricing, the availability of acceptable real estate locations for new stores, difficulties with respect to new information system technologies, supply constraints or difficulties, the effectiveness of advertising strategies and the impact of the threat of terrorist attacks and war. For additional information concerning factors that could cause actual results to differ materially from the information contained herein, reference is made to the information under the heading "Cautionary Statement Relating to Forward Looking Statements" in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

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Due to the importance of our peak selling season, which includes Fall/Halloween, Thanksgiving and Christmas, the fourth quarter has historically contributed, and we expect it will continue to contribute, disproportionately to our profitability for the entire year. As a result, our quarterly results of operations may fluctuate. In addition, results of a period shorter than a full year may not be indicative of results expected for the entire year.

Our quarterly results of operations also may fluctuate based upon such factors as the length of holiday seasons, the date on which holidays fall, the number and timing of new store openings, the amount of store pre-opening expenses, the amount of net sales contributed by new and existing stores, the mix of products sold, the amount of sales returns, the timing and level of markdowns and other competitive factors.

Results of Operations

The following table sets forth, for the periods indicated, selected statement of operations data expressed as a percentage of net sales and the number of stores open at the end of each such period:

	Three months ended June 30,		Si
	2003	2002	20
	----	----	--
Net sales.....	100.0%	100.0%	100
Cost of sales.....	62.9%	63.0%	63
	-----	-----	----
Gross margin.....	37.1%	37.0%	36
Selling, general and administrative expenses.....	35.0%	35.6%	35
Store pre-opening expenses.....	0.4%	0.4%	0
	-----	-----	----
Income from operation.....	1.7%	1.0%	1
Net interest (income) expense.....	(0.1)%	(0.2)%	(0)
	-----	-----	----
Income before income taxes.....	1.8%	1.2%	1
Income tax expense.....	0.7%	0.5%	0
	-----	-----	----
Net income.....	1.1%	0.7%	0
	=====	=====	=====
Number of stores open at end of period.....	74	65	

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Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Net Sales. Net sales increased \$10.8 million, or 13.1%, to \$93.7 million in the three months ended June 30, 2003 from \$82.9 million in the comparable 2002 period. This increase is comprised of (i) net sales of \$1.7 million from three new stores opened in 2003, (ii) net sales of \$5.8 million from stores opened in 2002 not included in the comparable store base, and (iii) a comparable store sales increase of \$3.3 million, or 4%. Stores are added to the comparable store base at the beginning of the fourteenth full month of operation.

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Gross Margin. Gross margin is net sales minus the cost of merchandise and certain distribution and purchasing costs. The gross margin increased to 37.1 % of net sales in the three months ended June 30, 2003 from 37.0% in the three months ended June 30, 2002.

Selling, General, and Administrative Expenses. Selling, general and administrative expenses include (a) direct store level expenses, including rent and related operating costs, payroll, advertising, depreciation and other direct costs, and (b) corporate level costs not directly associated with or allocable to cost of sales including executive salaries, accounting and finance, corporate information systems, office facilities and other corporate expenses. Selling, general and administrative expenses increased \$3.3 million, or 11.3%, in the three months ended June 30, 2003 to \$32.8 million from \$29.5 million in the three months ended June 30, 2002. The increase is principally accountable from stores opened in 2003 which were not open during 2002 and the stores opened in 2002 not in the comparable store base. As a percentage of sales, selling, general and administrative costs decreased to 35.0% of net sales in the three months ended June 30, 2003 from 35.6% of net sales in the three months ended June 30, 2002. This decrease is primarily due to leveraging store and central costs from the increase in sales in our comparable store base.

Store Pre-Opening Expenses. We expense store pre-opening expenses as incurred. Pre-opening expenses for the new store which opened in the second quarter of 2003 and the two stores which opened in July amounted to \$372,000. In the second quarter of 2002, we incurred store pre-opening expenses of \$384,000 related to the two stores opened in that quarter, the two stores which opened in July and one store which was relocated in July.

Net Interest (Income). In the second quarter of 2003, we had net interest income of \$118,000 compared with net interest income of \$187,000 in 2002. The change is due to lower interest rates earned on proceeds from the proceeds of our sale of shares in March 2002.

Income Taxes. Our effective income tax rate was 38.2% for the second quarter ended June 30, 2003 and 40.7% for the second quarter ended June 30, 2002. The decrease in the effective tax rate is principally the result of tax free interest income in 2003.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Net Sales. Net sales increased \$16.9 million, or 10.0%, to \$185.6 million in the six months ended June 30, 2003 from \$168.7 million in the comparable 2002 period. This increase is comprised of (i) net sales of \$2.3

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million from three new stores opened in 2003, (ii) net sales of \$13.3 million from stores opened in 2002 not included in the comparable store base, and (iii) a comparable store sales increase of \$1.3 million, or 1%. Sales were significantly impacted by severe weather conditions throughout our trading area in the first quarter.

Gross Margin. The gross margin decreased to 36.8% of net sales in the six months ended June 30, 2003 from 37.0% in the six months ended June 30, 2002. The decrease occurred during the first quarter due to more aggressive promotions in response to the difficult sales environment and to a change in sales mix resulting from the weather and a later Easter.

Selling, General, and Administrative Expenses. Selling, general and administrative expenses increased \$6.3 million, or 10.7%, in the six months ended June 30, 2003 to \$65.4 million from \$59.1 million in the six months ended June 30, 2002. The increase is principally accountable from stores opened in 2003 which were not open during 2002 and the stores opened in 2002 not in the comparable store base. These increases were partially offset by a decrease in net advertising expense from higher vendor co-op advertising allowances compared to the first quarter of 2002. As a percentage of sales, selling, general and administrative costs increased to 35.2% of net sales in the six months ended June 30, 2003 from 35.0% of net sales in the six months ended June 30, 2002. This increase is primarily due to de-leveraging store and central costs from the relatively small increase in sales in our comparable store base.

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Store Pre-Opening Expenses. Pre-opening expenses for the three new stores opened in the first half of 2003 and the two stores opened in July amounted to \$750,000. In the first half of 2002, we incurred store pre-opening expenses of \$1.0 million related to the four stores opened and the two stores which opened in July.

Net Interest (Income). In the first half of 2003, we had net interest income of \$227,000 compared with net interest income of \$176,000 in 2002. The change is due to interest earned over the full six months from the proceeds of our sale of shares in March 2002.

Income Taxes. Our effective income tax rate was 38.2% for the first half of 2003 and 39.8% for the first half of 2002. The decrease in the effective tax rate is principally the result of tax free interest income in 2003.

Liquidity and Capital Resources

Our cash is used primarily for working capital to support inventory requirements and capital expenditures, pre-opening expenses and beginning inventory for new stores. In recent years, we have financed our operations and new store openings primarily with cash from operations, the net proceeds we received from our initial public offering in 1997 and with borrowing under bank financing agreements. In March 2002 we completed a secondary offering in which we sold 3,500,000 new post-split shares, with net cash proceeds of \$52,130,000.

At June 30, 2003 and December 31, 2002 our working capital was \$111.9 million and \$123.8 million, respectively. Cash used in operations was \$6.0 million for the six months ended June 30, 2003 as a result of an increase in inventory of \$6.4 million to support the new stores, the seasonal reduction of accounts payable and accrued expenses of \$1.4 million and income tax payments of \$2.1 million.

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Net cash used in investing activities during the six months ended June 30, 2002 was \$19.9 million. This included \$14.2 million for investments in marketable securities with a maturity of over one year and \$5.8 million for capital expenditures. In 2003, we expect to spend approximately \$32.0 million on capital expenditures, which includes approximately \$22.0 million for land, building, equipment and systems for our new distribution center, \$7.0 million for new store openings, and the remainder for remodeling existing stores, upgrading systems in existing stores, warehouse equipment, and corporate systems development. The total cost of the new distribution center is estimated to be between \$40.0 and \$42.0 million. We expect to finance two-thirds of this project through long-term debt.

In the year ended December 31, 2002, net cash provided by financing activities was principally the \$52.1 million proceeds from our sale of shares in March 2002.

The Company currently has a \$25.0 million one year line of credit agreement with First Union National Bank, which expires on July 1, 2004. Borrowing under this line will bear interest at LIBOR plus 95 basis points. We believe the cash generated from operations during the year, funds received through the financing of the new distribution center and available borrowings under the credit agreement will be sufficient to finance our working capital and capital expenditure requirements for at least the next 12 months.

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Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force reached consensus on Issue 02-16, Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor. EITF Issue 02-16 addresses the accounting for cash consideration received by a customer from a vendor (e.g., slotting fees, cooperative advertising payments, buydowns) and rebates or refunds from a vendor that is payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period. The EITF is effective for agreements modified or entered into after January 1, 2003. We are currently evaluating the impact of EITF Issue 02-16, and have not determined whether or not the adoption of the provisions of EITF Issue 02-16 will have a material impact on our consolidated operating results or financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123". SFAS 148 amends SFAS 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. It also amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. The Company adopted the disclosure requirements of SFAS 148 for the fiscal year ended December 31, 2002 and the interim periods.

General

On June 25, 2002, our Board of Directors approved a two-for-one stock split to shareholders of record as of the close of business on July 15, 2002. The shares were distributed on July 31, 2002.

Critical Accounting Policies

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Our critical accounting policies relate to merchandise inventories and advertising costs.

We value our inventories at stores at the lower of cost or market as determined using the retail inventory method. Because we do not have perpetual inventory records for inventory in our stores, we perform complete physical inventories in each of our stores at the end of each year. The actual physical count of merchandise is made principally by third party inventory counting service firms. We believe our process results in reasonable estimates of our retail inventory on hand at year end.

Inventory valuation methods also require certain management estimates and judgments. These include estimates of net realizable value on product designated for clearance or on slow moving merchandise. The accuracy of our estimates can be affected by many factors, some of which are outside of our control, including changes in economic conditions and consumer buying trends. Historically, we have not experienced significant differences in our estimates of recovery compared with actual results. We believe our process results in reasonable estimates of our inventory each quarter.

The costs incurred for advertising are expensed the first time the advertising takes place, and are offset by re-imbursements received under cooperative advertising programs with certain vendors. Co-op advertising funds are only recognized when we have performed our contractual obligation under a co-op advertising agreement.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)) as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective to timely alert management to material information relating to the Company during the period when its periodic reports are being prepared.

(b) Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the principal executive officer's and principal financial officer's evaluation referred to above, including any corrective actions with regard to significant deficiencies and material weaknesses.

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PART II OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS

Not Applicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Shareholders on May 22, 2003. At the meeting, shareholders voted on the following:

1. To elect two Class A directors to hold office for a term of three years until their successors are duly elected and qualified.
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending December 31, 2003.

The results of the voting was as follows:

	For -----	Against -----	Abstain -----	Withhold Authority -----
William Kaplan	17,424,031	0	0	700,236
John E. (Jack) Parker	17,414,551	0	0	709,716
Ratification of PricewaterhouseCoopers LLP	18,095,430	26,062	2,775	--

The term of office for each of the following directors continued after the meeting: Richard J. Bauer, Richard J. Drake, Lawrence H. Fine, Richard Lesser and Eli J. Segal.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

99.31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of

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1934, as amended ("Exchange Act").

99.31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Exchange Act.

99.32 Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K filed in the quarter ended June 30, 2003:

8-K, Item 9, filed on April 4, 2003 regarding a Company press release concerning earnings and other information.

8-K, Item 9, filed on April 17, 2003 regarding a Company press release concerning earnings and other information.

8-K, Item 5, filed on May 1, 2003 regarding the plan of Mr. Richard Drake under Rule 10b5-1 under the Exchange Act.

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SIGNATURES

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

A.C. MOORE ARTS & CRAFTS, INC.

Date: July 30, 2003

By: /s/ Leslie H. Gordon

Leslie H. Gordon
Executive Vice President and Chief
Financial Officer (duly authorized
officer and principal financial
officer)

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