

# Michaels Stores, Inc. Announces Increased Consideration for Its 10% Senior Notes Due 2014

IRVING, TX -- (MARKET WIRE) -- 10/07/10 -- Michaels Stores, Inc. announced today that in connection with its previously announced cash tender offer (the "Tender Offer") for its outstanding 10% Senior Notes due 2014 (the "2014 Notes") and the related consent solicitation to amend the indenture governing the Notes (the "Consent Solicitation"), it has amended the offer to increase the "total consideration." The expiration date of the tender offer remains 12:01 a.m. Eastern time on November 4, 2010 (the "Expiration Date") and the deadline to submit consents remains 5:00 p.m. Eastern time on October 20, 2010 (the "Consent Date").

Under the amended terms of the Tender Offer, holders of the 2014 Notes who validly tender and do not validly withdraw their 2014 Notes and consents prior to the Consent Date, will receive the total consideration of \$1,055.00 per \$1,000 principal amount of 2014 Notes, which is equal to the "tender consideration" of \$1,025.00 plus the "consent payment" of \$30.00. Holders of the 2014 Notes who validly tender and do not validly withdraw their 2014 Notes and consents after the Consent Date, but prior to the Expiration Date, will receive the tender consideration, but not the consent payment. In both cases, holders whose 2014 Notes are purchased in the Tender Offer will also be paid accrued and unpaid interest from the most recent interest payment date on the 2014 Notes to, but not including, the applicable settlement date. We intend to redeem any 2014 Notes that remain outstanding after the expiration of the Tender Offer in accordance with the terms of the indenture governing the 2014 Notes. This press release does not constitute a notice of redemption under the optional redemption provision of the indenture governing the 2014 Notes.

The Tender Offer remains contingent upon the satisfaction of certain conditions, including (a) the receipt by the Company of at least \$750 million in gross proceeds from a capital markets transaction and (b) the receipt of requisite consents in order to adopt the proposed amendments to the indenture governing the 2014 Notes. If any of the conditions are not satisfied, Michaels is not obligated to accept for payment, purchase or pay for, and may delay the acceptance for payment of, any tendered 2014 Notes and may even terminate the Tender Offer. Full details of the terms and conditions of the Tender Offer and Consent Solicitation are included in Michaels' offer to purchase and consent solicitation, dated October 6, 2010 (the "Offer to Purchase").

The proposed amendments to the indenture governing the 2014 Notes have not changed and their primary purpose is to eliminate substantially all of the restrictive covenants and certain events of default from the indenture.

Holders who have previously validly tendered 2014 Notes do not need to re-tender their 2014 Notes or take any other action in response to this amendment to be eligible to receive the increased consideration.

Except for the amendment to the consideration as described above, the Offer to Purchase and the related letter of transmittal and consent, dated October 6, 2010, remain in full force and effect.

This press release does not constitute an offer to sell, or a solicitation of an offer to buy, any security. No offer, solicitation, or sale will be made in any jurisdiction in which such an offer,

solicitation, or sale would be unlawful.

Requests for documents may be directed to D.F. King & Co., Inc., the Information Agent, at 800-269-6427 or 212-269-5550.

Deutsche Bank Securities Inc. will act as Dealer Manager for the Tender Offer and Solicitation Agent for the Consent Solicitation. Questions regarding the Tender Offer and Consent Solicitation may be directed to Deutsche Bank Securities Inc. at (212) 250-6429 (call collect).

#### *About Michaels*

Michaels Stores, Inc. is North America's largest specialty retailer of arts, crafts, framing, floral, wall décor and seasonal merchandise for the hobbyist and do-it-yourself home decorator. As of October 2, 2010, the Company owns and operates 1,041 Michaels stores in 49 states and Canada, and 142 Aaron Brothers stores.

This news release may contain forward-looking statements that reflect our plans, estimates and beliefs. Any statements contained herein (including, but not limited to, statements to the effect that the Company or its management "anticipates," "plans," "estimates," "expects," "believes" and other similar expressions) that are not statements of historical fact should be considered forward-looking statements and should be read in conjunction with our consolidated financial statements and related notes in our Annual Report on Form 10-K for the fiscal year ended January 30, 2010 and in our Quarterly Reports on Form 10-Q for the quarters ended May 1, 2010 and July 31, 2010. Specific examples of forward-looking statements include, but are not limited to, forecasts of same-store sales growth, operating income and forecasts of other financial performance. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to materially differ from such statements. Such risks, uncertainties and other factors include, but are not necessarily limited to: the impact on our results of operations, cash flows and financial condition if worldwide economic conditions deteriorate further or if recovery from the downturn remains slow or prolonged; risks related to our substantial indebtedness; our debt agreements contain restrictions that limit our flexibility in operating our business; our growth depends on our ability to open new stores; our success will depend on how well we manage our business; changes in customer demand could materially adversely affect our sales, operating results and cash flow; unexpected or unfavorable consumer responses to our promotional or merchandising programs could materially adversely affect our sales, operating results and cash flow; changes in newspaper subscription rates may result in reduced exposure to our circular advertisements; improvements to our supply chain may not be fully successful; our suppliers may fail us; our reliance on foreign suppliers increases our risk of obtaining adequate, timely, and cost-effective product supplies; risks associated with the vendors from whom our products are sourced could materially adversely affect our revenue and gross profit; product recalls and/or product liability, as well as changes in product safety and other consumer protection laws, may adversely impact our operations, merchandise offering, reputation and financial position; significant increases in inflation or commodity prices such as petroleum, natural gas, electricity, steel and paper may adversely affect our costs, including cost of merchandise; we have co-sourced certain of our information technology, accounts payable, payroll, accounting and human resources functions and may co-source other administrative functions, which will make us more dependent upon third parties; our information systems may prove inadequate; we may fail to optimize or adequately maintain our perpetual inventory and automated replenishment systems; unauthorized access to our electronic and other confidential information could materially adversely affect our financial condition and operating results; changes in regulations may adversely impact our business; a weak fourth quarter would materially adversely affect our operating results; competition could negatively impact our operations; the interests of our controlling stockholders

may conflict with the interests of our creditors; and other factors as set forth in our prior filings with the Securities and Exchange Commission, including those set forth under Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 30, 2010. We intend these forward-looking statements to speak only as of the time of this release and do not undertake to update or revise them as more information becomes available.