

WYLY JR CHARLES J
 Form 4
 July 12, 2006

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
WYLY JR CHARLES J

2. Issuer Name and Ticker or Trading Symbol
MICHAELS STORES INC [MIK]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
 300 CRESCENT COURT, SUITE 1000

3. Date of Earliest Transaction (Month/Day/Year)
 07/10/2006

Director 10% Owner
 Officer (give title below) Other (specify below)

(Street)
 DALLAS, TX 75201

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	07/10/2006		M		400,000	A	\$ 10.49
Common Stock	07/10/2006		M		70,000	A	\$ 10.5
Common Stock	07/10/2006		S		460,700	D	\$ 42.46
Common Stock	07/10/2006		S		9,100	D	\$ 42.47
Common Stock	07/10/2006		S		200	D	\$ 42.48

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Common Stock	570,039	I <u>(1)</u>	By Partnership <u>(2)</u>
Common Stock	360,208	I <u>(1)</u>	By Partnership <u>(3)</u>
Common Stock	282,876	I <u>(1)</u>	By Trust <u>(4)</u>
Common Stock	355,312	I <u>(1)</u>	By Trust <u>(5)</u>
Common Stock	352,080	I <u>(1)</u>	By Trust <u>(6)</u>
Common Stock	2,867,204	I <u>(1)</u>	By Foreign Entity <u>(7)</u>

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (Right to Buy)	\$ 10.49	07/10/2006		M	400,000	<u>(8)</u> 07/30/2006	Common Stock	400,000	
Stock Option (Right to Buy)	\$ 10.5	07/10/2006		M	70,000	<u>(9)</u> 10/05/2006	Common Stock	70,000	

Reporting Owners

Reporting Owner Name / Address

Relationships

Director 10% Owner Officer Other

Reporting Owners

WYLY JR CHARLES J
300 CRESCENT COURT, SUITE 1000 X
DALLAS, TX 75201

Signatures

/s/ Eric Markus, Attorney-in-Fact for Charles J.
Wyly, Jr.

07/12/2006

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Notwithstanding the inclusion of the securities reported in this Form 4, the Reporting Person disclaims beneficial ownership of the securities held in the various trusts (and the subsidiaries thereof) except to the extent of his pecuniary interest in them.
- (2) Represents shares held by Stargate, Ltd. The Reporting Person is a co-trustee of the trust that is the general partner of Stargate, Ltd.
- (3) Represents shares held by Shadywood USA, Ltd., a limited partnership of which the Reporting Person is a general partner.
- (4) Represents shares held by the Martha Caroline Wyly Trust, of which the Reporting Person is the trustee.
- (5) Represents shares held by the Charles J. Wyly III Trust, of which the Reporting Person is the trustee.
- (6) Represents shares held by the Jennifer Lynn Wyly Trust, of which the Reporting Person is the trustee.
- (7) Represents shares held by subsidiaries formed under the laws of the Isle of Man. Each subsidiary is owned by a foreign trust that either (i) was formed by the Reporting Person, and/or (ii) benefits, inter alia, the Reporting Person, his spouse, and his issue.
- (8) Represents options granted under Michaels Stores, Inc. 1997 Stock Option Plan (exempt); 33,333 of which vested on each of July 31, 2002 and 2003, and 33,334 of which vested on July 31, 2004.
- (9) Represents options granted under Michaels Stores, Inc. 2001 General Stock Option Plan, all of which vested immediately upon grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.