

MICHAELS STORES INC  
Form POS AM  
March 08, 2002

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[TABLE OF CONTENTS](#)

As filed with the Securities and Exchange Commission on March 8, 2002

Registration No. 333-34459

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1 TO

**FORM S-3**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

**MICHAELS STORES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**75-1943604**

(I.R.S. Employer  
Identification No.)

**8000 Bent Branch Drive  
Irving, Texas 75063  
P.O. Box 619566  
DFW, Texas 75261-9566  
(972) 409-1300**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**R. Michael Rouleau  
Chief Executive Officer  
Michaels Stores, Inc.  
8000 Bent Branch Drive  
Irving, Texas 75063  
(972) 409-1300**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*With copies to:*

**Mark V. Beasley, Esq.  
Michaels Stores, Inc.  
8000 Bent Branch Drive  
Irving, Texas 75063  
(972) 409-1300**

**Robert L. Estep, Esq.  
Jones, Day, Reavis & Pogue  
2727 North Harwood Street  
Dallas, Texas 75201  
(214) 220-3939**

Approximate date of commencement of proposed sale to the public: from time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. //

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /x/

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. //

### CALCULATION OF REGISTRATION FEE

Title of Securities To Be Registered	Amount To Be Registered(1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Common Stock, par value \$0.10 share	4,900,000	Not Applicable	Not Applicable	\$0

1. Represents 2,450,000 shares included in the Registrant's original filing of this Registration Statement on August 27, 1997, relating to the Michaels Stores, Inc. Dividend Reinvestment and Stock Purchase Plan (the "Plan") and an additional 2,450,000 shares issuable under the Plan pursuant to an adjustment for the two-for-one stock dividend payable on November 26, 2001, to holders of record of shares of the Registrant's common stock at the close of business on November 12, 2001 (the "Stock Dividend"). Pursuant to Rule 416, there are also registered hereunder such indeterminate number of additional shares as may become subject to awards under the Plan as a result of the antidilution provisions contained therein.
2. A filing fee of \$18,097 was paid in connection with the August 27, 1997, original filing of this Registration Statement covering 2,450,000 shares of common stock. The additional 2,450,000 shares of common stock included on this Post-Effective Amendment No. 1 to the Registration Statement result from an adjustment for the Stock Dividend prior to the completion of the distribution of securities included in the Registration Statement. Therefore, no additional filing fee is required.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the SEC, acting pursuant to Section 8(a), may determine.**

**Subject to completion, dated March 8, 2002**

**Information in this prospectus is not complete and may change. Michaels Stores, Inc. may not sell or offer these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

### PROSPECTUS

**4,900,000 Shares of Common Stock**

**MICHAELS STORES, INC.**

**Dividend Reinvestment and Stock Purchase Plan**

Michaels Stores, Inc. hereby offers participation in its Dividend Reinvestment and Stock Purchase Plan. Some of the significant features of the plan are as follows:

If you are presently a stockholder of Michaels, you may purchase common stock by reinvesting all or a portion of any cash dividends you receive.

If you are presently a stockholder of Michaels, you may purchase common stock by making optional cash investments of \$100 to \$2,500 in a given month.

If you are not presently a stockholder of Michaels, you may purchase common stock by making an initial optional cash investment of \$500 to \$2,500.

**Michaels does not expect to pay dividends on its common stock. Therefore, until Michaels modifies its policy of not paying dividends, the provisions of the plan will apply only to the optional cash investment feature. You are cautioned that the existence of the plan in no way implies that Michaels will modify its current policy of not paying dividends.**

Except as set forth below, the price to be paid for shares of common stock purchased under the plan will be the average of the Daily Prices for the ten trading days immediately preceding the applicable investment date. "Daily Price" means the average of the high and low trading prices of the common stock on the New York Stock Exchange on the applicable day.

If you wish to make an optional cash investment in an amount greater than \$2,500, you must request a waiver from Michaels. In calculating the price to be paid for common stock purchased pursuant to a request for waiver, any Daily Price that does not equal or exceed the minimum price established by Michaels for optional cash investments made pursuant to a request for waiver will be excluded from the average. Michaels may establish a discount of 0% to 5% for shares purchased pursuant to a request for waiver.

The common stock is listed on the New York Stock Exchange under the symbol "MIK." On March 7, 2002, the closing price of the common stock on the New York Stock Exchange was \$35.50. Michaels will pay the costs of administration of the plan, except for the cost of brokerage commissions for resale, certain service charges and fees and applicable taxes.

Our principal executive offices are located at 8000 Bent Branch Drive, Irving, Texas 75063 (telephone: 972-409-1300).

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2002.

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Forward-Looking Information</u>	2
<u>Incorporation of Certain Documents by Reference</u>	3
<u>Where You Can Find More Information</u>	3
<u>Michaels</u>	4

	<b>Page</b>
<u>Description of the Plan</u>	4
<u>Use of Proceeds</u>	17
<u>Plan of Distribution</u>	17
<u>Legal Matters</u>	17
<u>Experts</u>	18

**FORWARD-LOOKING INFORMATION**

Some of the statements contained in this prospectus or incorporated by reference into this prospectus are forward-looking statements that reflect plans, estimates and beliefs. Words such as "anticipates," "plans," "estimates," "expects," "believes," and similar expressions often identify forward-looking statements. Michaels' actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth in or incorporated by reference in this prospectus. These factors include:

- customer demand and trends in the arts and crafts industry;
- impact of competitor's locations, pricing and products;
- related inventory risks due to shifts in customer demand;
- impact of economic conditions;
- availability of acceptable locations for new stores;
- difficulties in implementing information system technologies;
- supply constraints;
- results of financing efforts;
- effectiveness of advertising strategies; and
- other risks detailed in this prospectus (including the documents incorporated into this prospectus by reference).

All subsequent written and oral forward-looking statements attributable to us and persons acting on our behalf are qualified in their entirety by the cautionary statements contained in this section and elsewhere in this prospectus.

Except for the information contained in this prospectus, Michaels has not authorized any person to give any information or to make any representation in connection with the offering or sale of these securities. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation would be unlawful. Neither the delivery of this prospectus nor any sale made under this prospectus will, under any circumstances, imply that the information contained herein is correct as of any date subsequent to the date of this prospectus.

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As specified below, certain documents filed or to be filed by Michaels with the Securities and Exchange Commission (the "SEC"), are incorporated by reference into this prospectus. The information contained in such documents is considered to be part of this prospectus, except that the information contained in later-dated documents will supplement, modify or supersede the information contained in earlier-dated documents.

Michaels incorporates by reference into this prospectus the documents listed below and all documents filed by Michaels with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and prior to the termination of this offering.

Michaels annual report on Form 10-K for the fiscal year ended February 3, 2001;

Michaels quarterly reports on Form 10-Q for fiscal quarters ended May 5, 2001, August 4, 2001 and November 3, 2001;

Michaels current reports on Form 8-K dated June 19, 2001, July 6, 2001, July 9, 2001, July 27, 2001, September 20, 2001, October 31, 2001, February 1, 2002, February 15, 2002 and March 8, 2002; and

The description of Michaels common stock, par value \$.10 per share, contained in the Michaels registration statement on Form 8-A (SEC File No. 001-09338), filed December 5, 2001.

You may request a copy of any of the information that has been incorporated by reference into, but not delivered with, this prospectus by writing to or telephoning Michaels' Investor Relations Department at the following address or telephone number:

Michaels Stores, Inc.  
8000 Bent Branch Drive  
Irving, Texas 75063  
Telephone: (972) 409-1300

The information relating to Michaels contained in this prospectus should be read together with the information in the documents incorporated by reference.

### WHERE YOU CAN FIND MORE INFORMATION

Michaels files reports, proxy statements and other documents with the SEC in accordance with the requirements of the Securities Exchange Act of 1934. Michaels' filings with the SEC are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may read and copy these reports, proxy statements and other documents at the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

This prospectus constitutes a part of a registration statement we filed with the SEC under the Securities Act of 1933 relating to 4,900,000 shares of Michaels common stock issued or issuable under the Michaels Stores, Inc. Dividend Reinvestment and Stock Purchase Plan and offered by this prospectus. This prospectus and the registration statement also relate to any additional shares of common stock that any person may acquire as a result of the antidilution provisions of the plan.

Additional information regarding Michaels and the shares offered by this prospectus is contained in the registration statement and its exhibits. Any statements contained in this prospectus regarding the provisions of any other document are not necessarily complete. Accordingly, each such statement is qualified in its entirety by reference to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC.

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Michaels is the largest national specialty retailer providing materials, ideas and education for creative activities in home décor, art and craft projects. Through our Michaels stores, we offer a wide selection of items, including:

products for the do-it-yourself home decorator, including picture framing materials and custom framing services, silk and dried floral products, and seasonal décor items,

art supplies, including memory books, surfaces and pads, brushes, paints, adhesives, and finishes, and

craft supplies, including beads, jewelry, needlework and knitting supplies, and kids' craft materials.

In addition, through Aaron Brothers, a wholly-owned subsidiary of Michaels, Michaels operates Aaron Brothers stores, which offer photo frames, a full line of ready-made frames, custom framing services and a wide selection of art supplies.

### DESCRIPTION OF THE PLAN

The Michaels Stores Dividend Reinvestment and Stock Purchase Plan (the "Plan") was approved by Michaels' Board of Directors effective as of August 26, 1997. The following questions and answers explain the Plan. For purposes of the Plan, the term "business day" means any day other than Saturday, Sunday or a legal holiday on which the New York Stock Exchange (the "NYSE") is closed or on which the administrator of the Plan (see Question 4) is authorized or obligated by law to close.

#### Purpose

##### *1. What is the purpose of the Plan?*

The purpose of the Plan is to provide holders of common stock and other interested investors with a convenient and economical method to purchase common stock and to reinvest all or a portion of their cash dividends in common stock, although Michaels does not expect to pay dividends on its common stock. In addition, the Plan will provide Michaels with a cost-efficient and flexible mechanism to raise equity capital through sales of common stock under the Plan. Whether significant additional capital is raised may be affected, in part, by Michaels' decision to waive the limitations applicable to optional cash investments. See Question 13 regarding Michaels' criteria for granting a request for waiver to make an optional cash investment in an amount greater than \$2,500 (a "Request for Waiver").

**Holders of common stock and other prospective plan participants are cautioned that the existence of the Plan in no way implies that Michaels will modify its current policy of not paying dividends.**

#### Participation Options

##### *2. What options are available under the Plan?*

Registered holders or beneficial owners of common stock (each a "Participant") and other interested investors may elect to participate in the Plan. Participants may make optional cash investments to purchase shares, subject to a minimum investment of \$100 and a maximum investment of \$2,500 per month. Optional cash investments submitted by brokerage firms or other nominees on behalf of Participants will be aggregated for purposes of determining whether the \$2,500 limit will be exceeded. Interested investors that are not stockholders of Michaels may

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make an initial optional cash investment in common stock of not less than \$500 and not more than \$2,500. In certain instances, however, Michaels may permit greater optional cash investments. See Question 12 regarding optional cash investments and Question 13 regarding a Request for Waiver. Participants may also have cash dividends, if any, on all or a portion of their shares which are registered and are held by the Plan, automatically reinvested in common stock.

*3. What are the benefits and restrictions of the Plan?*

**Benefits**

Eligible stockholders may purchase common stock pursuant to optional cash investments of not less than \$100 and not more than \$2,500 (except with the consent of Michaels) in any month. Optional cash investments may be made occasionally or at regular intervals, as each Participant desires. The Plan provides Participants with the opportunity to automatically reinvest cash dividends, if any, on all or a portion of their common stock. Participants may make optional cash investments even if dividends, if any, on their shares of common stock are not being reinvested under the Plan.

Persons not presently stockholders of Michaels may become Participants by making an initial cash investment of not less than \$500 and not more than \$2,500 (except with the consent of Michaels) to purchase common stock under the Plan.

Shares of common stock purchased with optional cash investments pursuant to a Request for Waiver, which, like all Plan shares, will be purchased directly from Michaels under the Plan, may be issued at a Discount (as defined in Question 13) to the market price; such Discount may vary each month between 0% and 5% and may be changed at the sole discretion of Michaels at any time.

Participants will avoid the need for safekeeping of common stock certificates credited to their Plan accounts and may submit for safekeeping certificates held by them and registered in their name. See Questions 15 and 16.

Participants that are registered holders may direct the Administrator to sell or transfer all or a portion of their shares held in the Plan and therefore may find the Plan an economical way to liquidate their holdings. See Question 17.

Periodic statements reflecting all current activity in Plan accounts, including purchases, sales and latest balances, will simplify recordkeeping for registered holders. See Question 18.

**Restrictions**

Participants may not be able to depend on the availability of a market discount regarding shares acquired under the Plan in connection with optional cash investments pursuant to a Request for Waiver, and such optional cash investments may be subject to the trading price for common stock satisfying a minimum price condition. Any Discount established for the purchase of shares pursuant to a Request for Waiver will not ensure the availability of a Discount or the same Discount in future months. Each month Michaels may establish a Discount, may not establish a Discount and may change or eliminate the Discount or set any minimum price condition without prior notice to Participants. Discounts, if any, will not apply to the purchase of shares pursuant to reinvestment of dividends nor to optional cash investments of \$2,500 or less (unless part of a larger optional cash investment made pursuant to a Request for Waiver). See Question 13.

The purchase price per share will be an average price and, therefore, may exceed the price at which shares are trading on the Investment Date (as defined in Question 8) when the shares are issued. See Questions 11 and 12 regarding the purchase price of the shares and Question 13 regarding the establishment of a minimum price condition.

Execution of sales of shares held in the Plan may be subject to delay. See Questions 12 and 17.

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No interest will be paid on funds held by Michaels pending reinvestment or investment. See Questions 12 and 13.

Shares deposited in a Plan account may not be pledged until the shares are withdrawn from the Plan. See Question 27.

### **4. Who will administer the Plan?**

The Plan will be administered by Computershare Trust Company, Inc. or such successor administrator as Michaels may designate (the "Administrator"). The Administrator acts as agent for Participants, keeps records of the accounts of Participants, sends regular account statements to Participants, and performs other duties relating to the Plan. Shares purchased for each Participant under the Plan will be held by the Administrator and will be registered in the name of such Participant unless and until a Participant requests that a stock certificate for all or part of such shares be issued, as more fully described in Question 15. Correspondence with the Administrator should be sent to:

Michaels Stores Dividend Reinvestment and Stock Purchase Plan  
Computershare Trust Company, Inc.  
Attn: Dividend Reinvestment Department  
Post Office Box A 3309  
Chicago, Illinois 60690-3309  
Telephone: 1-800-577-4676  
Fax: 312-601-4366

## **Participation Eligibility**

### **5. Who is eligible to participate?**

A "registered holder" (which means a stockholder whose shares of common stock are registered in the stock transfer books of Michaels in his or her name) or a "beneficial owner" (which means a stockholder whose shares are registered in the stock transfer books of Michaels in a name other than his or her name, for example, in the name of a broker, bank or other nominee) may participate in the Plan. A registered holder may participate in the Plan directly; a beneficial owner must either become a registered holder by having such shares transferred into his or her name or by making arrangements with his or her broker, bank or other nominee to participate in the Plan on the Participant's behalf. In addition, an interested investor that is not a stockholder may participate in the Plan by making an initial optional cash investment in shares of not less than \$500 or more than \$2,500. In certain circumstances, however, Michaels may permit greater optional cash investments. See Question 6 regarding enrollment and Question 13 regarding a Request for Waiver.

The right to participate in the Plan is not transferable to another person apart from a transfer of the underlying shares. Michaels reserves the right to exclude from participation in the Plan persons who use the Plan to engage in short-term trading activities that cause aberrations in the trading volume of the common stock. In addition, Michaels reserves the right to treat optional cash investments submitted on forms reflecting Participants with the same name, address or social

6

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security or taxpayer identification number as a single investment for purposes of determining whether the \$2,500 limit would be exceeded.

Participants residing in jurisdictions in which their participation in the Plan would be unlawful will not be eligible to participate in the Plan.

## **Enrollment**

### **6. How does an eligible holder of common stock or any other interested investor enroll in the Plan and become a Participant?**

Each eligible registered holder may enroll in the Plan and become a Participant by completing and signing an Authorization and Enrollment Form (enclosed herewith) and returning it to the Administrator at the address set forth in

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Question 4. An Authorization and Enrollment Form may also be obtained at any time upon request from the Administrator at the same address. If shares are registered in more than one name (*e.g.*, joint tenants, trustees, etc.), all registered holders of such shares must sign the Authorization and Enrollment Form exactly as their names appear on the account registration.

Eligible beneficial owners must instruct their brokers, banks or other nominees in whose name their shares are held to participate in the Plan on their behalf. If a broker, bank or other nominee holds shares of beneficial owners through a securities depository, such broker, bank or other nominee may also be required to provide a Broker and Nominee Form (a "B/N Form") to the Administrator in order to participate in the optional cash investment portion of the Plan. Optional cash investments submitted by brokerage firms or other nominees on behalf of Participants, whether on the same B/N Form or different B/N Forms, will be aggregated for purposes of determining whether the \$2,500 limit will be exceeded. See Questions 12 and 13.

An interested investor who is not presently a stockholder of Michaels, but desires to become a Participant by making an initial investment in common stock, may join the Plan by signing an Authorization and Enrollment Form and forwarding it, together with such initial investment, to the Administrator at the address set forth in Question 4. See Question 12 regarding initial optional cash investments.

### **7. What does the Authorization and Enrollment Form provide?**

The Authorization and Enrollment Form will appoint the Administrator as agent for the Participant and direct the Administrator to apply optional cash investments (transmitted with the Authorization and Enrollment Form as well as optional cash investments subsequently submitted) to the purchase on such Participant's behalf of full and fractional shares of common stock in accordance with the Plan.

With respect to dividends, the Authorization and Enrollment Form will appoint the Administrator as agent for the Participant and direct Michaels to pay to the Administrator the Participant's cash dividends, if any, on all or a specified number of shares of common stock owned by the Participant on the applicable record date and designated by the Participant to be included in the Plan. Pursuant to such form, the Participant may also direct the Administrator to reinvest cash dividends, if any, on whole and fractional shares that have been credited to the Participant's account pursuant to dividend reinvestment or optional cash investment ("Plan Shares"). Cash dividends, if any, will continue to be reinvested with respect to the number of shares of common stock (including Plan Shares) designated on the Authorization and Enrollment Form until the Participant specifies otherwise in writing or terminates participation in the Plan or until the Plan is terminated. The Authorization and Enrollment Form provides for the purchase of shares of common stock through the following investment options:

7

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(1) *"Full Dividend Reinvestment"*

This option directs the Administrator to invest in accordance with the Plan all cash dividends, if any, on all shares of common stock then or subsequently registered in the Participant's name. This option also permits the Participant to make optional cash investments and directs the Administrator to apply such investments towards the purchase of common stock in accordance with the Plan.

(2) *"Partial Dividend Reinvestment"*

This option directs the Administrator to invest in accordance with the Plan all cash dividends, if any, on the specified number of shares of common stock then registered in the Participant's name and so designated in the appropriate space on the Authorization and Enrollment Form. If this option is selected, the Participant will continue to receive cash dividends, if any, in the usual manner on all shares of common stock that have not been designated for participation in the Plan. This option also permits the Participant to make optional cash investments and directs the Administrator to apply such investments towards the purchase of common stock in accordance with the Plan.

(3) *"Optional Cash Investments Only"*

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This option permits a Participant to make optional cash investments and directs the Administrator to apply such investments towards the purchase of common stock in accordance with the Plan. If this option is selected, unless the Participant designates such additional shares for participation in the Plan, the Participant will continue to receive cash dividends, if any, on all shares registered in his or her name in the usual manner, and the Administrator will apply only optional cash investments received from the Participant towards the purchase of common stock.

Any one of the above three options may be selected. In each case, cash dividends, if any, will be reinvested on all shares designated for participation in the Plan until the Participant specifies otherwise or withdraws from the Plan altogether, or until the Plan is terminated.

Any Participant who returns a properly executed Authorization and Enrollment Form to the Administrator without electing an investment option will be enrolled as having selected Full Dividend Reinvestment.

### ***8. When will participation in the Plan begin?***

A Participant who has properly completed and submitted an Authorization and Enrollment Form may submit an optional cash investment to purchase shares under the Plan with such Authorization and Enrollment Form. Thereafter, optional cash investments may be made at any time, but not more frequently than once each month, through the use of the appropriate forms sent to Participants with each periodic statement. Payments received by the Administrator by 12:00 (Noon) Central Time on the last business day prior to the first day of a Pricing Period (as defined in Question 11) will be used to purchase shares on the Investment Date (as defined below) immediately following such Pricing Period.

If a properly completed Authorization and Enrollment Form requesting reinvestment of dividends is received by the Administrator on or before the record date, if any, established by Michaels' Board of Directors for a particular cash dividend, that dividend will be used to purchase shares of common stock for the Participant on the next Investment Date applicable to optional cash investments following the dividend payment date. If an Authorization and Enrollment Form is received from a Participant after the record date established for a particular dividend, the reinvestment of dividends will begin with respect to dividends paid following the next dividend.

8

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record date. For a discussion of the price to Participants of the shares of common stock purchased under the Plan and the limitations on optional cash investments, see Questions 11 and 13, respectively.

The dates on which optional cash investments are to be invested and any dividends are to be reinvested are collectively referred to as the "Investment Dates." For optional cash investments, the Investment Date will be the first business day subsequent to the Pricing Period on which trades in common stock are reported on the NYSE.

No interest will be paid on optional cash investments or cash dividends pending investment in common stock.

Eligible stockholders and other interested investors may enroll in the Plan at any time. Once enrolled, a Participant will remain enrolled until the Participant discontinues participation or until Michaels terminates the Plan. See Question 19 regarding withdrawal from the Plan and Question 29 regarding termination of the Plan.

## **Purchases**

### ***9. When will shares be acquired under the Plan?***

Dividends, if any, and optional cash investments will be reinvested or invested, as the case may be, on the Investment Date.

### ***10. What is the source of shares to be purchased under the Plan?***

Optional cash investments and dividends reinvested through the Plan will be used to purchase shares directly from Michaels, either from treasury or authorized but unissued shares.

**11. What will be the price to the Participant of shares purchased under the Plan?**

The price to Participants of shares purchased with optional cash investments or with cash dividends will be the average of the Daily Prices (defined below) of shares of common stock for the ten business days on which trades in the common stock are reported on the NYSE ending immediately preceding the applicable Investment Date, excluding from the average, in the case of purchases with optional cash investments pursuant to a Request for Waiver in a given month, any Daily Price which does not equal or exceed any applicable Threshold Price (defined below). Michaels may establish a Discount of 0% to 5% applicable to shares purchased under the Plan pursuant to a Request for Waiver. The Discount will not apply to shares purchased pursuant to the dividend reinvestment feature of the Plan or to optional cash investments of \$2,500 or less. See Question 13. The period encompassing the first ten business days on which trades in the common stock are reported on the NYSE of each calendar month constitutes the relevant "Pricing Period" for that particular month. The Daily Price for a business day on which trades in common stock are reported on the NYSE will be the average of the high and low trading prices of the common stock on that day on the NYSE, rounded to three decimal places.

Michaels may, in its sole discretion, establish for any given Pricing Period a minimum price (the "Threshold Price") for optional cash investments pursuant to a Request for Waiver. Any such Threshold Price will be a stated dollar amount established by Michaels not later than the third NYSE trading day prior to the commencement of each Pricing Period.

9

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**12. How are optional cash investments made?**

All registered holders, including brokers, banks and nominees with respect to shares registered in their name on behalf of beneficial owners, that have submitted signed Authorization and Enrollment Forms are eligible to make optional cash investments at any time.

A broker, bank or nominee, as holder on behalf of a beneficial owner, may utilize an Authorization and Enrollment Form for optional cash investments unless it holds the shares in the name of a securities depository. In that event, the optional cash investment must be accompanied by a B/N Form.

The B/N Form provides the sole means by which a broker, bank or other nominee holding shares on behalf of beneficial owners in the name of a securities depository may make optional cash investments on behalf of such beneficial owners. In such case, the broker, bank or other nominee must use a B/N Form for transmitting optional cash investments on behalf of the beneficial owners. A B/N Form must be delivered to the Administrator at the address specified in Question 4 each time that such broker, bank or other nominee transmits optional cash investments on behalf of the beneficial owners. B/N Forms will be furnished by the Administrator upon request.

Other interested investors that are not stockholders of Michaels are also eligible to make such an initial investment in common stock through an optional cash investment by submitting Authorization and Enrollment Forms and funds representing their desired initial investment.

The Administrator will apply all optional cash investments, for which good funds are received on or before 12:00 (Noon) Central Time on the NYSE trading day immediately preceding the first day of the Pricing Period, to the purchase of shares of common stock on the next following Investment Date. All optional cash investments are subject to collection by the Administrator for full face value in U.S. dollars.

There is no obligation to make an optional cash investment at any time, and the amount of such investments may vary from time to time.

Optional cash investments and initial cash investments must be received by the Administrator no earlier than the 23<sup>rd</sup> day of the calendar month immediately preceding the Investment Date and no later than 12:00 (Noon) Central Time on the NYSE trading day immediately preceding the first day of the relevant Pricing Period in order to be invested on the Investment Date. Optional cash investments exceeding \$2,500 must be received (together with the written approval of Michaels waiving the \$2,500 limitation) by the Administrator not later than 12:00 (Noon) Central Time on the NYSE trading day immediately preceding the first day of the related Pricing Period in order for such funds to be invested on the related Investment Date. Otherwise, the optional cash investment or initial cash investment amount will be returned automatically by the Administrator to the participant as soon as is practicable. Furthermore, upon a Participant's written request received by the Administrator no later than two NYSE trading days prior to the first day of the Pricing Period, a timely optional cash

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investment or initial cash investment not already invested under the Plan will be cancelled or returned to the participant, as appropriate. However, in the latter event, no refund of a check or money order will be made until the funds have been actually received by the Administrator. Accordingly, such refunds may be delayed by up to three weeks.

No interest will be earned on optional cash investments or dividends held pending investment nor on amounts to be refunded. Any questions regarding these dates should be directed to the Administrator at the address or telephone number set forth in Question 4.

10

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Participants should be aware that since investments under the Plan are made as of specified dates, a Participant may lose any advantage that otherwise might be available from being able to select the timing of an investment. Neither Michaels nor the Administrator can assure a profit or protect against a loss on shares purchased under the Plan.

Optional cash investments exceeding \$2,500 must be made by wire transfer unless another form of payment is approved in advance by Michaels. Wire transfer information is available from the Administrator at the phone number set forth in Question 4. Any optional cash investments made by check should be made payable to Computershare Trust Company, Inc. and mailed to the Administrator at the address listed in Question 4. Any checks not drawn on a United States bank or not payable in United States dollars will be returned to the Participant, as will any third party checks. Inquiries regarding other forms of payments and all other written inquiries should be directed to the Administrator at the address listed in Question 4.

### **13. What limitations apply to optional cash investments?**

*Minimum/Maximum Limits.* For any Investment Date, optional cash investments made by stockholders of Michaels are subject to a minimum of \$100 and a maximum of \$2,500 (except as noted below), and optional cash investments made by interested investors who are not then stockholders of Michaels are subject to a minimum initial investment of \$500 and a maximum of \$2,500 (except as noted below). See Question 8 regarding the determination of Investment Dates for optional cash investments. Optional cash investments of less than the allowable monthly minimum amount and that portion of any optional cash investment that exceeds the allowable monthly maximum amount will be returned, except as noted below, promptly to Participants, without interest. Optional cash investments submitted by brokerage firms or other nominees on behalf of Participants, whether on the same B/N Form or different B/N Forms, will be aggregated for purposes of determining whether the \$2,500 limit will be exceeded. In addition, Michaels reserves the right to treat optional cash investments submitted on forms reflecting Participants with the same name, address or social security or taxpayer identification number as a single investor for purposes of determining whether the \$2,500 limit would be exceeded.

*Request for Waiver.* Optional cash investments in excess of \$2,500 per month may be made only pursuant to a Request for Waiver (as defined in Question 1) accepted by Michaels. Participants who wish to submit an optional cash investment in excess of \$2,500 for any Investment Date, including those whose proposed investments have been aggregated so as to exceed \$2,500 as described above, must obtain the prior written approval of Michaels and a copy of such written approval must accompany any such optional cash investment. See Questions 2 and 12. A Request for Waiver should be directed to Michaels at 1-888-515-MIKE, or at such other number as may be established by Michaels from time to time. Requests for Waiver must be received by Michaels not later than 5:00 p.m. Central Time on the second NYSE trading day preceding the first day of the relevant Pricing Period. Michaels will approve or disapprove all Requests for Waiver not later than 10:00 a.m. Central Time on the last NYSE trading day immediately preceding the first day of the relevant Pricing Period. Michaels has sole discretion to grant any approval for optional cash investments in excess of the allowable maximum amount. If Requests for Waiver are submitted for any Investment Date for an aggregate amount in excess of the amount Michaels is then willing to accept, Michaels may honor such requests in order of receipt, pro rata or by any other method that Michaels determines, at its sole discretion, to be appropriate. Upon granting any Request for Waiver, Michaels may, at its sole discretion, increase or reduce the Discount with respect to the full amount of such optional cash investment, and Michaels may agree to different Discounts among persons to whom it has granted a Request for Waiver.

Michaels reserves the right to modify, suspend or terminate participation in the Plan by otherwise eligible registered holders or beneficial owners of common stock for any reason whatsoever including elimination of practices that are not consistent with the purposes of the Plan.

11

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*Threshold Price with respect to Optional Cash Investments made pursuant to Requests for Waiver.* Michaels may establish for any Pricing Period a Threshold Price applicable to optional cash investments made pursuant to Requests for Waiver. At least three NYSE trading days prior to the first day of the applicable Pricing Period, Michaels will determine whether to establish a Threshold Price. If Michaels elects, in its sole discretion, to establish a Threshold Price, Michaels will determine the amount and will notify the Administrator. Participants may ascertain whether a Threshold Price has been set or waived for any given pricing period by telephoning Michaels at 1-888-515-MIKE or at such other number as may be established by Michaels from time to time.

If established for any Pricing Period, the Threshold Price will be stated as a dollar amount that the average of the high and low sale prices of shares of the common stock on the NYSE for each NYSE trading day during the relevant Pricing Period must equal or exceed. In the event that the Threshold Price is not satisfied for a NYSE trading day in the Pricing Period, then that NYSE trading day will be excluded from the Pricing Period with respect to optional cash investments made pursuant to Requests for Waiver, and all trading prices for that day will be excluded from the determination of the purchase price. A day will also be excluded if no trades of common stock are made on the NYSE for that day. For example, if the Threshold Price is not satisfied for three of the ten NYSE trading days in a Pricing Period, then the purchase price will be based upon the remaining seven NYSE trading days in which the Threshold Price was satisfied.

In addition, a portion of each optional cash investment made pursuant to a Request for Waiver will be returned for each NYSE trading day during a Pricing Period in which the Threshold Price is not satisfied or for each day in which no trades of shares or common stock are reported on the NYSE. The returned amount will equal one-tenth of the total amount of such optional cash investment (not just the amount exceeding \$2,500) for each NYSE trading day that the Threshold Price is not satisfied. Thus, for example, if the Threshold Price is not satisfied or no such sales are reported for three of the ten NYSE trading days during a Pricing Period, 3/10ths (*i.e.*, 30%) of such optional cash investment will be returned to the Participant without interest.

The establishment of the Threshold Price and the possible return of a portion of the investment applies only to optional cash investments made pursuant to a Request for Waiver but applies to the entire amount thereof, including the first \$2,500. Setting a Threshold Price for a Pricing Period shall not affect the setting of a Threshold Price for any subsequent Pricing Period. For any particular month, Michaels may waive its right to set a Threshold Price. Neither Michaels nor the Administrator shall be required to provide any written notice to Participants as to the Threshold Price for any Pricing Period. Participants may, however, ascertain whether a Threshold Price has been set or waived for any given Pricing Period by telephoning Michaels at 1-888-515-MIKE or at such other number as may be established by Michaels from time to time.

*Discount.* Each month, at least three NYSE trading days prior to the first day of the applicable Pricing Period, Michaels may establish a discount from the market price applicable to shares purchased under the Plan in connection with optional cash investments made pursuant to a Request for Waiver. Such discount (the "Discount") may be between 0% and 5% of the purchase price and may vary each month. The Discount may be increased or decreased by Michaels, in its sole discretion, and Michaels may agree to different Discounts among persons to whom it has granted a Request for Waiver. Participants may obtain the Discount applicable to the next Pricing Period by telephoning Michaels at 1-888-515-MIKE or at such other number as may be established by Michaels from time to time. Setting a Discount for a particular month shall not affect the setting of a Discount for any subsequent month. Discounts apply only to shares purchased in connection with optional cash investments made pursuant to a Request for Waiver, but apply to the entire amount thereof, including the first \$2,500.

12

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### **14. What if a Participant has more than one account?**

For the purpose of the limitations discussed in Question 13, Michaels reserves the right to aggregate all optional cash investments for Participants with more than one account using the same name, address or social security or taxpayer identification number. For Participants unable to supply a social security or taxpayer identification number, participation may be limited by Michaels to only one Plan account. Also for the purpose of such limitations, all Plan accounts that Michaels believes to be under common control or management or to have common ultimate beneficial ownership may be aggregated. In the event Michaels exercises its right to aggregate investments and the result would be an investment in excess of \$2,500 without an approved Request for Waiver, Michaels will return, without interest, as promptly as practicable, any amounts in excess of the investment limitations.

**15. Will certificates be issued for share purchases?**

All shares purchased pursuant to the Plan will be held in "book entry" form through accounts maintained by the Administrator. Upon written request of a Participant or upon withdrawal of a Participant from the Plan or upon the termination of the Plan, the Administrator will have certificates issued and delivered for all full shares credited to that Participant's account. Certificates will be issued only in the same names as those enrolled in the Plan. In no event will certificates for fractional shares be issued. See Questions 16 and 17.

**16. May a Participant add shares to his or her account by transferring share certificates that the Participant possesses?**

Any Participant may send to the Plan for safekeeping all common stock certificates that such Participant holds. Certificates forwarded to the Administrator by registered mail will be automatically covered by an Administrator blanket bond up to the first \$250,000 of value. All shares represented by such certificates will be kept for safekeeping in "book entry" form and combined with any full and fractional shares then held by the Plan for the Participant.

To deposit certificates for safekeeping under the Plan, a Participant must be enrolled in the Plan. Stock certificates as well as all written inquiries about the safekeeping service should be directed to the Administrator at the address listed in Question 4.

Shares deposited for safekeeping may be withdrawn by the Participant by submitting a written request to the Administrator.

**Sale of Shares**

**17. Can Participants sell shares held under the Plan?**

Participants may request that all or a portion of the shares held in their accounts by the Plan (including shares held for safekeeping) be sold. Following receipt of written instructions from a Participant, the Administrator will sell, through an independent broker or institution, those shares as soon as practicable and will remit a check for the proceeds of such sale, less applicable fees, including but not limited to brokerage charges, trading fees, service charges and any taxes, to the Participant. Shares to be sold will be aggregated by the Administrator and generally sold once per week at then current market prices in transactions carried out through one or more brokerage firms. The initial trading fee for sales of shares will be \$10.00 per transaction plus \$.12 per share. See Question 23.

13

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**Reports**

**18. What reports will be sent to Participants in the Plan?**

Unless a Participant participates in the Plan through a broker, bank or nominee, each Participant will receive from the Administrator a detailed statement of the Participant's account following each dividend payment and account transaction. These detailed statements will show total cash dividends received, if any, total optional cash investments received, total shares purchased (including fractional shares), price paid per share, and total shares held in the Plan. These statements should be retained by the Participant to determine the tax cost basis for shares purchased pursuant to the Plan. Any Participant that participates in the Plan through a broker, bank or nominee should contact such party for such a statement.

**Withdrawal**

**19. How may Participants withdraw from the Plan?**

Except as set forth below, a Participant may terminate enrollment in the Plan by giving written notice to the Administrator no later than two days prior to the first day of the next Pricing Period, and thereafter all cash dividends, if any, on shares owned by such Participant will be sent to the Participant. In the event that a purchase of shares on behalf of a

Participant pursuant to the Plan is pending, such Participant may not terminate enrollment until after the Investment Date relating to such Pricing Period. Any fractional shares held in the Plan at the time of termination will be converted to cash on the basis of the then current market price of the common stock. If a Participant's Plan account balance falls below one full share, the Administrator reserves the right to liquidate the fractional share and remit the proceeds, less any applicable fees, including but not limited to brokerage charges, trading fees, service charges and any taxes, to the Participant at its address of record.

## Taxes

### *20. What are the federal income tax consequences of participating in the Plan?*

The tax consequences resulting from optional cash investments are unclear. Participants may be treated as having received a distribution from Michaels upon the purchase of shares pursuant to the Plan with an optional cash investment in an amount equal to the excess, if any, of the fair market value of the shares acquired on the Investment Date over the optional cash investment. Any such deemed distribution will be treated as a taxable dividend to the extent attributable to current or accumulated earnings and profits of Michaels. The purchased shares will have a tax basis equal to the amount of the optional cash investment plus the amount of the deemed distribution, if any, which is treated as a dividend. The fair market value of shares acquired on an Investment Date is likely to differ from the amount of optional cash investment.

Participants will be treated as having received a distribution from Michaels equal to the fair market value on the Investment Date of the shares, if any, acquired with reinvested dividends pursuant to the Plan. Such distribution will be treated as a dividend to the extent attributable to current or accumulated earnings and profits of Michaels. Any excess will first be treated as a tax-free return of capital, causing a reduction in the basis of existing shares, and the balance will be treated as capital gain recognized on a sale or exchange. A Participant's tax basis in the dividend shares will equal the fair market value of such shares on the Investment Date.

A Participant's holding period for shares acquired pursuant to the Plan will begin on the day following the Investment Date. When a Participant receives certificates for whole shares credited to the Participant's account under the Plan, the Participant will not realize any taxable income. However, a Participant that receives a cash adjustment for a fraction of a share will

14

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realize a gain or loss with respect to such fraction. A gain or loss also will be realized by the Participant whenever whole shares are sold, either pursuant to the Participant's request, upon withdrawal from the Plan or after withdrawal from the Plan. The amount of such gain or loss will be the difference between the amount that the Participant receives for the shares or fraction of a share and the tax basis of the Participant in the shares.

**The foregoing is only a summary of the federal income tax consequences of participation in the Plan and does not constitute tax advice. This summary does not reflect every possible outcome that could result from participation in the Plan and, therefore, Participants are advised to consult their own tax advisors with respect to the tax consequences applicable to their particular situations.**

## Other Provisions

### *21. What happens if a Participant sells or transfers shares or acquires additional shares?*

If a Participant has elected to have dividends automatically reinvested in the Plan and subsequently sells or transfers all or any part of the shares registered in the Participant's name, automatic reinvestment will continue as long as shares are registered in the name of the Participant or held for the Participant by the Administrator or until termination of enrollment. Similarly, if a Participant has elected the "Full Dividend Reinvestment" option under the Plan and subsequently acquires additional shares registered in the Participant's name, dividends paid on such shares will automatically be reinvested until termination of enrollment. If, however, a Participant has elected the "Partial Dividend Reinvestment" option and subsequently acquires additional shares that are registered in the Participant's name, dividends paid on such shares will not be automatically reinvested under the Plan. See Question 7. Participants may, however, change their dividend reinvestment elections by submitting new Authorization and Enrollment Forms.

**22. How will a Participant's shares be voted?**

For any meeting of stockholders, each Participant will receive proxy materials in order to vote all shares held by the Plan for the Participant's account. All shares will be voted as designated by the Participant or may be voted in person at the meeting of stockholders.

**23. Who pays the expenses of the Plan?**

There is no fee for enrolling in the program. Participation is voluntary and a Participant may discontinue its participation at any time. However, there are fees associated with the Plan and the Administrator's services. Shares for the Plan will be purchased directly from Michaels, and therefore there will be no trading fees or service charges in connection with purchases of shares. Participants that request the sale of any of their shares held in the Plan must pay a fee initially equal to \$10.00 per transaction plus \$.12 per share plus any applicable taxes and brokerage charges. The Administrator may effect any sales of shares for the Plan through a broker-dealer, in which case such broker-dealer will receive a commission for effecting such transactions, which will be paid by the Participant. The Administrator may also charge Participants for additional services not provided under the Plan or where specified charges are indicated. Any fees may be changed by the Administrator at any time, without notice to Participants. Participants may obtain a current listing of all applicable administrative fees by contacting the Administrator at the address or telephone number listed in Question 4. Brokers or nominees that participate on behalf of beneficial owners for whom they are holding shares may also charge such beneficial owners fees in connection with such participation, for which neither the Administrator nor Michaels will be responsible.

15

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**24. What are the responsibilities of Michaels and the Administrator under the Plan?**

Neither Michaels nor the Administrator will be liable for any act done in good faith or for any good faith omission to act, including, without limitation, any claims of liability arising out of a failure to terminate a Participant's account upon such Participant's death or adjudication of incompetence prior to the receipt of notice in writing of such death or adjudication of incompetence, the prices at which shares are purchased for the Participant's account, the times when purchases are made or fluctuations in the market value of the common stock. Neither Michaels nor the Administrator has any duties, responsibilities or liabilities except those expressly set forth in the Plan.

The Participant should recognize that Michaels cannot assure a profit or protect against a loss on the shares purchased by a Participant under the Plan.

**25. What happens if Michaels issues a stock dividend or declares a stock split?**

Any shares distributed by Michaels as a result of a stock dividend or a stock split on shares held under the Plan for a Participant will be credited to the Participant's account.

**26. If Michaels has a rights offering related to the common stock, how will a Participant's entitlement be computed?**

A Participant's entitlement in a rights offering related to the common stock will be based upon the number of whole shares credited to the Participant's account. Rights based on a fraction of a share credited to a Participant's Plan account will be sold for that account and the net proceeds will be invested as an optional cash payment on the next Investment Date. In the event of a rights offering, transaction processing may be curtailed or suspended by the Administrator for a short period of time following the record date for such action to permit the Administrator to calculate the rights allocable to each account.

**27. May shares in a Participant's account be pledged?**

No shares credited to a Participant's account may be pledged and any such purported pledge will be void. If a Participant wishes to pledge shares, those shares must be withdrawn from the Plan.

**28. May a Participant transfer all or a part of the Participant's shares held in the Plan to another person?**

A Participant who is not an affiliate of Michaels may transfer or give gifts of shares to anyone by contacting the Administrator and requesting a Gift/Transfer Form. A statement indicating the deposit of shares will be forwarded to the

recipient.

A Participant who is not an affiliate of Michaels may also transfer all or a portion of his or her shares into an account established for another person within the Plan. In order to effect such a "book-to-book" transfer, the transferee must complete an Authorization and Enrollment Form to open a new account within the Plan. See Question 7. The Authorization and Enrollment Form should be sent to the Administrator along with a written request to effect the "book-to-book" transfer indicating the number of shares to be transferred to the new account.

Participants who are affiliates of Michaels and who wish to transfer shares in his or her account should call the General Counsel of Michaels at (972) 409-1300.

16

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**29. May the Plan be changed or terminated?**

While the Plan is intended to continue indefinitely, Michaels reserves the right to amend, modify, suspend or terminate the Plan at any time. Participants will be notified in writing of any modifications made to the Plan.

**30. May the number of shares of common stock available under the Plan be changed?**

The Board of Directors of Michaels may determine it is equitably required to adjust the number of shares of common stock available under the Plan in order to prevent dilution or enlargement of the rights of Participants that otherwise would result from merger, consolidation, spin-off, reorganization, partial or complete liquidation, issuance of rights or warrants to purchase securities, any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of Michaels, or any other corporate transaction or event having an effect similar to any of the foregoing.

**USE OF PROCEEDS**

The proceeds from the sale of the common stock offered pursuant to the Plan will be added to Michaels' funds and used for general corporate purposes.

**PLAN OF DISTRIBUTION**

The common stock acquired under the Plan is being sold directly by Michaels. Michaels may sell common stock to owners of shares (including brokers or dealers) who, in connection with any resales of such shares, may be deemed to be underwriters. Shares, including shares acquired pursuant to waivers granted with respect to the optional cash investment feature of the Plan, may be resold in market transactions (including coverage of short positions) on any national securities exchange on which shares of common stock trade or in privately negotiated transactions. These exchanges include the NYSE, the national exchange on which the common stock is currently listed. The difference between the price owners pay to Michaels for shares of common stock acquired under the Plan after deduction of the applicable discount, if any, and the price at which those shares are resold, may be deemed to constitute underwriting commissions received by those owners in connection with such transactions. Michaels does not have any formal or informal understanding with any owners. Michaels reserves the right to exclude from participation in the Plan persons who use the Plan to engage in short-term trading activities that cause alterations in the trading volume of the common stock.

Michaels will pay any expenses incurred in connection with purchases of common stock under the Plan. Participants that request the sale of any of their shares of common stock held in the Plan must pay a fee to the Administrator initially equal to \$10.00 per transaction plus \$.12 per share plus any applicable taxes and, if the sale is effected through a broker-dealer, a commission. Any fees may be changed by the Administrator at any time, without notice to Participant.

Common stock may not be available under the Plan in all states. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any common stock or other securities in any state or any other jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

**LEGAL MATTERS**

Certain legal matters in connection with the validity of the common stock offered hereby have been passed upon for Michaels by Jones, Day, Reavis & Pogue, Dallas, Texas.

17

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**EXPERTS**

The consolidated financial statements appearing in Michaels' Annual Report (Form 10-K) for the fiscal year ended February 3, 2001, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

18

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*Important Telephone Numbers*

<u>To Obtain</u>	<u>Call</u>
Information Concerning Your Plan Account	1-800-577-4676
Prospectus, Authorization and Enrollment Form, B/N Form and Gift/Transfer Form	1-800-577-4676
Wire Transfer Instructions	1-800-577-4676
Threshold Price and Discount Information	1-888-515-MIKE
Request for Waiver	1-888-515-MIKE

A-1

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**4,900,000 SHARES**

**MICHAELS STORES, INC.**

**DIVIDEND REINVESTMENT AND**

**STOCK PURCHASE PLAN**

**PROSPECTUS**

**, 2002**

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**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 14. Other Expenses of Issuance and Distribution.**

The estimated expenses to be incurred in connection with the issuance and distribution of the common stock covered by this registration statement, all of which we will pay, are as follows:

Registration Fee	\$ 0
Printing, Engraving and Filing Expenses	\$ 4,000
Accounting Fees and Expenses	\$ 5,000
Legal Fees and Expenses	\$ 15,000
Miscellaneous	\$ 1,000
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Total	\$ 25,000
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**Item 15. Indemnification of Directors and Officers.**

Michaels' certificate of incorporation limits the liability of Michaels' directors to the maximum extent permitted by Delaware law. Delaware law provides that a director of a corporation will not be personally liable for monetary damages for breach of that individual's fiduciary duties as a director except for liability for (a) a breach of the director's duty of loyalty to the corporation or its stockholders, (b) any act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (c) unlawful payments of dividends or unlawful stock repurchases or redemptions, or (d) any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers, as well as other employees and individuals, against attorneys' fees and other expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person was or is a party or is threatened to be made a party by reason of such person being or having been a director, officer, employee or agent of the corporation or serving at the request of a corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The Delaware General Corporation Law provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise.

Michaels' certificate of incorporation requires that Michaels indemnify its directors and officers, and any other person who is or was serving at the request of Michaels as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, to the fullest extent permitted by Delaware law. Michaels' certificate of incorporation also requires that Michaels advance expenses incurred by such a person in connection with the defense of any action or proceeding arising out of that person's status or service to Michaels. The bylaws of Michaels require that it indemnify its directors to the fullest extent permitted by Delaware law and may, if and to the extent authorized by Michaels board of directors, so indemnify its officers and any other person whom it has the power to indemnify against any liability, expense or other matter whatsoever. In addition, Michaels has entered into indemnity agreements with certain of its officers and directors.

As authorized by its certificate of incorporation, Michaels has procured insurance that purports (a) to insure it against certain costs of indemnification that may be incurred by it pursuant to the provisions referred to above or otherwise and (b) to insure the directors and officers of Michaels against certain liabilities incurred by them in the discharge of their functions as directors and officers except for liabilities arising from

their own malfeasance.

**Item 16. Exhibits.**

The following is a list of all exhibits filed as a part of this Registration Statement on Form S-3, including those incorporated herein by reference.

Exhibit Number	Description of Exhibit
4.1	Restated Certificate of Incorporation of Michaels Stores, Inc. (previously filed as Exhibit 4.1 to the Michaels Stores, Inc. Form 10-Q for the fiscal quarter ended November 3, 2001 (SEC File No. 001-09338), filed December 18, 2001, and incorporated herein by reference).
4.2	Certificate of Amendment to Restated Certificate of Incorporation of Michaels Stores, Inc. (previously filed as Exhibit 4.2 to the Michaels Stores, Inc. Form 10-Q for the fiscal quarter ended November 3, 2001 (SEC File No. 001-09338), filed December 18, 2001, and incorporated herein by reference).
4.3	Certificate of Amendment to Restated Certificate of Incorporation of Michaels Stores, Inc., as amended (previously filed as Exhibit 4.3 to the Michaels Stores, Inc. Form 10-Q for the fiscal quarter ended November 3, 2001 (SEC File No. 001-09338), filed December 18, 2001, and incorporated herein by reference).
4.4	Amended and Restated Bylaws of Michaels Stores, Inc. (previously filed as Exhibit 4.4 to the Michaels Stores, Inc. Registration Statement on Form S-8 (Registration No. 333-71054), filed October 5, 2001, and incorporated herein by reference).
4.5	Form of Common Stock Certificate (previously filed as Exhibit 4.1 to the Michaels Stores, Inc. Annual Report on Form 10-K for the year ended January 30, 1994 (SEC File No. 000-11822), filed April 29, 1994, and incorporated herein by reference).
5.1	Opinion of Jones, Day, Reavis & Pogue.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Jones, Day, Reavis & Pogue (included in Exhibit 5.1).
24.1	Power of attorney (included on signature page).
99.1	Michaels Stores, Inc. Dividend Reinvestment and Stock Purchase Plan (included in the prospectus forming a part of this registration statement).

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was

II-2

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registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

- (iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;



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Signatures	Title	Date
/s/ CHARLES J. WYLY, JR. Charles J. Wyly, Jr.	Chairman of the Board of Directors	March 8, 2002
/s/ SAM WYLY Sam Wyly	Vice Chairman of the Board of Directors	March 8, 2002
/s/ R. MICHAEL ROULEAU R. Michael Rouleau	President and Chief Executive Officer (Principal Executive Officer)	March 8, 2002
/s/ BRYAN M. DECORDOVA Bryan M. DeCordova	Executive Vice President Chief Financial Officer (Principal Financial and Accounting Officer)	March 8, 2002
/s/ RICHARD E. HANLON Richard E. Hanlon	Director	March 8, 2002
/s/ RICHARD C. MARCUS Richard C. Marcus	Director	March 8, 2002
/s/ ELIZABETH A. VANSTORY Elizabeth A. VanStory	Director	March 8, 2002

II-4

INDEX TO EXHIBITS

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4.3	Certificate of Amendment to Restated Certificate of Incorporation of Michaels Stores, Inc., as amended (previously filed as Exhibit 4.3 to the Michaels Stores, Inc. Form 10-Q for the fiscal quarter ended November 3, 2001 (SEC File No. 001-09338), filed December 18, 2001, and incorporated herein by reference).
4.4	Amended and Restated Bylaws of Michaels Stores, Inc. (previously filed as Exhibit 4.4 to the Michaels Stores, Inc. Registration Statement on Form S-8 (Registration No. 333-71054), filed October 5, 2001, and incorporated herein by reference).
4.5	Form of Common Stock Certificate (previously filed as Exhibit 4.1 to the Michaels Stores, Inc. Annual Report on Form 10-K for the year ended January 30, 1994 (SEC File No. 000-11822), filed April 29, 1994, and incorporated herein by reference).
5.1	Opinion of Jones, Day, Reavis & Pogue.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Jones, Day, Reavis & Pogue (included in Exhibit 5.1).

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<b>Exhibit Number</b>	<b>Description of Exhibit</b>
24.1	Power of attorney (included on signature page).
99.1	Michaels Stores, Inc. Dividend Reinvestment and Stock Purchase Plan (included in the prospectus forming a part of this registration statement).

II-5