WYLY JR CHARLES J

Form 4 July 12, 2006

FORM 4

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

2. Issuer Name and Ticker or Trading

OMB APPROVAL OMB 3235-0287

Number:

January 31, Expires: 2005

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5. Relationship of Reporting Person(s) to

if no longer subject to Section 16. Form 4 or Form 5

Check this box

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF **SECURITIES**

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

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *

Clear Clea	WYLY JR	Symbol MICHAELS STORES INC [MIK]					Issuer					
City	300 CRESCENT COURT, SUITE			3. Date of Earliest Transaction (Month/Day/Year)					Officer (give title Other (specify			
1.Title of Security (Instr. 3) 2. Transaction Date Securities Acquired (A) S. Amount of Securities Beneficially (Instr. 3) 2. Transaction Date (Month/Day/Year) Securities Acquired (A) S. Amount of Securities Beneficially (Instr. 3, 4 and 5) Code (Instr. 3, and 4) Code (Instr. 3, and 5) Code (Instr. 3	(Street) 4. If A								Applicable Line) _X_ Form filed by One Reporting Person Form filed by More than One Reporting			
Security (Instr. 3) Common Stock O7/10/2006 S Quarter Stock O7/10/2006 O7/10/2006 S Quarter Stock O7/10/2006 S Quarter Stock O7/10/2006 O7/10/2006 S Quarter Stock O7/10/2006 O7/10/20	(City)	(State) (Zip) Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned								ally Owned		
Stock 07/10/2006 M 400,000 A 10.49 400,900 D D (1) Common Stock 07/10/2006 M 70,000 A \$ 10.5 470,900 D D (1) Common Stock 07/10/2006 S 460,700 D \$ 42.46 D 10,200 D D (1) Common Stock 07/10/2006 S 9,100 D \$ 900 D D (1) Common Stock 07/10/2006 S 200 D \$ 900 D D (1)	Security		Execution any	Date, if	Transacti Code (Instr. 8)	omr Dispose (Instr. 3, 4	d of (I and 5) (A) or	0)	Securities Beneficially Owned Following Reported Transaction(s)	Ownership Form: Direct (D) or Indirect (I)	Indirect Beneficial Ownership	
Stock 07/10/2006 M 70,000 A \$ 10.5 470,900 D (1) Common Stock 07/10/2006 S 460,700 D \$ 42.46 10,200 D (1) Common Stock 07/10/2006 S 9,100 D \$ 900 D (1) Common O7/10/2006 S 200 D \$ 900 D (1)		07/10/2006			M	400,000	A		400,900	D (1)		
Stock 07/10/2006 S 460,700 D 42.46 10,200 D 5 Common Stock 07/10/2006 S 9,100 D \$ 42.47 1,100 D 10 Common 07/10/2006 S 200 D \$ 900 D 10		07/10/2006			M	70,000	A	\$ 10.5	470,900	D (1)		
Stock 0//10/2006 S 9,100 D 42.47 1,100 D (1)		07/10/2006			S	460,700	D	\$ 42.46	10,200	D (1)		
07/10/2006 S 200 D 900 D (4)		07/10/2006			S	9,100	D	\$ 42.47	1,100	D (1)		
		07/10/2006			S	200	D	\$ 42.48	900	D (1)		

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Common Stock	570,039	I (1)	By Partnership			
Common Stock	360,208	I (1)	By Partnership (3)			
Common Stock	282,876	I (1)	By Trust (4)			
Common Stock	355,312	I (1)	By Trust (5)			
Common Stock	352,080	I (1)	By Trust (6)			
Common Stock	2,867,204	I (1)	By Foreign Entity (7)			
Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.						

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(9-02)

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 onDerivative 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)	
				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

Relationships **Reporting Owner Name / Address**

Director 10% Owner Officer Other

Reporting Owners 2 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.

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