

MICHAELS STORES INC
Form S-4
July 10, 2007

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[INDEX TO CONSOLIDATED FINANCIAL STATEMENTS](#)

As filed with the Securities and Exchange Commission on July 10, 2007.

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM S-4

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)

5945
(Primary Standard Industrial
Classification Code Number)

75-1943604
(I.R.S. Employer
Identification No.)

**8000 Bent Branch Drive
Irving, Texas 75063**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

See Table of Additional Registrant Guarantors Continued on the Next Page

Jeffrey N. Boyer
President and Chief Financial Officer
8000 Bent Branch Drive
Irving, Texas 75063
Telephone: (972) 409-1300

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

with a copy to:

C. Elaine Hernandez
Vice President, Assistant General
Counsel and Assistant Secretary
8000 Bent Branch Drive
Irving, Texas 75063
Telephone: (972) 409-1300

David A. Fine, Esq.
Ropes & Gray LLP
One International Place
Boston, MA 02110-2624
Telephone: (617) 951-7000

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered(1)	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
10% Senior Notes due 2014	\$750,000,000	100%	\$750,000,000	\$23,025.00
11 ³ / ₈ % Senior Subordinated Notes due 2016	\$400,000,000	100%	\$400,000,000	\$12,280.00
13% Subordinated Discount Notes due 2016	\$469,449,000	100%	\$469,449,000	\$14,412.08
Guarantees of 10% Senior Notes due 2014(2)	N/A(3)	(3)	(3)	(3)
Guarantees of 11 ³ / ₈ % Senior Subordinated Notes due 2016(2)	N/A(3)	(3)	(3)	(3)
Guarantees of 13% Subordinated Discount Notes due 2016(2)	N/A(3)	(3)	(3)	(3)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933, as amended (the "Securities Act").

(2) See inside facing page for additional registrant guarantors.

(3) Pursuant to Rule 457(n) under the Securities Act, no registration fee is required with respect to the guarantees.

The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants 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, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

TABLE OF ADDITIONAL REGISTRANT GUARANTORS

Exact Name of Registrant as Specified in its Charter	State of Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
Aaron Brothers, Inc.	Delaware	13-3498646
Artistree, Inc.	Delaware	83-0466644
Michaels Finance Company, Inc.	Delaware	20-0313952
Michaels of Canada, ULC	Nova Scotia	13529-9063
Michaels Stores Card Services, LLC	Virginia	72-1524325
Michaels Stores Procurement Company, Inc.	Delaware	20-0313890

The address, including zip code, and telephone number, including area code, of each Additional Registrant Guarantor's principal executive offices is: c/o Michaels Stores, Inc., 8000 Bent Branch Drive, Irving, Texas 75063.

The name, address, including zip code and telephone number, including area code, of agent for service for each of the Additional Registrant Guarantors is:

Jeffrey N. Boyer
President and Chief Financial Officer
8000 Bent Branch Drive
Irving, Texas 75063
Telephone: (972) 409-1300

with a copy to:

C. Elaine Hernandez
Vice President, Assistant General
Counsel and Assistant Secretary
8000 Bent Branch Drive
Irving, Texas 75063
Telephone: (972) 409-1300

David A. Fine, Esq.
Ropes & Gray LLP
One International Place
Boston, MA 02110-2624
Telephone: (617) 951-7000

The information in this prospectus is not complete and may be changed. We may not complete the exchange offers until the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 10, 2007

PRELIMINARY PROSPECTUS

Michaels Stores, Inc.

Offers to Exchange

\$750,000,000 Principal Amount of our 10% Senior Notes due November 1, 2014, \$400,000,000 Principal Amount of our 11³/₈% Senior Subordinated Notes due November 1, 2016 and \$469,449,000 Principal Amount at Maturity of our 13% Subordinated Discount Notes due November 1, 2016, each of which has been registered under the Securities Act of 1933, as amended, for any and all of our outstanding 10% Senior Notes due November 1, 2014, any and all of our 11³/₈% Senior Subordinated Notes due November 1, 2016 and any and all of our 13% Subordinated Discount Notes due November 1, 2016, respectively.

Exchange Offers

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, our new 10% Senior Notes due November 1, 2014 (the "exchange senior notes"), our new 11³/₈% Senior Subordinated Notes due November 1, 2016 (the "exchange senior subordinated notes") and our new 13% Subordinated Discount Notes due November 1, 2016 (the "exchange subordinated discount notes" and, collectively with the exchange senior notes and exchange senior subordinated notes, the "exchange notes"), for all of our outstanding 10% Senior Notes due November 1, 2014 (the "outstanding senior notes"), all of our outstanding 11³/₈% Senior Subordinated Notes due November 1, 2016 (the "outstanding senior subordinated notes") and all of our outstanding 13% Subordinated Discount Notes due November 1, 2016 (the "outstanding subordinated discount notes" and, collectively with the outstanding senior notes and the outstanding senior subordinated notes, the "outstanding notes" and, collectively with the exchange notes, the "notes"), respectively. We are conducting the exchange offers in order to provide you with an opportunity to exchange your unregistered notes for freely tradable notes that have been registered under the Securities Act.

The principal features of the exchange offers are as follows:

We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes (or an equal principal amount at maturity of exchange notes in the case of the exchange subordinated discount notes) that are freely tradable.

You may withdraw tenders of outstanding notes at any time prior to the expiration date of the exchange offers.

The exchange offers expire at 12:00 a.m. midnight, New York City time, on _____, 2007, unless extended. We do not currently intend to extend the expiration date.

The exchange of outstanding notes for exchange notes in the exchange offers will not be a taxable event for U.S. federal income tax purposes.

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The terms of the exchange notes to be issued in the exchange offers are substantially identical to the outstanding notes, except that the exchange notes will be freely tradable.

Results of the Exchange Offers

The exchange notes may be sold in the over-the-counter market, in negotiated transactions or through a combination of such methods. All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the applicable indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offers, we do not currently anticipate that we will register the outstanding notes under the Securities Act.

You should consider carefully the risk factors beginning on page 16 of this prospectus before participating in the exchange offers.

Neither the United States Securities and Exchange Commission nor any other federal or state agency has approved or disapproved of the securities to be distributed in the exchange offers, nor have any of these organizations determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2007

TABLE OF CONTENTS

	<u>Page</u>
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	16
<u>Industry and Market Data</u>	26
<u>Cautionary Note Regarding Forward-Looking Statements</u>	26
<u>The Exchange Offers</u>	27
<u>The Merger</u>	38
<u>Use of Proceeds</u>	39
<u>Selected Historical Consolidated Financial and Other Data</u>	40
<u>Unaudited Pro Forma Condensed Consolidated Financial Statements</u>	42
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	46
<u>Business</u>	76
<u>Management</u>	94
<u>Executive Compensation</u>	97
<u>Principal Stockholders and Management Ownership</u>	115
<u>Certain Relationships and Related Party Transactions</u>	117
<u>Description of Certain Other Indebtedness</u>	119
<u>Description of Exchange Notes</u>	123
<u>Description of Senior Notes</u>	124
<u>Description of Senior Subordinated Notes</u>	186
<u>Description of Subordinated Discount Notes</u>	253
<u>Book-Entry Settlement and Clearance</u>	319
<u>Material United States Federal Income Tax Consequences</u>	321
<u>Certain Considerations for Benefit Plan Investors</u>	327
<u>Plan of Distribution</u>	328
<u>Legal Matters</u>	329
<u>Experts</u>	329
<u>Where You Can Find More Information</u>	329
<u>Index to Consolidated Financial Statements</u>	F-1

This prospectus contains summaries of the terms of several material documents. These summaries include the terms that we believe to be material, but we urge you to review these documents in their entirety. We will make copies of these documents available to you at your request.

PROSPECTUS SUMMARY

This summary contains basic information about Michaels Stores, Inc. and the exchange offers. It likely does not contain all the information that may be important to you in making your investment decision. You should read the entire prospectus, including the financial data and related notes, before deciding to participate in the exchange offers. As used in this prospectus, and unless otherwise stated, references to "Michaels" "the Company," "we," "us" and "our" refer to Michaels Stores, Inc. and its consolidated subsidiaries. In addition, unless otherwise noted, references to "pro forma" and other financial terms have the meanings set forth under " Summary historical and unaudited pro forma consolidated financial and other data."

Our Company

Michaels Stores, Inc., together with its subsidiaries, is the largest arts and crafts specialty retailer in North America providing materials, ideas, and education for creative activities. Michaels Stores, Inc. was incorporated in Delaware in 1983, and as of June 2, 2007, we operate 930 Michaels retail stores in 48 states, as well as in Canada, averaging 18,300 square feet of selling space. Our stores offer arts and crafts supplies and products for the crafter and do-it-yourself home decorator. As of June 2, 2007, we also operate 168 Aaron Brothers stores in 11 states, averaging 5,500 square feet of selling space, offering photo frames, a full line of ready-made frames, custom framing services, and a wide selection of art supplies. Recollections, our scrapbooking/paper crafting retail concept, operates 11 stores as of June 2, 2007, located in Arizona, Maryland, Texas, and Virginia, providing merchandise, accessories, and a variety of scrapbooking and paper crafting support services in a community learning environment. In addition, we own and operate four Star Decorators Wholesale stores as of June 2, 2007, located in Arizona, California, Georgia, and Texas, offering merchandise primarily to interior decorators/designers, wedding/event planners, florists, hotels, restaurants, and commercial display companies.

Our mission is to help our customers express themselves creatively. Through our broad product assortments, friendly and knowledgeable sales associates, educational in-store events, and project sheets and displays, we offer a shopping experience that encourages creativity. We also offer classes and demonstrations that teach basic and advanced skills and provide a hands-on experience in a community environment.

We compete across many segments of the industry, including floral, fine art, adult and kids crafts, scrapbooking and paper crafting, home accents, gift wrapping supplies, candles, photo frames, and custom framing. Industry association and analyst research reports estimate that our total addressable market size is about \$38 billion annually, of which \$30 billion is associated with the core arts and crafts market and \$8 billion is associated with the framing market. The markets in which we compete are highly fragmented, containing stores across the nation operated primarily by small, independent retailers along with a few regional chains. We are the largest national retailer dedicated to serving the arts and crafts market, and we believe that there are only three other arts and crafts retailers in the United States with annual sales in excess of \$500 million.

The Merger

On October 31, 2006, Michaels Stores, Inc. was recapitalized through a merger transaction (the "Merger") with Bain Capital Partners, LLC and The Blackstone Group (collectively, the "Sponsors"), with certain shares retained by affiliates of Highfields Capital Partners (a then-existing shareholder of Michaels Stores, Inc.). As a result of the Merger, Michaels Holdings LLC, an entity controlled by the Sponsors, owns over 93% of our outstanding Common Stock, which is no longer publicly traded. We accounted for the Merger as a leveraged recapitalization whereby the historical book value of the assets and liabilities of Michaels will be maintained with no push down accounting required.

The Merger was financed by the issuance of debt as described in the "The Merger" section below, as well as:

Equity investments from the Sponsors and the retention of certain shares held by affiliates of Highfields Capital Partners, and

Our available cash as of the date of the Merger.

The Sponsors

Bain Capital Partners, LLC

Bain Capital Partners, LLC is a part of Bain Capital, LLC, a global private investment firm whose affiliates manage several pools of capital, including private equity, venture capital, public equity, and leveraged debt assets, with approximately \$40 billion in assets under management. Since its inception in 1984, Bain has made private equity investments and add-on acquisitions in over 230 companies around the world, including such leading retailers and consumer companies as Toys "R" Us, Burger King, Staples, Burlington Coat Factory, Shopper's Drug Mart, Brookstone, Domino's Pizza, Dollarama, Sealy Corp., Sports Authority and Duane Reade. Headquartered in Boston, Bain has offices in New York, London, Munich, Hong Kong, Shanghai, and Tokyo.

The Blackstone Group

The Blackstone Group, a global private investment and advisory firm, was founded in 1985. The firm has raised a total of more than \$63 billion for alternative asset investing since its formation, of which approximately \$30 billion has been for private equity investing. Blackstone's private equity group is currently investing its fifth general private equity fund, with commitments of \$15.6 billion, and has over 60 experienced professionals with broad sector expertise. Blackstone's other core businesses include private real estate investing, corporate debt investing, hedge funds, mutual fund management, private placement, marketable alternative asset management, and investment banking advisory services.

Recent Developments

Announcement of New Chief Executive Officer

On June 4, 2007, the Board of Directors named Brian C. Cornell as the Chief Executive Officer of the Company, effective immediately. Mr. Cornell recently served as Executive Vice President and Chief Marketing Officer of Safeway, Inc., where he was responsible for the merchandising, manufacturing, supply chain, and online business divisions. Mr. Cornell is also a director of OfficeMax Inc.

THE EXCHANGE OFFERS

On October 31, 2006, we issued \$750.0 million aggregate principal amount of 10% Senior Notes due November 1, 2014, \$400.0 million aggregate principal amount of 11³/₈% Senior Subordinated Notes due November 1, 2016 and \$469.4 million aggregate principal amount at maturity of 13% Subordinated Discount Notes due November 1, 2016, all of which were exempt from registration under the Securities Act.

If we and the subsidiary guarantors are not able to effect the exchange offers contemplated by this prospectus, we and the subsidiary guarantors will use reasonable best efforts to file and cause to become effective a shelf registration statement relating to the resale of the outstanding notes. We may be required to pay additional interest on the notes in certain circumstances.

The following is a brief summary of the terms of the exchange offers. For a more complete description of the exchange offers, see "The Exchange Offers."

General	In connection with the private offering, Michaels Stores, Inc. and the guarantors of the outstanding notes entered into registration rights agreements with the initial purchasers in which we agreed, among other things, to deliver this prospectus to you and to complete the exchange offers within 360 days after the date of original issuance of the outstanding notes. You are entitled to exchange in the applicable exchange offer your outstanding notes for exchange notes which are identical in all material respects to the outstanding notes except:
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the exchange notes have been registered under the Securities Act;

the exchange notes are not entitled to registration rights which are applicable to the outstanding notes under the registration rights agreements; and

the liquidated damages provisions of the registration rights agreements are no longer applicable.

Exchange Offers	Michaels is offering to exchange:
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\$750.0 million aggregate principal amount of 10% Senior Notes due 2014 which have been registered under the Securities Act for any and all of its outstanding 10% Senior Notes due 2014;

\$400.0 million aggregate principal amount of 11³/₈% Senior Subordinated Notes due 2016 which have been registered under the Securities Act for any and all of its outstanding 11³/₈% Senior Subordinated Notes due 2016 and;

\$469.4 million aggregate principal amount at maturity of 13% Subordinated Discount Notes due 2016 which have been registered under the Securities Act for any and all of its outstanding 13% Subordinated Discount Notes due 2016.

You may only exchange outstanding notes in integral multiples of \$1,000.

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Resale	<p>Based upon interpretations by the Staff of the Securities and Exchange Commission (the "SEC") set forth in no-action letters issued to unrelated third-parties, we believe that the exchange notes may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act, unless you:</p> <ul style="list-style-type: none">are an "affiliate" of ours within the meaning of Rule 405 under the Securities Act;are a broker-dealer who purchased the notes directly from us for resale under Rule 144A, Regulation S or any other available exemption under the Securities Act;acquired the exchange notes other than in the ordinary course of your business;have an arrangement with any person to engage in the distribution of the exchange notes; orare prohibited by law or policy of the SEC from participating in the exchange offers. <p>However, we have not submitted a no-action letter, and there can be no assurance that the SEC will make a similar determination with respect to the exchange offers. Furthermore, in order to participate in the exchange offers, you must make the representations set forth in the letter of transmittal that we are sending you with this prospectus.</p>
Expiration Date	<p>The exchange offers will expire at 5:00 p.m., New York City time, on _____, 2007 (the "expiration date") unless we, in our sole discretion, extend it. We do not currently intend to extend the expiration date.</p>
Conditions to the Exchange Offers	<p>The exchange offers are subject to certain customary conditions, some of which may be waived by us. See "The Exchange Offers Conditions to the Exchange Offers."</p>
Procedure for Tendering Outstanding Notes	<p>If you wish to tender your outstanding notes for exchange pursuant to the exchange offers, you must transmit to Wells Fargo Bank, as exchange agent, on or prior to the expiration date, either:</p> <ul style="list-style-type: none">a properly completed and duly executed copy of the letter of transmittal accompanying this prospectus, or a facsimile of the letter of transmittal, together with your outstanding notes and any other documentation required by the letter of transmittal, at the address set forth on the cover page of the letter of transmittal; or

if you are effecting delivery by book-entry transfer, a computer-generated message transmitted by means of the Automated Tender Offer Program System of The Depository Trust Company ("DTC") in which you acknowledge and agree to be bound by the terms of the letter of transmittal and which, when received by the exchange agent, forms a part of a confirmation of book-entry transfer.

In addition, you must deliver to the exchange agent on or prior to the expiration date, if you are effecting delivery by book-entry transfer, a timely confirmation of book-entry transfer of your outstanding notes into the account of the exchange agent at DTC pursuant to the procedures for book-entry transfers described in this prospectus under the heading "The Exchange Offers Procedures for Tendering Outstanding Notes."

By executing and delivering the accompanying letter of transmittal or effecting delivery by book-entry transfer, you are representing to us that, among other things:

neither the holder nor any other person receiving the exchange notes pursuant to the exchange offers is an "affiliate" of ours within the meaning of Rule 405 under the Securities Act; and

if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding notes that were acquired as a result of market-making or other trading activities, then you will deliver a prospectus in connection with any resale of such exchange notes.

the person receiving the exchange notes pursuant to the exchange offers, whether or not this person is the holder, is receiving them in the ordinary course of business;

neither the holder nor any other person receiving the exchange notes pursuant to the exchange offers has an arrangement or understanding with any person to participate in the distribution of such exchange notes and that such holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes;

See "The Exchange Offers Procedures for Tendering Outstanding Notes" and "Plan of Distribution."

Special Procedure for Beneficial Owners	If you are the beneficial owner of outstanding notes and your name does not appear on a security listing of DTC as the holder of those notes or if you are a beneficial owner of notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender those notes in the exchange offers, you should promptly contact the person in whose name your notes are registered and instruct that person to tender on your behalf. If you, as a beneficial holder, wish to tender on your own behalf you must, prior to completing and executing the letter of transmittal and delivering your notes, either make appropriate arrangements to register ownership of the notes in your name or obtain a properly completed bond power from the registered holder. The transfer of record ownership may take considerable time.
Guaranteed Delivery Procedures	If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal or any other documents required by the letter of transmittal prior to the expiration date or you cannot comply with the procedures of the Automated Tender Offer Program System of DTC prior to the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under "The Exchange Offers Guaranteed Delivery Procedures."
Withdrawal Rights	The tender of the outstanding notes pursuant to the exchange offers may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.
Acceptance of Outstanding Notes and Delivery of Exchange Notes	Subject to customary conditions, we will accept outstanding notes that are properly tendered in the exchange offers and not withdrawn prior to the expiration date. The exchange notes will be delivered as promptly as practicable following the expiration date.
Effect of Not Tendering in the Exchange Offers	Any outstanding notes that are not tendered or that are tendered but not accepted will remain subject to the restrictions on transfer. Since the outstanding notes have not been registered under the federal securities laws, they bear a legend restricting their transfer absent registration or the availability of a specific exemption from registration. Upon the completion of the exchange offers, we will have no further obligations, except under limited circumstances, to provide for registration of the outstanding notes under the federal securities laws. See "The Exchange Offers Effect of Not Tendering."

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Interest on the Exchange Notes and the Outstanding Notes	The exchange notes will bear interest from the most recent interest payment date to which interest has been paid on the outstanding notes. Holders whose outstanding notes are accepted for exchange will be deemed to have waived the right to receive interest accrued on the outstanding notes.
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Broker-Dealers	Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See "Plan of Distribution."
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Material United States Federal Income Tax Consequences	The exchange of outstanding notes for exchange notes by tendering holders will not be a taxable exchange for United States federal income tax purposes, and such holders will not recognize any taxable gain or loss or any interest income for United States federal income tax purposes as a result of such exchange. See "Material United States Federal Income Tax Consequences."
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Exchange Agent	Wells Fargo Bank, the trustee under the indentures governing the notes (the "indentures"), is serving as exchange agent in connection with the exchange offers.
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Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offers.
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THE EXCHANGE NOTES

The following is a brief summary of the terms of the exchange notes. For a more complete description of the terms of the exchange notes, see "Description of Exchange Notes."

Issuer	Michaels Stores, Inc.
Securities Offered	<p>\$750.0 million in aggregate principal amount of 10% Senior Notes due November 1, 2014.</p> <p>\$400.0 million in aggregate principal amount of 11³/₈% Senior Subordinated Notes due November 1, 2016.</p> <p>\$469.4 million in aggregate principal amount at maturity of 13% Subordinated Discount Notes due November 1, 2016.</p>
Maturity Date	<p>The exchange senior notes will mature on November 1, 2014.</p> <p>The exchange senior subordinated notes and exchange subordinated discount notes will mature on November 1, 2016.</p>
Interest Rate	<p>The exchange senior notes will bear interest at a rate of 10% per annum.</p> <p>The exchange senior subordinated notes will bear interest at a rate of 11³/₈% per annum.</p> <p>The exchange subordinated discount notes will accrete at the rate of 13% per annum, compounding semi-annually on May 1 and November 1 of each year to but not including November 1, 2011 and thereafter will bear interest at a rate of 13% per annum.</p>
Interest Payment Dates	May 1 and November 1 of each year. For the exchange senior and senior subordinated notes, interest payments began on May 1, 2007 and accrue from the issue date of the notes. For the exchange subordinated discount notes, interest payments will begin on May 1, 2012 and accrue from November 1, 2011.
Guarantees	Each of our domestic subsidiaries that guarantees the obligations under our senior secured credit facilities will initially jointly and severally and unconditionally guarantee the exchange senior notes on a senior unsecured basis, the exchange senior subordinated notes on a senior subordinated unsecured basis and exchange subordinated discount notes on a subordinated unsecured basis.
Ranking	<p>The exchange senior notes will be our unsecured senior obligations and will:</p> <p>rank senior in right of payment to all of our existing and future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the exchange senior notes, including the exchange senior subordinated notes and exchange subordinated discount notes;</p> <p>rank equally in right of payment to all of our existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the exchange senior notes; and</p>

be effectively subordinated in right of payment to all of our existing and future secured debt (including obligations under our senior secured credit facilities), to the extent of the value of the assets securing such debt, and be structurally subordinated to all obligations of each of our subsidiaries that is not a guarantor of the exchange senior notes.

Similarly, the exchange senior note guarantees will be unsecured senior obligations of the guarantors and will:

rank senior in right of payment to all of the applicable guarantor's existing and future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the exchange senior notes, including such guarantor's guarantee under the exchange senior subordinated notes and exchange subordinated discount notes;

rank equally in right of payment to all of the applicable guarantor's existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the exchange senior notes; and

be effectively subordinated in right of payment to all of the applicable guarantor's existing and future secured debt (including such guarantor's guarantee under our senior secured credit facilities), to the extent of the value of the assets securing such debt, and be structurally subordinated to all obligations of any subsidiary of a guarantor that is not also a guarantor of the exchange senior notes.

The exchange senior subordinated notes will be our unsecured senior subordinated obligations and will:

be subordinated in right of payment to all of our existing and future senior debt, including our senior secured credit facilities and the exchange senior notes;

rank equally in right of payment to all of our future senior subordinated debt;

be effectively subordinated in right of payment to all of our existing and future secured debt (including under our senior secured credit facilities), to the extent of the value of the assets securing such debt, and be structurally subordinated to all obligations of each of our subsidiaries that is not a guarantor of the exchange senior subordinated notes; and

rank senior in right of payment to all of our future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the exchange senior subordinated notes, including the exchange subordinated discount notes.

Similarly, the exchange senior subordinated note guarantees will be unsecured senior subordinated obligations of the guarantors and will:

be subordinated in right of payment to all of the applicable guarantor's existing and future senior debt, including such guarantor's guarantees under the exchange senior notes and our senior secured credit facilities;

rank equally in right of payment to all of the applicable guarantor's future senior subordinated debt;

be effectively subordinated in right of payment to all of the applicable guarantor's existing and future secured debt (including under our senior secured credit facilities), to the extent of the value of the assets securing such debt; and

rank senior in right of payment to all of the applicable guarantor's future subordinated debt and other obligations that are, by their terms, expressly subordinated in right of payment to the exchange senior subordinated notes, including such guarantor's guarantee under the exchange subordinated discount notes.

The exchange subordinated discount notes will be our unsecured subordinated obligations and will:

be subordinated in right of payment to all of our existing and future senior indebtedness (including our senior secured credit facilities, the exchange senior notes and the exchange senior subordinated notes);

rank equally in right of payment to all of our future subordinated debt, and;

be effectively subordinated in right of payment to all of our secured indebtedness (including our senior secured credit facilities) to the extent of the value of our assets securing such indebtedness, and be structurally subordinated to all obligations of each of our subsidiaries that is not a guarantor of the exchange subordinated discount notes.

Similarly, the exchange subordinated discount note guarantees will be unsecured subordinated obligations of the guarantors and will:

be subordinated in right of payment to all of the applicable guarantor's existing and future senior indebtedness, including such guarantor's guarantees under the exchange senior notes, the exchange senior subordinated notes and our senior secured credit facilities;

rank equally in right of payment to all of the applicable guarantor's future subordinated debt; and,

be effectively subordinated in right of payment to all of the applicable guarantor's future secured debt (including our senior secured credit facilities), to the extent of the value of assets securing such debt.

As of May 5, 2007, (1) the outstanding notes and related guarantees ranked effectively junior to approximately \$2.659 billion of senior secured indebtedness, (2) the outstanding senior notes and related guarantees ranked senior to the \$400.0 million of outstanding senior subordinated notes and \$469.4 million principal amount at maturity of outstanding subordinated discount notes, (3) the outstanding senior subordinated notes and related guarantees ranked junior to approximately \$3.409 billion of senior indebtedness under the senior secured credit facilities and the outstanding senior notes and ranked senior to approximately \$469.4 million principal amount at maturity of outstanding subordinated discount notes, and (4) the outstanding subordinated discount notes ranked junior to approximately \$3.809 billion of senior indebtedness under the senior secured credit facilities, the outstanding senior notes and the outstanding senior subordinated notes.

Optional Redemption

Prior to November 1, 2010 we may redeem some or all of the exchange senior notes for cash at a redemption price equal to 100% of their principal amount plus an applicable make-whole premium (as described in "Description of Senior Notes Optional Redemption") plus accrued and unpaid interest to the redemption date. Beginning on November 1, 2010, we may redeem some or all of the exchange senior notes at the redemption prices listed under "Description of Senior Notes Optional Redemption" plus accrued and unpaid interest to the redemption date.

Prior to November 1, 2011 we may redeem some or all of the exchange senior subordinated notes for cash at a redemption price equal to 100% of their principal amount plus an applicable make-whole premium (as described in "Description of Senior Subordinated Notes Optional Redemption") plus accrued and unpaid interest to the redemption date. Beginning on November 1, 2011, we may redeem some or all of the exchange senior subordinated notes at the redemption prices listed under "Description of Senior Subordinated Notes Optional Redemption" plus accrued and unpaid interest to the redemption date. Prior to November 1, 2011 we may redeem some or all of the exchange senior subordinated discount notes for cash at a redemption price equal to 100% of their accreted value plus an applicable make-whole premium (as described in "Description of Subordinated Discount Notes Optional Redemption") plus accrued and unpaid interest to the redemption date. Beginning on November 1, 2011, we may redeem some or all of the exchange subordinated discount notes at the redemption prices listed under "Description of Subordinated Discount Notes Optional Redemption" plus accrued and unpaid interest to the redemption date.

Optional Redemption After Equity Offerings

At any time (which may be more than once) until November 1, 2009, we can choose to redeem up to 35% of the notes of any series of exchange notes with money that we raise in certain equity offerings, so long as:

we pay 110.000% of the face amount of the exchange senior notes or 111.375% of the face amount of the exchange senior subordinated notes or 113.000% of the accreted value of the exchange subordinated discount notes, as applicable, plus accrued and unpaid interest;

we redeem the notes within 90 days of completing such equity offering; and

at least 50% of the aggregate principal amount (or principal amount at maturity) of the applicable series of exchange notes (including any applicable notes issued after the issue date) remains outstanding afterwards.

Change of Control

If we experience a change in control, we must give holders of the exchange notes the opportunity to sell us their exchange notes at 101% of their face amount (or accreted value, in the case of the exchange subordinated discount notes), plus accrued and unpaid interest.

We might not be able to pay you the required price for exchange notes you present to us at the time of a change of control, because we might not have enough funds at that time or the terms of our senior debt may prevent us from paying.

Certain Covenants

The indentures governing the exchange senior notes, the exchange senior subordinated notes and the exchange subordinated discount notes will contain covenants limiting our ability and the ability of our restricted subsidiaries to, among other things:

incur additional debt;

pay dividends or distributions on our capital stock or repurchase our capital stock;

issue stock of subsidiaries;

make certain investments;

create liens on our assets to secure debt;

enter into transactions with affiliates;

merge or consolidate with another company; and

sell or otherwise transfer assets.

These covenants are subject to a number of important limitations and exceptions, and the requirement to comply with certain covenants may be suspended or eliminated upon achievement of investment grade ratings for the notes.

No Public Market

The exchange notes will be freely transferable but will be new securities for which there will not initially be a market. Accordingly, we cannot assure you whether a market for the exchange notes will develop or as to the liquidity of any market. The initial purchasers in the private offering of the outstanding notes have advised us that they currently intend to make a market in the exchange notes. The initial purchasers are not obligated, however, to make a market in the exchange notes, and any such market-making may be discontinued by the initial purchasers in their discretion at any time without notice.

Risk Factors

Participating in the exchange offers, and therefore investing in the exchange notes, involves substantial risk. See the "Risk Factors" section of this prospectus for a description of material risks you should consider before investing in the exchange notes.

Corporate Information

Michaels Stores, Inc., a Delaware corporation, was founded in 1984 and is headquartered in Irving, Texas. Our principal executive offices are located at 8000 Bent Branch Drive, Irving, Texas 75063. Our telephone number is (972) 409-1300. Our website address is www.michaels.com where our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports are available, without charge, as soon as reasonably practicable following the time they are filed with or furnished to the SEC. None of the information on our website or any other website identified herein is part of this prospectus. All website addresses in this prospectus are intended to be inactive textual references only.

**SUMMARY HISTORICAL AND UNAUDITED PRO FORMA
CONSOLIDATED FINANCIAL AND OTHER DATA**

The following table sets forth our summary historical and unaudited pro forma consolidated financial and other data as of the dates and for the periods indicated. The summary historical financial data for, and as of, the years ended January 29, 2005, January 28, 2006 and February 3, 2007 and the quarters ended May 5, 2007 and April 29, 2006 is derived from our consolidated financial statements. Historical results are not necessarily indicative of the results to be expected for future periods.

The unaudited pro forma financial data as of and for the year ended February 3, 2007 gives effect to the Merger as if it had occurred at the beginning of the period presented. The pro forma adjustments are based upon available data and certain assumptions that we believe are reasonable. The summary unaudited pro forma condensed consolidated financial data is for informational purposes only and does not purport to represent what our results of operations or financial position would actually be if the Merger occurred at any date, nor does such data purport to project the results of operations for any future period.

The summary historical and unaudited pro forma consolidated financial data and other data should be read in conjunction with "Selected Historical Consolidated Financial and Other Data," "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	Three months ended May 5, 2007	Three months ended April 29, 2006	Fiscal Year			Pro Forma Twelve Months ended February 3, 2007
			2006	2005	2004	

(as restated) (as restated)

(In thousands except per share and store data)

Results of Operations Data:

Net sales	\$ 844,133	\$ 832,481	\$ 3,864,976	\$ 3,676,365	\$ 3,393,251	\$ 3,865,000
Operating income	59,434	76,063	203,147	381,101	342,771	193,300
(Loss) Income before cumulative effect of accounting change	(22,603)	51,701	41,096	228,213	203,954	(145,400)
Cumulative effect of accounting change, net of income tax(1)				7,491		
Net (loss) income	(22,603)	51,701	41,096	220,722	203,954	(145,400)

Balance Sheet Data:

Cash and equivalents	\$ 45,056	\$ 441,843	\$ 30,098	\$ 452,449	\$ 535,852	n/a
Merchandise inventories	878,634	793,984	847,529	784,173	789,351	n/a
Total current assets	1,085,245	1,316,772	1,000,180	1,314,726	1,481,651	n/a
Total assets	1,777,829	1,891,154	1,693,002	1,875,633	2,022,040	n/a
Total current liabilities	839,431	509,425	741,997	496,766	511,940	n/a
Long-term debt	3,731,064		3,728,745		200,000	n/a
Total liabilities	4,668,161	601,314	4,568,325	588,206	814,495	n/a
Stockholders' (deficit) equity	(2,890,332)	1,289,840	(2,875,323)	1,287,427	1,207,545	n/a

Other Financial Data:

Cash flow from operating activities	\$ (51,227)	\$ 106,467	\$ 157,113	\$ 363,956	\$ 431,375	n/a
Cash flow from investing activities	(28,039)	(38,914)	(142,585)	(67,918)	(144,709)	n/a
Cash flow from financing activities	94,224	(78,159)	(436,879)	(379,441)	(92,639)	n/a
Ratio of Earnings to Fixed Charges(2)		4.2	1.5	4.2	4.1	n/a

Other Operating Data:

Average net sales per selling square foot(3)	n/a	n/a	\$ 224	\$ 221	\$ 216	n/a
Comparable store sales (decrease) increase(4)	(0.5)%	(3.0)%	0.3%	3.6%	4.7%	n/a

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	Fiscal Year					Pro Forma	
Total selling square footage	18,320	18,298	18,150	17,505	16,012	Twelve Months ended	n/a
						February 3, 2007	
		14					

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Stores Open at End of Year:

Michaels	928	899	920	885	844	n/a
Aaron Brothers	168	165	166	166	164	n/a
Recollections	11	11	11	11	8	n/a
Star Decorators Wholesale	4	4	4	4	3	n/a
Total stores open at end of year	1,111	1,079	1,101	1,066	1,019	n/a

- (1) We changed our method of accounting for merchandise inventories from a retail inventory method to the weighted average cost method in the fourth quarter of fiscal 2005. As a result, we recorded a non-cash charge of \$7.5 million, net of income tax, in fiscal 2005 for the cumulative effect of accounting change on prior fiscal years. For further information with respect to this change and other accounting items that affect the comparability of our financial statements, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations Accounting items."
- (2) For purposes of calculating the ratio of earnings to fixed charges, earnings represent income (loss) before income taxes, plus fixed charges. Fixed charges consist of interest expense on all indebtedness plus amortization of debt issuance costs and the portion of rental expense that we believe is representative of the interest component of rental expense. For the three months ended May 5, 2007, earnings were insufficient to cover fixed charges by \$33.5 million.
- (3) The calculation of average net sales per selling square foot includes only Michaels stores open longer than 36 months, and excludes Aaron Brothers, Recollections, and Star Decorators Wholesale stores.
- (4) Comparable store sales increase represents the increase in net sales for stores open the same number of months in the indicated and comparable period of the previous year, including stores that were relocated or expanded during either period. A store is deemed to become comparable in its 14th month of operation in order to eliminate grand opening sales distortions. A store temporarily closed more than 2 weeks due to a catastrophic event is not considered comparable during the month it closed. If a store is closed longer than 2 weeks but less than 2 months, it becomes comparable in the month in which it reopens, subject to a mid-month convention. A store closed longer than 2 months becomes comparable in its 14th month of operation after its reopening.

RISK FACTORS

You should carefully consider the following risk factors and all other information contained in this prospectus before deciding to tender your outstanding notes in the exchange offers. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us.

Risks Related to the Exchange Offers

There may be adverse consequences if you do not exchange your outstanding notes.

If you do not exchange your outstanding notes for exchange notes in the applicable exchange offer, you will continue to be subject to restrictions on transfer of your outstanding notes as set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreements, we do not intend to register resales of the outstanding notes under the Securities Act. You should refer to "Summary The Exchange Offers" and "The Exchange Offers" for information about how to tender your outstanding notes.

The tender of outstanding notes under the exchange offers will reduce the outstanding amount of each series of the outstanding notes, which may have an adverse effect upon, and increase the volatility of, the market prices of the outstanding notes due to a reduction in liquidity.

Risks Related to the Exchange Notes and Our Other Indebtedness

We Face Risks Related to Our Substantial Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our notes and credit facilities. Our high degree of leverage could have important consequences to us, including:

making it more difficult for us to make payments on our debt;

increasing our vulnerability to general economic and industry conditions;

requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our debt, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities;

exposing us to the risk of increased interest rates as our borrowings under our senior secured credit facilities are at variable rates;

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes; and

limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit facilities and the indentures governing our notes. In addition, our senior secured credit facilities and indentures governing

our notes do not

restrict our owners from creating new holding companies that may be able to incur indebtedness without regard to the restrictions set forth in our credit facilities and indentures. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our Debt Agreements Contain Restrictions That Limit our Flexibility in Operating our Business

Our senior secured credit facilities and the indentures governing our notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- incur additional debt;
- pay dividends or distributions on our capital stock or repurchase our capital stock;
- issue stock of subsidiaries;
- make certain investments;
- create liens on our assets to secure debt;
- enter into transactions with affiliates;
- merge or consolidate with another company; and
- sell or otherwise transfer assets.

A breach of any of these covenants could result in a default under our senior secured credit facilities. Upon the occurrence of an event of default under our senior secured credit facilities, the lenders could elect to declare all amounts outstanding under our senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under our senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under our senior secured credit facilities. If the lenders under our senior secured credit facilities accelerate the repayment of borrowings, we cannot assure that we will have sufficient assets to repay our senior secured credit facilities, as well as our unsecured indebtedness, including the exchange notes.

Our senior secured asset-based revolving credit facility permits us to borrow up to \$1.0 billion; however, our ability to borrow thereunder is limited by a borrowing base, which at any time will equal the sum of 90% of eligible credit card receivables and debit card receivables plus between 90% and 85% of the appraised net orderly liquidation value of eligible inventory and of eligible letters of credit plus a specified percentage of eligible in-transit inventory, less certain reserves, and the sum of an additional 10% appraised net orderly liquidation value of eligible inventory and of eligible letters of credit plus an additional 5% of eligible credit card receivables and debit card receivables under a "last out" tranche. In addition, our ability to borrow under this facility is limited by a minimum liquidity condition, providing that, if excess availability is less than \$75.0 million at any time, we are not permitted to borrow any additional amounts under the senior secured asset-based revolving credit facility unless our pro forma Consolidated Fixed Charge Coverage Ratio (as defined in the credit agreement for our senior secured asset-based revolving credit facility) is at least 1.1 to 1.0. Moreover, our senior secured asset-based revolving credit facility provides discretion to the agent bank acting on behalf of the lenders to impose additional availability reserves, which could materially impair the amount of borrowings that would otherwise be available to us. There can be no assurance that the agent bank will not impose such reserves or, were it to do so, that the resulting impact of this action would not materially and adversely impair our liquidity.

We may not be able to generate sufficient cash to service all of our indebtedness, including the exchange notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flow from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our senior secured credit facilities, the indentures governing the notes and the exchange notes offered hereby will restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

Your right to receive payments on each series of notes is effectively junior to those lenders who have a security interest in our assets.

Our obligations under the exchange notes and our guarantors' obligations under their guarantees of the exchange notes are unsecured, but our obligations under our senior secured credit facilities and each guarantor's obligations under their respective guarantees of the senior secured credit facilities are secured by a security interest in substantially all of our domestic tangible and intangible assets, including the stock and the assets of our current and certain future wholly-owned U.S. subsidiaries, the stock and the assets of Michaels of Canada, ULC and a portion of the stock of certain of our U.S. guarantor subsidiaries' non-U.S. subsidiaries. If we are declared bankrupt or insolvent, or if we default under our senior secured credit facilities, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the exchange notes, even if an event of default exists under the indentures governing the exchange notes offered hereby at such time.

Furthermore, if the lenders foreclose and sell the pledged equity interests in any subsidiary guarantor under the exchange notes, then that guarantor will be released from its guarantee of the exchange notes automatically and immediately upon such sale. In any such event, because the exchange notes will not be secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully. See "Description of Other Indebtedness." As of May 5, 2007, we had \$2.659 billion of senior secured indebtedness under our senior secured credit facilities which did not include availability of approximately \$433.3 million under our senior secured asset-based revolving credit facility (after giving effect to \$15 million of outstanding stand-by letters of credit and our required borrowing base, which would reduce the amount available under our new senior secured asset-based revolving credit facility).

The indentures governing the exchange notes offered hereby will permit us and our restricted subsidiaries to incur substantial additional indebtedness in the future, including senior secured indebtedness.

Your claims to our assets will be structurally subordinated to all of the creditors of any non-guarantor subsidiaries.

In general, our foreign subsidiaries, unrestricted subsidiaries, non-wholly owned subsidiaries and other subsidiaries that do not guarantee our indebtedness or indebtedness of a guarantor of the exchange notes are not required to guarantee the exchange notes. Accordingly, claims of holders of the exchange notes will be structurally subordinated to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or a guarantor of the exchange notes.

Your right to receive payments on the exchange senior subordinated notes will be junior to the rights of the lenders under our senior secured credit facilities and all of our other senior debt, including the exchange senior notes, and any of our future senior indebtedness.

The exchange senior subordinated notes will be general unsecured obligations that will be junior in right of payment to all of our existing and future senior indebtedness. As of May 5, 2007, we had approximately \$3.809 billion of senior indebtedness, including \$400.0 million of the outstanding senior subordinated notes and an additional \$433.3 million of senior indebtedness available to be drawn under our senior secured asset-based revolving credit facility (after giving effect to \$15 million of outstanding letters of credit and our required borrowing base, which would reduce the amount available under our new senior secured asset-based revolving credit facility).

We may not pay principal, premium, if any, interest or other amounts on account of the exchange senior subordinated notes in the event of a payment default in respect of certain of our senior indebtedness, including debt under the senior secured credit facilities and the exchange senior notes, unless the senior indebtedness has been paid in full or the default has been cured or waived. In addition, in the event of certain defaults with respect to designated senior indebtedness, we may not be permitted to pay any amount on account of the exchange senior subordinated notes for a designated period of time. Because of the subordination provisions in the exchange senior subordinated notes, in the event of our bankruptcy, liquidation or dissolution, our assets will not be available to pay obligations under the exchange senior subordinated notes until we have made all payments in cash on our senior indebtedness. We cannot assure you that sufficient assets will remain after all these payments have been made to make any payments on the exchange senior subordinated notes, including payments of principal or interest when due.

Your right to receive payments on the exchange subordinated discount notes will be junior to the rights of the lenders under our senior secured credit facilities and all of our other senior debt, including the senior notes and senior subordinated notes, and any of our future senior indebtedness.

The exchange subordinated discount notes will be general unsecured obligations that will be junior in right of payment to all of our existing and future senior indebtedness. As of May 5, 2007, we had approximately \$3.809 billion of senior indebtedness and an additional \$433.3 million of senior indebtedness available to be drawn under our senior secured asset-based revolving credit facility (after giving effect to \$15 million of outstanding letters of credit and our required borrowing base, which would reduce the amount available under our new senior secured asset-based revolving credit facility).

We may not pay principal, premium, if any, interest or other amounts on account of the exchange subordinated discount notes in the event of a payment default in respect of certain of our senior indebtedness, including debt under the senior secured credit facilities, the exchange senior notes and the exchange senior subordinated notes, unless the senior indebtedness has been paid in full or the default has been cured or waived. In addition, in the event of certain defaults with respect to designated senior indebtedness, we may not be permitted to pay any amount on account of the

subordinated discount notes for a designated period of time. Because of the subordination provisions in the exchange subordinated discount notes, in the event of our bankruptcy, liquidation or dissolution, our assets will not be available to pay obligations under the exchange subordinated discount notes until we have made all payments in cash on our senior indebtedness. We cannot assure you that sufficient assets will remain after all these payments have been made to make any payments on the exchange subordinated discount notes, including payments of principal or interest when due.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on the exchange notes.

Any default under the agreements governing our indebtedness, including a default under the senior secured credit facilities, that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could prevent us from paying principal, premium, if any, and interest on the notes and substantially decrease the market value of the exchange notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in our senior secured credit facilities and the indentures governing the exchange notes offered hereby), we could be in default under the terms of the agreements governing such indebtedness, including our senior secured credit facilities and the indentures governing the exchange notes offered hereby. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our senior secured credit facilities could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior secured credit facilities to avoid being in default. If we breach our covenants under our senior secured credit facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior secured credit facilities, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

We may not be able to repurchase the exchange notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all outstanding exchange notes at 101% of their principal amount plus accrued and unpaid interest. The source of funds for any such purchase of the exchange notes will be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the exchange notes upon a change of control because we may not have sufficient financial resources to purchase all of the exchange notes that are tendered upon a change of control. Further, we will be contractually restricted under the terms of our senior secured credit facilities from repurchasing all of the exchange notes tendered by holders upon a change of control. Accordingly, we may not be able to satisfy our obligations to purchase the exchange notes unless we are able to refinance or obtain waivers under our senior secured credit facilities. Our failure to repurchase the exchange notes upon a change of control would cause a default under the indentures governing the exchange notes offered hereby and a cross-default under the senior secured credit facilities. The senior secured credit facilities also provide that a change of control will be a default that permits lenders to accelerate the maturity of borrowings thereunder. Any of our future debt agreements may contain similar provisions.

The lenders under the senior secured credit facilities will have the discretion to release the guarantors under the senior secured credit facilities in a variety of circumstances, which will cause those guarantors to be released from their guarantees of the exchange notes.

While any obligations under the senior secured credit facilities remain outstanding, any guarantee of the exchange notes may be released without action by, or consent of, any holder of the exchange notes or the trustee under the indentures governing the exchange notes offered hereby, at the discretion of lenders under the senior secured credit facilities, if the related guarantor is no longer a guarantor of obligations under the senior secured credit facilities or any other indebtedness. See "Description of Senior Notes" and "Description of Senior Subordinated Notes." The lenders under the senior secured credit facilities will have the discretion to release the guarantees under the senior secured credit facilities in a variety of circumstances. You will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the exchange notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to claims of noteholders.

Federal and state fraudulent transfer laws may permit a court to void the exchange notes or the guarantees, and, if that occurs, you may not receive any payments on the exchange notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the exchange notes and the incurrence of the guarantees. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the exchange notes or guarantees could be voided as a fraudulent transfer or conveyance if (1) we or any of the guarantors, as applicable, issued the exchange notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors or (2) we or any of the guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the exchange notes or incurring the guarantees and, in the case of (2) only, one of the following is also true at the time thereof:

we or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the exchange notes or the incurrence of the guarantees;

the issuance of the exchange notes or the incurrence of the guarantees left us or any of the guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;

we or any of the guarantors intended to, or believed that we or such guarantor would, incur debts beyond our or such guarantor's ability to pay as they mature; or

we or any of the guarantors was a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.

If a court were to find that the issuance of the exchange notes or the incurrence of the guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the exchange notes or such guarantee or subordinate or further subordinate, as applicable, the exchange notes or such guarantee to presently existing and future indebtedness of ours or of the related guarantor, or require the holders of the exchange notes to repay any amounts received. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any payment on the exchange notes. Further, the voidance of the exchange notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of such debt. As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the

proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor.

We cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the exchange notes or the guarantees would not be subordinated or further subordinated, as applicable, to our or any of our guarantors' other debt.

Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and an active trading market for the exchange notes may not develop.

The exchange notes are new securities for which there is currently no market. Accordingly, the development or liquidity of any market for the exchange notes is uncertain. We do not intend to apply for a listing of the exchange notes on a securities exchange or on any automated dealer quotation system.

We cannot assure you as to the liquidity of markets that may develop for the exchange notes, your ability to sell the exchange notes or the price at which you would be able to sell the exchange notes. If such markets were to exist, the exchange notes could trade at prices that may be lower than their principal amount or purchase price depending on many factors, including prevailing interest rates, the market for similar notes, our financial and operating performance and other factors. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the exchange notes. The market, if any, for the exchange notes may experience similar disruptions and any such disruptions may adversely affect the prices at which you may sell your notes.

Risks Related to Our Company

Changes in Customer Demands Could Materially Adversely Affect Our Sales, Operating Results, and Cash Flow

Our success depends on our ability to anticipate and respond in a timely manner to changing customer demands and preferences for products and supplies used in creative activities. If we misjudge the market, we may significantly overstock unpopular products and be forced to take significant inventory markdowns, which would have a negative impact on our operating results and cash flow. Also, shortages of key items could have a material adverse impact on our operating results. In addition, adverse weather conditions, unfavorable economic trends, and consumer confidence volatility could have a material adverse impact on our sales and operating results.

Unexpected or Unfavorable Consumer Responses to Our Promotional or Merchandising Programs Could Materially Adversely Affect Our Sales, Operating Results, and Cash Flow

Brand recognition, quality, and price have a significant influence on consumers' choices among competing products and brands. Advertising, promotion, merchandising, and the pace and timing of new product introductions also have a significant impact on consumers' buying decisions. If we misjudge consumer responses to our existing or future promotional activities, this could have a material adverse impact on our financial condition and operating results.

We believe changes in our merchandise offering help drive sales at our stores. We could be materially adversely affected by poor operational execution of changes to our merchandise offering or by unexpected consumer responses to changes in our merchandise offering.

Changes in Newspaper Subscription Rates May Result in Reduced Exposure to Our Circular Advertisements

The majority of our promotional activities utilize circular advertisements in local newspapers. A continued decline in consumer subscriptions of these newspapers could reduce the frequency in which consumers receive our circular advertisements, thereby negatively affecting sales, operating results, and cash flow.

Changes in Consumer Confidence Could Result in a Reduction in Consumer Spending on Items Perceived to be Discretionary

Our stores offer arts and crafts supplies and products for the crafter and do-it-yourself home decorator, which some customers may perceive as discretionary. Should their perception of the economy deteriorate, consumers may change spending patterns to reduce the amount spent on discretionary items.

Our Success Will Depend on How Well We Manage Our Growth

Even if we are able to implement, to a significant degree, our strategy of expanding our store base, or additionally, to expand our business through acquisitions or vertical integration opportunities, we may experience problems, which may prevent any significant increase in profitability or negatively impact our cash flow. For example:

the costs of opening and operating new stores may offset the increased sales generated by the additional stores;

the closure of unsuccessful stores may result in the retention of liability for expensive leases;

a significant portion of our management's time and energy may be consumed with issues unrelated to advancing our core business strategy, which could possibly result in a deterioration of our operating results;

our expansion may outpace our planned technological advances and current systems with the possible consequences of breakdowns in our supply chain management and reduced effectiveness of our operational systems and controls;

we may be unable to hire, train, and retain qualified employees, including management and senior executives; existing vacancies in key executive positions, if unfilled for a significant period of time, may adversely affect strategic and operational effectiveness;

our suppliers may be unable to meet the increased demand of additional stores in a timely manner; and

we may be unable to expand our existing distribution centers or use third-party distribution centers on a cost-effective basis to provide merchandise for sale by our new stores.

Our Growth Depends on Our Ability to Open New Stores

One of our key business strategies is to expand our base of retail stores. If we are unable to implement this strategy, our ability to increase our sales, profitability, and cash flow could be impaired. To the extent that we are unable to open new stores as we anticipate, our sales growth would come only from increases in comparable store sales. Growth in profitability in that case would depend significantly on our ability to reduce our costs as a percentage of our sales. We may be unable to implement our strategy if we cannot identify suitable sites for additional stores, negotiate acceptable leases, access sufficient capital to support store growth, or hire and train a sufficient number of qualified associates.

Our Suppliers May Fail Us

Many of our suppliers are small firms that produce a limited number of items. Given their limited resources, these firms are susceptible to cash flow issues, production difficulties, quality control issues, and problems in delivering agreed-upon quantities on schedule. We cannot assure you that we would be able, if necessary, to return products to these suppliers and obtain refunds of our purchase price or obtain reimbursement or indemnification from them if their products prove defective. In addition, these suppliers may be unable to withstand a downturn in economic conditions. Significant failures on the part of our key suppliers could have a material adverse effect on our operating results.

In addition, many of these suppliers require extensive advance notice of our requirements in order to supply products in the quantities we desire. This long lead time requires us to place orders far in advance of the time when certain products will be offered for sale, exposing us to risk of shifts in demand.

Our Reliance on Foreign Suppliers Increases Our Risk of Obtaining Adequate, Timely, and Cost-Effective Product Supplies

We rely to a significant extent on foreign manufacturers of various products that we sell. In addition, many of our domestic suppliers purchase a portion of their products from foreign sources. This reliance increases the risk that we will not have adequate and timely supplies of various products due to local political, economic, social, or environmental conditions (including acts of terrorism, the outbreak of war, or the occurrence of natural disaster), transportation delays (including dock strikes and other work stoppages), restrictive actions by foreign governments, or changes in United States laws and regulations affecting imports or domestic distribution. Reliance on foreign manufacturers also increases our exposure to fluctuations in exchange rates (including the potential revaluation of the Chinese Yuan) and trade infringement claims and reduces our ability to return product for various reasons.

All of our products manufactured overseas and imported into the United States are subject to duties collected by the United States Customs Service. We may be subjected to additional duties, significant monetary penalties, the seizure and the forfeiture of the products we are attempting to import, or the loss of import privileges if we or our suppliers are found to be in violation of U.S. laws and regulations applicable to the importation of our products.

Improvements to Our Supply Chain May Not Be Fully Successful

An important part of our efforts to achieve efficiencies, cost reductions, and sales and cash flow growth is the identification and implementation of improvements to our supply chain, including merchandise ordering, transportation, and receipt processing. During fiscal 2007, we will continue to implement a number of enhancements to our distribution systems with select suppliers, enabling us to evaluate our ability to distribute additional SKUs through our distribution centers. Significant changes to our supply chain could have a material adverse impact on our operating results.

We May Fail to Optimize or Adequately Maintain Our Perpetual Inventory and Automated Replenishment Systems

We have completed the rollout of our perpetual inventory, automated replenishment, and weighted average cost stock ledger systems, which we believe are necessary to properly forecast, manage, and analyze our inventory levels, margins, and merchandise ordering quantities. We may fail to properly optimize the effectiveness of these systems, or to adequately support and maintain the systems, which could have a material adverse impact on our financial condition and operating results.

Our Information Systems May Prove Inadequate

We depend on our management information systems for many aspects of our business. We will be materially adversely affected if our management information systems are disrupted or we are unable to improve, upgrade, maintain, and expand our systems, particularly in light of our continued significant increases in the number of stores.

Failure to Adequately Maintain the Security of Our Electronic and Other Confidential Information Could Materially Adversely Affect Our Financial Condition and Operating Results

We have become increasingly centralized and dependent upon automated information technology processes. In addition, a portion of our business operations is conducted over the Internet, increasing the risk of viruses that could cause system failures and disruptions of operations. Any failure to maintain the security of our data and our customers' confidential information, including via the penetration of our network security and the misappropriation of confidential information, could put us at a competitive disadvantage, result in deterioration in our customers' confidence in us, subject us to potential litigation and liability, and fines and penalties, resulting in a possible material adverse impact on our financial condition and operating results.

A Weak Fourth Quarter Would Materially Adversely Affect Our Operating Results

Our business is highly seasonal. Our inventories and short-term borrowings grow in the second and third fiscal quarters as we prepare for our peak selling season in the third and fourth fiscal quarters. Our most important quarter in terms of sales, profitability, and cash flow historically has been the fourth fiscal quarter. If for any reason our fourth fiscal quarter results were substantially below expectations, our operating results for the full year would be materially adversely affected, and we could have substantial excess inventory, especially in seasonal merchandise that is difficult to liquidate.

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

Commodity prices, including oil, have risen significantly in the last few years. This increase and any future increases in commodity prices or inflation may adversely affect our costs, including cost of merchandise and distribution costs. Furthermore, the trucking industry is experiencing a shortage of drivers, which is exacerbated by higher fuel prices. Our operating results may be adversely affected if we are unable to secure adequate trucking resources to fulfill our delivery schedules to the stores, particularly as we deliver our fall and Christmas seasonal merchandise.

Competition Could Negatively Impact Our Operations

The retail arts and crafts industry is competitive, which could result in the reduction of our prices and our loss of market share. We must remain competitive in the areas of quality, price, breadth of selection, customer service, and convenience. We compete with mass merchants (e.g., Wal-Mart Stores, Inc.), who dedicate a portion of their selling space to a limited selection of craft supplies and seasonal and holiday merchandise, regional chains, and local merchants. We also compete with specialty arts and crafts retailers, which include Hobby Lobby, A.C. Moore Arts & Crafts, Inc., Jo-Ann Superstores (operated by Jo-Ann Stores, Inc.), and Garden Ridge Corporation. Some of our competitors, particularly the mass merchants, are larger and have greater financial resources than we do. In addition, alternative methods of selling crafts, such as over the Internet, could result in additional competitors in the future and increased price competition since our customers could more readily comparison shop. Furthermore, we ultimately compete with alternative sources of entertainment and leisure for our customers.

The Interests of Our Controlling Stockholders May Conflict with the Interests of Our Creditors

The Sponsors indirectly own over 93% of the Company's Common Stock. The interests of these funds as equity holders may conflict with those of our creditors. The controlling stockholders may have an incentive to increase the value of their investment or cause us to distribute funds at the expense of our financial condition and affect our ability to make payments on the outstanding notes. In addition, these funds will have the power to elect a majority of our board of directors and appoint new officers and management and, therefore, effectively will control many other major decisions regarding our operations.

INDUSTRY AND MARKET DATA

Market and industry data throughout this prospectus was obtained from a combination of our own research, the good faith estimates of management and various trade associations. While we believe our research, third party information, estimates of management and data from trade associations are reliable, we have not verified this data with any independent sources. Accordingly, we do not make any representations as to the accuracy or completeness of that data.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This registration statement contains "forward-looking statements" within the meaning of the federal securities laws, which statements involve risks and uncertainties. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "could," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions that concern our strategy, plans or intentions. All statements we make relating to the closing of the transactions described in this registration statement or to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performances and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from our expectations ("cautionary statements") are disclosed under "Risk Factors" and elsewhere in this registration statement, including, without limitation, in conjunction with the forward-looking statements included in this registration statement. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

The matters referred to in the forward-looking statements contained in this registration statement may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

THE EXCHANGE OFFERS

Purpose and Effect of the Exchange Offers

Michaels and the guarantors of the notes have entered into registration rights agreements with the initial purchasers of the outstanding notes in which we agreed, under certain circumstances, to use our reasonable best efforts to file a registration statement relating to offers to exchange the outstanding notes for exchange notes and thereafter cause the registration statement to become effective under the Securities Act no later than 360 days following the closing date of the issuances of the outstanding notes. The exchange notes will have terms identical in all material respects to the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions, registration rights and additional interest for failure to observe certain obligations in the applicable registration rights agreement. The outstanding notes were issued on October 31, 2006.

Under the circumstances set forth below, Michaels and the guarantors will use their reasonable best efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the outstanding notes within the time periods specified in the registration rights agreements and keep the statement effective for up to two years after the effective date of the shelf registration statement. These circumstances include:

if any changes in law, SEC rules or regulations or applicable interpretations thereof by the SEC do not permit us to effect the exchange offers as contemplated by the registration rights agreements;

if the exchange offers are not consummated within 360 days after the date of issuance of the outstanding notes;

if any initial purchaser so requests with respect to the outstanding notes not eligible to be exchanged for the exchange notes and held by it within 30 days after the consummation of the exchange offers; or

if any holder that participates in the exchange offers does not receive freely transferable exchange notes in exchange for tendered outstanding notes.

If (A) we have not exchanged exchange notes for all notes validly tendered in accordance with the terms of an exchange offer on or prior to the 360th day after the original issue date of the notes nor had a shelf registration statement declared effective on or prior to such date, (B) are required to file a shelf registration statement and such shelf registration statement is not declared effective on or prior to the 360th day after the date such filing was required or (C) if applicable, a shelf registration statement covering resales of the applicable series of notes has been declared effective and such shelf registration statement ceases to be effective at any time during the shelf registration period (subject to certain exceptions), then additional interest shall accrue on the principal amount of the applicable series of notes at a rate of 0.25% per annum (which rate will be increased by an additional 0.25% per annum for each subsequent 90-day period that such additional interest continues to accrue, provided that the rate at which such additional interest accrues may in no event exceed 1.00% per annum) commencing on (x) the 361st day after the original issue date of the notes, in the case of (A) above, (y) the 361st day after such shelf registration statement filing was required, in the case of (B) above or (z) the day such shelf registration statement ceases to be effective, in the case of (C) above; provided, however, that upon the exchange of exchange notes for all notes tendered (in the case of clause (A) above), upon effectiveness of the applicable shelf registration statement in the case of clause (B) above or upon the effectiveness of a shelf registration statement that had ceased to remain effective (in the case of clause (C) above), additional interest on such notes as a result of such clause, as the case may be, shall cease to accrue.

If you wish to exchange your outstanding notes for exchange notes in the exchange offers, you will be required to make the following written representations:

neither the holder nor any other person receiving the exchange notes pursuant to the exchange offers is an "affiliate" of ours within the meaning of Rule 405 under the Securities Act; and

if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding notes that were acquired as a result of market-making or other trading activities, then you will deliver a prospectus in connection with any resale of such exchange notes.

the person receiving the exchange notes pursuant to the exchange offers, whether or not this person is the holder, is receiving them in the ordinary course of business;

neither the holder nor any other person receiving the exchange notes pursuant to the exchange offers has an arrangement or understanding with any person to participate in the distribution of such exchange notes and that such holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes;

Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where the broker-dealer acquired the outstanding notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. Please see "Plan of Distribution."

Resale of Exchange Notes

Based on an interpretation by the SEC set forth in no-action letters issued to third-parties unrelated to us, we believe that, with the exceptions set forth below, exchange notes issued in the exchange offers may be offered for resale, resold and otherwise transferred by the holder of exchange notes without compliance with the registration and prospectus delivery requirements of the Securities Act, unless the holder:

is an "affiliate," within the meaning of Rule 405 under the Securities Act, of Michaels Stores, Inc. or any subsidiary guarantor;

is a broker-dealer who purchased outstanding notes directly from us for resale under Rule 144A or Regulation S or any other available exemption under the Securities Act;

acquired the exchange notes other than in the ordinary course of the holder's business;

has an arrangement with any person to engage in the distribution of the exchange notes; or

is prohibited by any law or policy of the SEC from participating in the exchange offers.

Any holder who tenders in the exchange offers for the purpose of participating in a distribution of the exchange notes cannot rely on this interpretation by the SEC and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where such outstanding notes were acquired by such broker-dealer as a result of market making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange note. Please read "Plan of Distribution" for more details regarding the transfer of exchange notes. Broker-dealers who acquired outstanding notes directly from us and not as a result of market making activities or other trading activities may not rely on the SEC's interpretations discussed above or participate in the exchange offers, and must comply with the prospectus delivery requirements of the Securities Act in order to sell the outstanding notes.

Under certain circumstances specified in the registration rights agreements, we may be required to file a "shelf" registration statement for a continuous offer in connection with the outstanding notes pursuant to Rule 415 under the Securities Act.

Terms of the Exchange Offers

On the terms and subject to the conditions set forth in this prospectus and in the accompanying letters of transmittal, Michaels will accept for exchange in the applicable exchange offer any outstanding notes that are validly tendered and not validly withdrawn prior to the applicable expiration date. Outstanding notes may only be tendered in multiples of \$1,000. Michaels will issue \$1,000 principal amount of exchange notes in exchange for each \$1,000 principal amount of outstanding notes surrendered in the applicable exchange offer.

The form and terms of the exchange notes will be identical in all material respects to the form and terms of the outstanding notes except the exchange notes will be registered under the Securities Act, will not bear legends restricting their transfer and will not provide for any additional interest upon our failure to fulfill our obligations under the applicable registration rights agreement to complete the exchange offer, or file, and cause to be effective, a shelf registration statement, if required thereby, within the specified time period. The exchange notes will evidence the same debt as the outstanding notes. The exchange senior notes, the exchange senior subordinated notes and the exchange subordinated discount notes will be issued under and entitled to the benefits of the same indentures that authorized the issuance of the outstanding senior notes, the outstanding senior subordinated notes and the outstanding subordinated discount notes. For a description of the indentures, see "Description of the Senior Notes", "Description of the Senior Subordinated Notes", and "Description of the Subordinated Discount Notes".

The exchange offers are not conditioned upon any minimum aggregate principal amount of outstanding notes being tendered for exchange.

As of the date of this prospectus, \$750 million aggregate principal amount of the 10% Senior Notes due 2014 are outstanding, \$400 million aggregate principal amount of the 11³/₈% Senior Subordinated Notes due 2016 are outstanding and \$469.4 million aggregate principal amount of the 13% Subordinated Discount Notes due 2016 are outstanding. This prospectus and the letters of transmittal are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offers. Michaels intends to conduct the exchange offers in accordance with the provisions of the registration rights agreements, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations of the SEC. Outstanding notes that are not tendered for exchange in the exchange offers will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits such holders have under the indentures relating to such holders' series of outstanding notes and the applicable registration rights agreement except we will not have any further obligation to you to provide for the registration of the outstanding notes under the applicable registration rights agreement.

Michaels will be deemed to have accepted for exchange properly tendered outstanding notes when it has given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us and delivering exchange notes to holders. Subject to the terms of the applicable registration rights agreement, Michaels expressly reserves the right to amend or terminate the applicable exchange offer and to refuse to accept the occurrence of any of the conditions specified below under " Conditions to the Exchange Offers."

If you tender your outstanding notes in the exchange offers, you will not be required to pay brokerage commissions or fees or, subject to the instructions in the applicable letter of transmittal,

transfer taxes with respect to the exchange of outstanding notes. We will pay all charges and expenses, other than certain applicable taxes described below in connection with the exchange offers. It is important that you read " Fees and Expenses" below for more details regarding fees and expenses incurred in the exchange offers.

Expiration Date; Extensions, Amendments

As used in this prospectus, the term "expiration date" means 12:00 a.m. midnight, New York City time, on _____, 2007. However, if we, in our sole discretion, extend the period of time for which the applicable exchange offer is open, the term "expiration date" will mean the latest time and date to which we shall have extended the expiration of such exchange offer.

To extend the period of time during which an exchange offer is open, we will notify the exchange agent of any extension by oral or written notice, followed by notification by press release or other public announcement to the registered holders of the outstanding notes no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

Michaels reserves the right, in its sole discretion:

to delay accepting for exchange any outstanding notes (if we amend or extend the applicable exchange offer);

to extend either exchange offer or to terminate either exchange offer if any of the conditions set forth below under " Conditions to the Exchange Offers" have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; and

subject to the terms of the applicable registration rights agreement, to amend the terms of either exchange offer in any manner.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders of the outstanding notes. If Michaels amends an exchange offer in a manner that we determine to constitute a material change, it will promptly disclose the amendment in a manner reasonably calculated to inform the holders of applicable outstanding notes of that amendment.

Conditions to the Exchange Offers

Despite any other term of the exchange offers, Michaels will not be required to accept for exchange, or to issue exchange notes in exchange for, any outstanding notes and it may terminate or amend any of the exchange offers as provided in this prospectus prior to the expiration date if in its reasonable judgment:

the exchange offers or the making of any exchange by a holder violates any applicable law or interpretation of the SEC; or

any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the exchange offers that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offers.

In addition, Michaels will not be obligated to accept for exchange the outstanding notes of any holder that has not made to us:

the representations described under " Purpose and Effect of the Exchange Offers," " Procedures for Tendering Outstanding Notes" and "Plan of Distribution;" or

any other representations as may be reasonably necessary under applicable SEC rules, regulations, or interpretations to make available to us an appropriate form for registration of the exchange notes under the Securities Act.

Michaels expressly reserves the right at any time or at various times to extend the period of time during which the exchange offers are open. Consequently, Michaels may delay acceptance of any outstanding notes by giving oral or written notice of such extension to their holders. Michaels will return any outstanding notes that it does not accept for exchange for any reason without expense to their tendering holder promptly after the expiration or termination of the applicable exchange offer.

Michaels expressly reserves the right to amend or terminate either exchange offer and to reject for exchange any outstanding notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offers specified above. Michaels will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the outstanding notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

These conditions are for our sole benefit and Michaels may assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any or at various times prior to the expiration date in our sole discretion. If Michaels fails at any time to exercise any of the foregoing rights, this failure will not constitute a waiver of such right. Each such right will be deemed an ongoing right that it may assert at any time or at various times prior to the expiration date.

In addition, Michaels will not accept for exchange any outstanding notes tendered, and will not issue exchange notes in exchange for any such outstanding notes, if at such time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indentures under the Trust Indenture Act of 1939 (the "TIA").

Procedures for Tendering Outstanding Notes

To tender your outstanding notes in the applicable exchange offer, you must comply with either of the following:

complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, have the signature(s) on the letter of transmittal guaranteed if required by the letter of transmittal and mail or deliver such letter of transmittal or facsimile thereof to the exchange agent at the address set forth below under " Exchange Agent Notes" prior to the expiration date; or

comply with DTC's Automated Tender Offer Program procedures described below.

In addition, either:

the exchange agent must receive certificates for outstanding notes along with the applicable letter of transmittal prior to the expiration date;

the exchange agent must receive a timely confirmation of book-entry transfer of outstanding notes into the exchange agent's account at DTC according to the procedures for book-entry transfer described below or a properly transmitted agent's message prior to the expiration date; or

you must comply with the guaranteed delivery procedures described below.

Your tender, if not withdrawn prior to the expiration date, constitutes an agreement between us and you upon the terms and subject to the conditions described in this prospectus and in the applicable letter of transmittal.

The method of delivery of outstanding notes, letters of transmittal, and all other required documents to the exchange agent is at your election and risk. We recommend that instead of delivery by mail, you use an overnight or hand delivery service, properly insured. In all cases, you should allow sufficient time to assure timely delivery to the exchange agent before the expiration date. You should not send letters of transmittal or certificates representing outstanding notes to us. You may request that your broker, dealer, commercial bank, trust company or nominee effect the above transactions for you.

If you are a beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee and you wish to tender your outstanding notes, you should promptly contact the registered holder and instruct the registered holder to tender on your behalf. If you wish to tender the outstanding notes yourself, you must, prior to completing and executing the applicable letter of transmittal and delivering your outstanding notes, either:

make appropriate arrangements to register ownership of the outstanding notes in your name; or

obtain a properly completed bond power from the registered holder of outstanding notes.

The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

Signatures on the applicable letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or another "eligible guarantor institution" within the meaning of Rule 17A(d)-15 under the Exchange Act unless the outstanding notes surrendered for exchange are tendered:

by a registered holder of the outstanding notes who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the applicable letter of transmittal; or

for the account of an eligible guarantor institution.

If the applicable letter of transmittal is signed by a person other than the registered holder of any outstanding notes listed on the outstanding notes, such outstanding notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the outstanding notes and an eligible guarantor institution must guarantee the signature on the bond power.

If the applicable letter of transmittal or any certificates representing outstanding notes, or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, those persons should also indicate when signing and, unless waived by us, they should also submit evidence satisfactory to us of their authority to so act.

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the applicable letter of transmittal and delivering it to the exchange agent, electronically transmit their acceptance of the exchange by causing DTC to transfer the outstanding notes to the exchange agent in accordance with DTC's Automated Tender Offer Program procedures for transfer. DTC will then send an agent's message to the exchange agent. The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, which states that:

DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering outstanding notes that are the subject of the book-entry confirmation;

the participant has received and agrees to be bound by the terms of the applicable letter of transmittal, or in the case of an agent's message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery; and

we may enforce that agreement against such participant.

DTC is referred to herein as a "book-entry transfer facility."

Acceptance of Exchange Notes

In all cases, Michaels will promptly issue exchange notes for outstanding notes that it has accepted for exchange under the applicable exchange offer only after the exchange agent timely receives:

outstanding notes or a timely book-entry confirmation of such outstanding notes into the exchange agent's account at the book-entry transfer facility; and

a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

By tendering outstanding notes pursuant to the applicable exchange offer, you will represent to us that, among other things:

you are not our affiliate or an affiliate of any guarantor within the meaning of Rule 405 under the Securities Act;

you do not have an arrangement or understanding with any person or entity to participate in a distribution of the exchange notes; and

you are acquiring the exchange notes in the ordinary course of your business.

In addition, each broker-dealer that is to receive exchange notes for its own account in exchange for outstanding notes must represent that such outstanding notes were acquired by that broker-dealer as a result of market-making activities or other trading activities and must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. The applicable letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See "Plan of Distribution."

Michaels will interpret the terms and conditions of the exchange offers, including the letters of transmittal and the instructions to the letters of transmittal, and will resolve all questions as to the validity, form, eligibility, including time of receipt, and acceptance of outstanding notes tendered for exchange. Our determinations in this regard will be final and binding on all parties. Michaels reserves the absolute right to reject any and all tenders of any particular outstanding notes not properly tendered or to not accept any particular outstanding notes if the acceptance might, in its or its counsel's judgment, be unlawful. We also reserve the absolute right to waive any defects or irregularities as to any particular outstanding notes prior to the expiration date.

Unless waived, any defects or irregularities in connection with tenders of outstanding notes for exchange must be cured within such reasonable period of time as we determine. Neither Michaels, the exchange agent, nor any other person will be under any duty to give notification of any defect or irregularity with respect to any tender of outstanding notes for exchange, nor will any of them incur any liability for any failure to give notification. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the tendering holder, unless otherwise provided in the applicable letter of transmittal, promptly after the expiration date.

Book-Entry Delivery Procedures

Promptly after the date of this prospectus, the exchange agent will establish an account with respect to the outstanding notes at DTC and, as the book-entry transfer facility, for purposes of the exchange offers. Any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of the outstanding notes by causing the book-entry transfer facility to transfer those outstanding notes into the exchange agent's account at the facility in accordance with the facility's procedures for such transfer. To be timely, book-entry delivery of outstanding notes requires receipt of a confirmation of a book-entry transfer, a "book-entry confirmation," prior to the expiration date. In addition, although delivery of outstanding notes may be effected through book-entry transfer into the exchange agent's account at the book-entry transfer facility, the applicable letter of transmittal or a manually signed facsimile thereof, together with any required signature guarantees and any other required documents, or an "agent's message," as defined below, in connection with a book-entry transfer, must, in any case, be delivered or transmitted to and received by the exchange agent at its address set forth on the cover page of the applicable letter of transmittal prior to the expiration date to receive exchange notes for tendered outstanding notes, or the guaranteed delivery procedure described below must be complied with. Tender will not be deemed made until such documents are received by the exchange agent. Delivery of documents to the book-entry transfer facility does not constitute delivery to the exchange agent.

Holders of outstanding notes who are unable to deliver confirmation of the book-entry tender of their outstanding notes into the exchange agent's account at the book-entry transfer facility or all other documents required by the applicable letter of transmittal to the exchange agent on or prior to the expiration date must tender their outstanding notes according to the guaranteed delivery procedures described below.

Guaranteed Delivery Procedures

If you wish to tender your outstanding notes but your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the applicable letter of transmittal or any other required documents to the exchange agent or comply with the procedures under DTC's Automatic Tender Offer Program in the case of outstanding notes, prior to the expiration date, you may still tender if:

the tender is made through an eligible guarantor institution;

prior to the expiration date, the exchange agent receives from such eligible guarantor institution either a properly completed and duly executed notice of guaranteed delivery, by facsimile transmission, mail, or

hand delivery or a properly transmitted agent's message and notice of guaranteed delivery, that (1) sets forth your name and address, the certificate number(s) of such outstanding notes and the principal amount of outstanding notes tendered; (2) states that the tender is being made thereby; and (3) guarantees that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal, or facsimile thereof, together with the outstanding notes or a book-entry confirmation, and any other documents required by the letter of transmittal, will be deposited by the eligible guarantor institution with the exchange agent; and

the exchange agent receives the properly completed and executed letter of transmittal or facsimile thereof, as well as certificate(s) representing all tendered outstanding notes in proper form for transfer or a book-entry confirmation of transfer of the outstanding notes into the exchange agent's account at DTC all other documents required by the letter of transmittal within three New York Stock Exchange trading days after the expiration date.

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Upon request, the exchange agent will send to you a notice of guaranteed delivery if you wish to tender your outstanding notes according to the guaranteed delivery procedures.

Withdrawal Rights

Except as otherwise provided in this prospectus, you may withdraw your tender of outstanding notes at any time prior to 12:00 a.m. midnight, New York City time, on the expiration date.

For a withdrawal to be effective:

the exchange agent must receive a written notice, which may be by telegram, telex, facsimile or letter, of withdrawal at its address set forth below under " Exchange Agent"; or

you must comply with the appropriate procedures of DTC's Automated Tender Offer Program system.

Any notice of withdrawal must:

specify the name of the person who tendered the outstanding notes to be withdrawn;

identify the outstanding notes to be withdrawn, including the certificate numbers and principal amount of the outstanding notes; and

where certificates for outstanding notes have been transmitted, specify the name in which such outstanding notes were registered, if different from that of the withdrawing holder.

If certificates for outstanding notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, you must also submit:

the serial numbers of the particular certificates to be withdrawn; and

a signed notice of withdrawal with signatures guaranteed by an eligible institution unless you are an eligible guarantor institution.

If outstanding notes have been tendered pursuant to the procedures for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn outstanding notes and otherwise comply with the procedures of the facility. We will determine all questions as to the validity, form, and eligibility, including time of receipt of notices of withdrawal and our determination will be final and binding on all parties. Any outstanding notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offers. Any outstanding notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder, without cost to the holder, or, in the case of book-entry transfer, the outstanding notes will be credited to an account at the book-entry transfer facility, promptly after withdrawal, rejection of tender or termination of the applicable exchange offer. Properly withdrawn outstanding notes may be retendered by following the procedures described under " Procedures for Tendering Outstanding Notes" above at any time on or prior to the expiration date.

Exchange Agent

Wells Fargo Bank has been appointed as the exchange agent for the exchange offers. Wells Fargo Bank also acts as trustee under the indentures governing the notes. You should direct all executed letters of transmittal and all questions and requests for assistance, requests for additional copies of this prospectus or of the letters of transmittal, and requests for notices of guaranteed delivery to the exchange agent addressed as follows:

<p><i>By Registered & Certified Mail:</i></p> <p>WELLS FARGO BANK, N.A. Corporate Trust Operations MAC N9303-121 PO Box 1517 Minneapolis, MN 55480</p>	<p><i>By Regular Mail or Overnight Courier:</i></p> <p>WELLS FARGO BANK, N.A. Corporate Trust Operations MAC N9303-121 Sixth & Marquette Avenue Minneapolis, MN 55479</p>	<p><i>In Person by Hand Only:</i></p> <p>WELLS FARGO BANK, N.A. 12th Floor Northstar East Building Corporate Trust Operations 608 Second Avenue South Minneapolis, MN</p>	<p><i>By Facsimile (for Eligible Institutions only):</i> (612) 667-6282</p> <p><i>For Confirmation by Telephone:</i> (800) 344-5128</p>
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If you deliver the letter of transmittal to an address other than the one set forth above or transmit instructions via facsimile other than the one set forth above, that delivery or those instructions will not be effective.

Fees and Expenses

Each of the registration rights agreements provides that we will bear all expenses in connection with the performance of our obligations relating to the registration of the exchange notes and the conduct of the exchange offers. These expenses include registration and filing fees, accounting and legal fees and printing costs, among others. We will pay the exchange agent reasonable and customary fees for its services and reasonable out-of-pocket expenses. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for customary mailing and handling expenses incurred by them in forwarding this prospectus and related documents to their clients that are holders of outstanding notes and for handling or tendering for such clients.

We have not retained any dealer-manager in connection with the exchange offers and will not pay any fee or commission to any broker, dealer, nominee or other person, other than the exchange agent, for soliciting tenders of outstanding notes pursuant to the exchange offers.

Accounting Treatment

We will record the exchange notes in our accounting records at the same carrying value as the outstanding notes, which is the aggregate principal amount as reflected in our accounting records on the date of exchanges. Accordingly, we will not recognize any gain or loss for accounting purposes upon the consummation of the exchange offers. We will record the expenses of the exchange offers as incurred.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchanges of outstanding notes under the exchange offers. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

certificates representing outstanding notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of outstanding notes tendered;

tendered outstanding notes are registered in the name of any person other than the person signing the letter of transmittal; or

a transfer tax is imposed for any reason other than the exchange of outstanding notes under the exchange offers.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

Holders who tender their outstanding notes for exchange will not be required to pay any transfer taxes. However, holders who instruct us to register exchange notes in the name of, or request that outstanding notes not tendered or not accepted in the exchange offers be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer tax.

Consequences of Failure to Exchange

If you do not exchange your outstanding notes for exchange notes under the exchange offers, your outstanding notes will remain subject to the restrictions on transfer of such outstanding notes:

as set forth in the legend printed on the outstanding notes as a consequence of the issuance of the outstanding notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and

as otherwise set forth in the offering memorandum distributed in connection with the private offerings of the outstanding notes.

In general, you may not offer or sell your outstanding notes unless they are registered under the Securities Act or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreements, we do not intend to register resales of the outstanding notes under the Securities Act.

Other

Participating in the exchange offers is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered outstanding notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any outstanding notes that are not tendered in the exchange offers or to file a registration statement to permit resales of any untendered outstanding notes.

THE MERGER

On October 31, 2006, Michaels Stores, Inc. was recapitalized through a merger transaction with the Sponsors (the "Merger"), with certain shares retained by affiliates of Highfields Capital Partners (a then-existing shareholder of Michaels Stores, Inc.). As a result of the Merger, Michaels Holdings LLC, an entity controlled by the Sponsors, owns approximately 93% of our outstanding Common Stock, which is no longer publicly traded. We accounted for the Merger as a leveraged recapitalization whereby the historical book value of the assets and liabilities of Michaels will be maintained with no push down accounting required.

The Merger consideration paid to then-existing equity holders was approximately \$5.8 billion, with fees and expenses totaling an additional \$239.7 million. The purchase price was funded by:

Aggregate cash equity contribution by the Sponsors of approximately \$1.7 billion;

Retention of certain shares held by affiliates of Highfields Capital Partners totaling \$110.0 million;

The issuance of the following debt (See "Description of Certain Other Indebtedness" and "Description of Exchange Notes" for further information concerning our issuance of debt):

\$750.0 million of 10% Senior Notes due 2014;

\$400.0 million of 11³/₈% Senior Subordinated Notes due 2016;

\$250.0 million of net proceeds of 13% Subordinated Discount Notes due 2016 (with an accreted value at maturity of \$469.4 million);

\$2.4 billion Senior secured term loan facility; and

\$400.0 million of borrowings under our Asset-based revolving credit facility; and

Our available cash as of the date of the Merger.

USE OF PROCEEDS

The outstanding notes were issued and sold on October 31, 2006. The proceeds from the offering of the outstanding notes, borrowings under our senior secured credit facilities and the proceeds of equity investments by private equity funds sponsored by and co-investors with the Sponsors were used to finance the Merger and pay related fees and expenses.

The exchange offers are intended to satisfy our obligations under the registration rights agreements, each dated October 31, 2006, by and among us, the subsidiary guarantors party thereto and the initial purchasers of the outstanding notes. We will not receive any proceeds from the issuance of the exchange notes in the exchange offers. Instead, we will receive in exchange outstanding notes in like principal amount. We will retire or cancel all of the outstanding notes tendered in the exchange offers.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our selected historical consolidated financial data as of the dates and for the periods indicated. The selected historical financial data for fiscal years 2006, 2005, 2004, 2003 and 2002 and for the first quarters of fiscal 2007 and fiscal 2006 ended May 5, 2007 and April 29, 2006 respectively, is derived from our consolidated financial statements. Historical results are not necessarily indicative of the results to be expected for future periods. The selected historical consolidated financial and other data should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	Three months ended May 5, 2007	Three months ended April 29, 2006	Fiscal Year				
			2006	2005	2004	2003	2002

(as restated) (as restated) (as restated) (as restated)

(In thousands except per share and store data)

Results of Operations Data:

Net sales	\$ 844,133	\$ 832,481	\$ 3,864,976	\$ 3,676,365	\$ 3,393,251	\$ 3,091,256	\$ 2,856,373
Operating income	59,434	76,063	203,147	381,101	342,771	292,267	242,784
(Loss) Income before cumulative effect of accounting change	(22,603)	51,701	41,096	228,213	203,954	171,659	131,280
Cumulative effect of accounting change, net of income tax(1)(2)				7,491			6,296
Net (loss) income	(22,603)	51,701	41,096	220,722	203,954	171,659	124,984
Basic earnings per common share before cumulative effect of accounting change(3)	n/a	n/a	n/a	0.57	0.51	0.44	0.34
Basic earnings per common share after cumulative effect of accounting change(3)	n/a	n/a	n/a	0.55	0.51	0.44	0.32
Diluted earnings per common share before cumulative effect of accounting change(3)	n/a	n/a	n/a	0.56	0.50	0.42	0.32
Diluted earnings per common share after cumulative effect of accounting change(3)	n/a	n/a	n/a	0.55	0.50	0.42	0.30
Dividends per common share(3)		0.036	0.12	0.13	0.09	0.05	

Balance Sheet Data:

Cash and equivalents	\$ 45,056	\$ 441,843	\$ 30,098	\$ 452,449	\$ 535,852	\$ 341,825	\$ 218,031
Merchandise inventories	878,634	793,984	847,529	784,173	789,351	754,228	682,681
Total current assets	1,085,245	1,316,772	1,000,180	1,314,726	1,481,651	1,199,192	990,754
Total assets	1,777,829	1,891,154	1,693,002	1,875,633	2,022,040	1,732,573	1,497,458
Total current liabilities	839,431	509,425	741,997	496,766	511,940	371,159	301,133
Long-term debt	3,731,064		3,728,745		200,000	200,000	200,000
Total liabilities	4,668,161	601,314	4,568,325	588,206	814,495	657,499	569,291
Stockholders' (deficit) equity	(2,890,332)	1,289,840	(2,875,323)	1,287,427	1,207,545	1,075,074	928,167

Other Financial Data:

Cash flow from operating activities	\$ (51,227)	\$ 106,467	\$ 157,113	\$ 363,956	\$ 431,375	\$ 292,834	\$ 111,561
Cash flow from investing activities	(28,039)	(38,914)	(142,585)	(67,918)	(144,709)	(106,333)	(110,158)
Cash flow from financing activities	94,224	(78,159)	(436,879)	(379,441)	(92,639)	(62,707)	23,603
Ratio of earnings to fixed charges(4)		4.2	1.5	4.2	4.1	3.8	3.4

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Fiscal Year

Other Operating Data:

Average net sales per selling square foot(5)	n/a	n/a	\$ 224	\$ 221	\$ 216	\$ 210	212
Comparable store sales (decrease) increase(6)	(0.5)%	(3.0)%	0.3%	3.6%	4.7%	2.5%	4.2%
Total selling square footage	18,320	18,298	18,130	17,365	16,612	15,681	14,610

Stores Open at End of Period:

Michaels	928	899	920	885	844	804	754
Aaron Brothers	168	165	166	166	164	158	148
Recollections	11	11	11	11	8	2	
Star Decorators Wholesale	4	4	4	4	3	3	2
Total stores open at end of year	1,111	1,079	1,101	1,066	1,019	967	904

(1)

We changed our method of accounting for merchandise inventories from a retail inventory method to the weighted average cost method in the fourth quarter of fiscal 2005. As a result, we recorded a non-cash charge of \$7.5 million, net of income tax, in fiscal 2005 for the cumulative effect of accounting change on prior fiscal years. For further information with respect to this change and other accounting items that affect the comparability of our financial statements, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations Accounting items."

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- (2) We changed our accounting policy with respect to recording cooperative advertising allowances as of the beginning of fiscal 2002. As a result, we recorded a non-cash charge of \$6.3 million, net of income tax, in fiscal 2002 for the cumulative effect of accounting change on fiscal years prior to fiscal 2002.
- (3) The per share amounts in the table were retroactively adjusted to reflect a 2.9333-for-one Common Stock split effected in the form of a stock dividend to stockholders of record as of the close of business on January 18, 2007.
- (4) For purposes of calculating the ratio of earnings to fixed charges, earnings represent income (loss) before income taxes, plus fixed charges. Fixed charges consist of interest expense on all indebtedness plus amortization of debt issuance costs and the portion of rental expense that we believe is representative of the interest component of rental expense. For the three months ended May 5, 2007, earnings were insufficient to cover fixed charges by \$33.5 million.
- (5) The calculation of average net sales per selling square foot includes only Michaels stores open longer than 36 months, and excludes Aaron Brothers, Recollections, and Star Decorators Wholesale stores. We do not provide such calculations for periods shorter than a full fiscal year as such calculations would not be indicative of full year results.
- (6) Comparable store sales increase represents the increase in net sales for stores open the same number of months in the indicated and comparable period of the previous year, including stores that were relocated or expanded during either period. A store is deemed to become comparable in its 14th month of operation in order to eliminate grand opening sales distortions. A store temporarily closed more than 2 weeks due to a catastrophic event is not considered comparable during the month it closed. If a store is closed longer than 2 weeks but less than 2 months, it becomes comparable in the month in which it reopens, subject to a mid-month convention. A store closed longer than 2 months becomes comparable in its 14th month of operation after its reopening.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the audited historical consolidated financial statements and notes of Michaels, included herein.

The unaudited pro forma condensed consolidated statement of operations for the year ended February 3, 2007 gives effect to the Merger as if it had occurred at the beginning of the period presented. The unaudited pro forma adjustments described in the accompanying notes are based upon estimates and assumptions that management of Michaels believes are reasonable. The unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes only and do not purport to be indicative of the operating results that would have actually occurred if the above Merger had been in effect on the date indicated, nor is it necessarily indicative of future operating results of the merged companies. The unaudited pro forma condensed consolidated financial statements do not give effect to any potential cost savings or other operating efficiencies that may result from the Merger.

MICHAELS STORES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED FEBRUARY 3, 2007

(Dollars in millions)

	Historical Michaels Companies	Adjustments for the Transactions	Pro Forma Michaels Companies
	(Dollars in millions)		
Net sales	\$ 3,865.0	\$	\$ 3,865.0
Cost of sales and occupancy expense	2,379.8		2,379.8
Gross profit	1,485.2		1,485.2
Selling, general and administrative expense	1,033.4	9.8 (a)	1,043.2
Transaction expenses	205.4		205.4
Related party expenses	38.1		38.1
Store pre-opening costs	5.2		5.2
Operating income	203.1	(9.8)	193.3
Interest expense	104.5	291.0 (b)	395.5
Other (income) expense, net	(11.4)		(11.4)
Income (loss) before income taxes	110.0	(300.8)	(190.8)
Provision for income taxes (benefit)	68.9	(114.3) (c)	(45.4)
Net income (loss)	\$ 41.1	\$ (186.5)	\$ (145.4)

Other data

Supplemental pro forma ratio of earnings to fixed charges(d)

See accompanying notes

MICHAELS STORES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
STATEMENTS OF OPERATIONS

- (a) To give effect to the following changes in selling, general, and administrative expenses (in millions):

Advisory fees(1)	\$ 9.8
	<hr/>
Net adjustment to selling, general, and administrative expense(2)	\$ 9.8
	<hr/>

- (1) Reflects the fees associated with the agreements for advisory services that we entered into with entities designated by the Sponsors and the Highfield Funds. The combined annual fees are \$13.0 million. The historical Michaels Companies includes three months of such fees.
- (2) During fiscal 2006, we expensed non-recurring transaction costs aggregating \$239.7 million. Of the \$239.7 million, approximately \$138.3 million consisted of compensation expense (primarily share-based compensation) and \$100.0 million was related to investment banking, legal, accounting, and other professional fees that were not eliminated in this condensed consolidated pro forma statement of operations.

- (b) To reflect interest expense resulting from our debt structure upon completion of the Transactions (in millions).

Asset-based revolving credit facility(1)	\$ 13.4
Term loan facility(2)	146.8
Senior notes(3)	56.3
Senior subordinated notes(4)	34.1
Commitment and letter of credit fees(5)	1.6
	<hr/>
Total cash interest expense	252.2
Subordinated discount notes(6)	25.2
Amortization of capitalized debt issuance costs(7)	13.6
	<hr/>
Total pro forma interest expense(8)	\$ 291.0
	<hr/>

- (1) The \$1.0 billion senior secured asset-based revolving credit facility bears interest at a rate equal to an applicable margin over, at our option, either a LIBOR rate or the higher of (1) a prime rate and (2) the federal funds rate plus $\frac{1}{2}$ of 1%. For purposes of calculating pro forma interest expense, we used historical three-month LIBOR (which ranged from 4.68% to 5.51%) plus 1.50% (or 2.50% with respect to borrowings under the "last out" tranche). We applied the interest rates to pro forma outstanding monthly balances, which averaged \$254 million for the nine months ended October 28, 2006.
- (2)

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Reflects interest on the senior secured term loan facility that bears interest at a rate equal to an applicable margin over, at our option, either a LIBOR rate or the higher of (1) the prime rate and (2) the federal funds rate plus $\frac{1}{2}$ of 1%. For purposes of calculating pro forma interest expense, we used historical three-month LIBOR rates (which ranged from 4.68% to 5.51%) plus 3.00%. We applied the interest rates to pro forma outstanding monthly balances, which averaged \$2.394 billion for the nine months ended October 28, 2006.

(3)

Reflects a fixed interest rate of 10.0% on the senior notes.

(4)

Reflects a fixed interest rate of 11.375% on the senior subordinated notes.

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- (5) Reflects fees of 1.5% on standby letters of credit and commitment fees of 0.25% on the assumed unused balance of the revolving credit facility. For pro forma purposes, the average standby letters of credit were \$16.2 million and the average unused balance on the revolving credit facility was \$730.2 million for the nine months ended October 28, 2006.
- (6) Represents a fixed interest rate of 13.0% on the subordinated discount notes.
- (7) Represents amortization of deferred debt issuance costs incurred in connection with the debt and credit facilities consummated in connection with the Merger.
- (8) Each 0.125% increase in interest rates would increase total pro forma interest expense as follows (in millions):

Asset-based revolving credit facility	\$	0.2
Term loan facility	\$	2.3
		<hr/>
Total	\$	2.5

The remaining credit facilities were not subject to the sensitivity analysis as the interest rates applied to such facilities were fixed.

- (c) To reflect the tax effect of the above adjustments at our statutory income tax rate of 38.0%.
- (d) For the purposes of calculating the ratio of earnings to fixed charges, earnings represent income (loss) before income taxes, plus fixed charges. Fixed charges consist of interest expense on all indebtedness plus amortization of debt issuance costs and the portion of rental expense that we believe is representative of the interest component of rental expense. On a pro forma basis for the twelve months ended February 3, 2007, earnings were insufficient to cover fixed charges by \$190.7 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this registration statement. The following discussion, as well as other portions of this registration statement, contains forward-looking statements that reflect our plans, estimates, and beliefs. Any statements contained herein (including, but not limited to, statements to the effect that Michaels or its management "anticipates," "plans," "estimates," "expects," "believes," "intends," 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 contained elsewhere in this prospectus. Specific examples of forward-looking statements include, but are not limited to, statements regarding our forecasts of financial performance, capital expenditures, working capital requirements, workers' compensation claims exposure and forecasts of effective tax rate. Our actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this registration statement, and particularly in "Risk Factors." Unless otherwise noted, all amounts contained in this section of this prospectus are as of May 5, 2007.

Restatement of Consolidated Financial Statements

On April 2, 2007, the Audit Committee of the Board of Directors, in consultation with management and our independent registered public accounting firm, determined that our application of our retail inventory method of accounting for merchandise inventory in our Michaels stores contained certain deficiencies. The correction of our retail inventory method resulted in a restatement of our consolidated financial statements for years prior to fiscal 2006.

Our restatement also encompasses other charges recorded in prior fiscal years, the effects of which were previously considered immaterial to their respective periods. These charges include the correction of an error regarding the deferral of costs related to preparing our inventory for sale and vendor allowance recognition, recorded in the fourth quarter of fiscal 2005 in the amount of \$15.0 million, net of an income tax benefit of \$8.9 million. We also included the lease accounting correction, recorded in the fourth quarter of fiscal 2004 in the amount of \$8.0 million, net of an income tax benefit of \$4.8 million. For purposes of this restatement, these previously reported cumulative charges were recorded in each of the prior periods to which they relate.

Finally, our restatement includes the resolution of our previously reported internal review of stock options grant practices. Based on our analysis, the amount of additional non-cash compensation cost that should have been recorded was approximately \$27.1 million, net of income tax benefits of approximately \$12.7 million, all of which relates to periods prior to fiscal 2001. In our restatement, we recognized this additional compensation cost as an adjustment to our beginning retained earnings and additional paid-in capital balances for fiscal 2002. For periods presented in this prospectus, this adjustment does not affect results of operations and only resulted in an adjustment of offsetting amounts within the "net cash provided by operating activities" section of our consolidated statements of cash flows, with no change to total cash flow or the classification of cash flows between operating activities, investing activities, or financing activities.

The tables below provide a reconciliation of our consolidated statements of income for fiscal years 2002, 2003, 2004, and 2005, and our consolidated balance sheets as of the end of each fiscal year 2002 through 2005, from amounts previously reported to the restated amounts, with disclosure of the effect of each category of restatement. Following the tables are additional disclosures surrounding each type of item affecting the restatements. See also the disclosures in Note 2 to the consolidated financial statements, included herein beginning at page F-7.

Income Statement
Fiscal 2002
(In thousands except per share data)

	As Reported	Correction of Inventory Valuation	Lease Accounting Correction	Stock Options Correction	Total Adjustments	As Restated
Net sales	\$ 2,856,373	\$	\$	\$	\$	\$ 2,856,373
Cost of sales and occupancy expense	1,803,991	27,182	(172)		27,010	1,831,001
Gross profit	1,052,382	(27,182)	172		(27,010)	1,025,372
Selling, general and administrative expense	773,944					773,944
Store pre-opening costs	8,644					8,644
Operating income	269,794	(27,182)	172		(27,010)	242,784
Interest expense	21,074					21,074
Other (income) and expense, net	(1,669)					(1,669)
Income before income taxes and cumulative effect of accounting change	250,389	(27,182)	172		(27,010)	223,379
Provision for income taxes	102,659	(10,631)	71		(10,560)	92,099
Income before cumulative effect of accounting change	147,730	(16,551)	101		(16,450)	131,280
Cumulative effect of accounting change, net of income tax	7,433	(1,137)			(1,137)	6,296
Net income	\$ 140,297	\$ (15,414)	\$ 101	\$	\$ (15,313)	\$ 124,984
Earnings per common share before cumulative effect of accounting change						
Basic	\$ 0.38	\$ (0.04)	\$ 0.00	\$	\$ (0.04)	\$ 0.34
Diluted	\$ 0.36	\$ (0.04)	\$ 0.00	\$	\$ (0.04)	\$ 0.32
Earnings per common share after cumulative effect of accounting change						
Basic	\$ 0.36	\$ (0.04)	\$ 0.00	\$	\$ (0.04)	\$ 0.32
Diluted	\$ 0.34	\$ (0.04)	\$ 0.00	\$	\$ (0.04)	\$ 0.30
Common shares outstanding:						
Basic	391,002	391,002	391,002	391,002	391,002	391,002
Diluted	413,893	413,893	413,893	413,893	413,893	413,893

Balance Sheet
Fiscal 2002
For the year ended February 1, 2003
(In thousands)

	As Reported	Correction of Inventory Valuation	Lease Accounting Correction	Stock Options Correction	Total Adjustments	As Restated
Assets						
Current assets:						
Cash and equivalents	\$ 218,031					\$ 218,031
Merchandise inventories	809,418	(126,737)			(126,737)	682,681
Prepaid expenses and other	18,639					18,639
Deferred income taxes	20,352	49,287		1,764	51,051	71,403
Total current assets	1,066,440	(77,450)		1,764	(75,686)	990,754
Property and equipment, at cost	716,299		27,946		27,946	744,245
Less accumulated depreciation	(348,602)		(15,775)		(15,775)	(364,377)
	367,697		12,171		12,171	379,868
Goodwill, net	115,839					115,839
Other assets	10,997					10,997
	126,836					126,836
Total assets	\$ 1,560,973	\$ (77,450)	\$ 12,171	\$ 1,764	\$ (63,515)	\$ 1,497,458
Liabilities And Stockholders' Equity						
Current liabilities:						
Accounts payable	\$ 94,764					\$ 94,764
Accrued liabilities and other	181,867		1,679		1,679	183,546
Income taxes payable	22,823					22,823
Total current liabilities	299,454		1,679		1,679	301,133
9 1/4% Senior Notes due 2009	200,000					200,000
Deferred income taxes	21,511		(4,935)		(4,935)	16,576
Other long-term liabilities	27,981		23,601		23,601	51,582
Total long-term liabilities	249,492		18,666		18,666	268,158
	548,946		20,345		20,345	569,291
Commitments and contingencies						
Stockholders' equity:						
Common stock	39,582					39,582
Additional paid-in capital	471,957			28,861	28,861	500,818
Retained earnings	502,665	(77,483)	(8,174)	(27,097)	(112,754)	389,911
Accumulated other comprehensive income	(2,177)	33			33	(2,144)

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Total stockholders' equity	<u>1,012,027</u>	<u>(77,450)</u>	<u>(8,174)</u>	<u>1,764</u>	<u>(83,860)</u>	<u>928,167</u>
Total liabilities and stockholders' equity	<u>\$ 1,560,973</u>	<u>\$ (77,450)</u>	<u>\$ 12,171</u>	<u>\$ 1,764</u>	<u>\$ (63,515)</u>	<u>\$ 1,497,458</u>

Income Statement
Fiscal 2003
(In thousands except per share data)

	As Reported	Correction of Inventory Valuation	Lease Accounting Correction	Stock Options Correction	Total Adjustments	As Restated
Net sales	\$ 3,091,256	\$	\$	\$	\$	\$ 3,091,256
Cost of sales and occupancy expense	1,957,273	10,692	(208)		10,484	1,967,757
Gross profit	1,133,983	(10,692)	208		(10,484)	1,123,499
Selling, general and administrative expense	823,161					823,161
Store pre-opening costs	8,071					8,071
Operating income	302,751	(10,692)	208		(10,484)	292,267
Interest expense	20,262					20,262
Other (income) and expense, net	(2,701)					(2,701)
Income before income taxes and cumulative effect of accounting change	285,190	(10,692)	208		(10,484)	274,706
Provision for income taxes	107,345	(4,376)	78		(4,298)	103,047
Income before cumulative effect of accounting change	177,845	(6,316)	130		(6,186)	171,659
Cumulative effect of accounting change, net of income tax						
Net income	\$ 177,845	\$ (6,316)	\$ 130	\$	\$ (6,186)	\$ 171,659
Earnings per common share before cumulative effect of accounting change						
Basic	\$ 0.45	\$ (0.02)	\$ 0.00	\$	\$ (0.02)	\$ 0.44
Diluted	\$ 0.43	\$ (0.02)	\$ 0.00	\$	\$ (0.02)	\$ 0.42
Earnings per common share after cumulative effect of accounting change						
Basic	\$ 0.45	\$ (0.02)	\$ 0.00	\$	\$ (0.02)	\$ 0.44
Diluted	\$ 0.43	\$ (0.02)	\$ 0.00	\$	\$ (0.02)	\$ 0.42
Common shares outstanding:						
Basic	394,111	394,111	394,111	394,111	394,111	394,111
Diluted	410,250	410,250	410,250	410,250	410,250	410,250

Balance Sheet
Fiscal 2003
For the year ended January 31, 2004
(In thousands)

	<u>As Reported</u>	<u>Correction of Inventory Valuation</u>	<u>Lease Accounting Correction</u>	<u>Stock Options Correction</u>	<u>Total Adjustments</u>	<u>As Restated</u>
Assets						
Current assets:						
Cash and equivalents	\$ 341,825	\$	\$	\$	\$	\$ 341,825
Merchandise inventories	892,923	(138,695)			(138,695)	754,228
Prepaid expenses and other	29,198					29,198
Deferred income taxes	19,426	54,181		334	54,515	73,941
Total current assets	1,283,372	(84,514)		334	(84,180)	1,199,192
Property and equipment, at cost	808,230		31,274		31,274	839,504
Less accumulated depreciation	(420,313)		(16,168)		(16,168)	(436,481)
	387,917		15,106		15,106	403,023
Goodwill, net	115,839					115,839
Other assets	14,519					14,519
	130,358					130,358
Total assets	\$ 1,801,647	\$ (84,514)	\$ 15,106	\$ 334	\$ (69,074)	\$ 1,732,573
Liabilities And Stockholders' Equity						
Current liabilities:						
Accounts payable	\$ 172,708	\$	\$	\$	\$	\$ 172,708
Accrued liabilities and other	194,395		1,679		1,679	196,074
Income taxes payable	2,377					2,377
Total current liabilities	369,480		1,679		1,679	371,159
9¹/₄% Senior Notes due 2009	200,000					200,000
Deferred income taxes	28,241		(4,857)		(4,857)	23,384
Other long-term liabilities	36,628		26,328		26,328	62,956
Total long-term liabilities	264,869		21,471		21,471	286,340
	634,349		23,150		23,150	657,499
Commitments and contingencies						
Stockholders' equity:						
Common stock	39,893					39,893
Additional paid-in capital	462,817			27,431	27,431	490,248
Retained earnings	660,365	(83,799)	(8,044)	(27,097)	(118,940)	541,425
	4,223	(715)			(715)	3,508

Accumulated other comprehensive income						
Total stockholders' equity	1,167,298	(84,514)	(8,044)	334	(92,224)	1,075,074
Total liabilities and stockholders' equity	\$ 1,801,647	\$ (84,514)	\$ 15,106	\$ 334	\$ (69,074)	\$ 1,732,573

Income Statement
Fiscal 2004
(In thousands except per share data)

	As Reported	Correction of Inventory Valuation	Lease Accounting Correction	Stock Options Correction	Total Adjustments	As Restated
Net sales	\$ 3,393,251	\$	\$	\$	\$	\$ 3,393,251
Cost of sales and occupancy expense	2,146,934	9,645	(12,901)		(3,256)	2,143,678
Gross profit	1,246,317	(9,645)	12,901		3,256	1,249,573
Selling, general and administrative expense	898,445					898,445
Store pre-opening costs	8,357					8,357
Operating income	339,515	(9,645)	12,901		3,256	342,771
Interest expense	20,434					20,434
Other (income) and expense, net	(4,604)					(4,604)
Income before income taxes and cumulative effect of accounting change	323,685	(9,645)	12,901		3,256	326,941
Provision for income taxes	121,876	(3,746)	4,857		1,111	122,987
Income before cumulative effect of accounting change	201,809	(5,899)	8,044		2,145	203,954
Cumulative effect of accounting change, net of income tax						
Net income	\$ 201,809	\$ (5,899)	\$ 8,044	\$	\$	