



Letter from the CEO

January 25, 2014

To Our Valued Michaels Customers:

As you may have read in the news, data security attacks against retailers have become a major topic of concern. We recently learned of possible fraudulent activity on some U.S. payment cards that had been used at Michaels, suggesting we may have experienced a data security attack.

We are working closely with federal law enforcement and are conducting an investigation with the help of third-party data security experts to establish the facts. Although the investigation is ongoing, based on the information we have received and in light of the widely-reported criminal efforts to penetrate the data systems of U.S. retailers, we believe it is appropriate to notify our customers that a potential issue may have occurred.

Throughout our 40-year history, our customers have always been our number one priority and we deeply regret any inconvenience this may cause. The privacy and security of our customers' information is of critical importance to us and we are focused on addressing this issue.

We recommend that you remain vigilant by reviewing your account statements for unauthorized charges. If you believe your payment card may have been affected, you should immediately contact your bank or card issuer. If we find as part of our investigation that any of our customers were affected, we will offer identity protection and credit monitoring services to them at no cost.

We will provide updates on our website (www.michaels.com) as our investigation continues. In the meantime, if you have any questions, please call us toll-free at 1- 877-412-7145. Representatives will be available to answer questions beginning Sunday January 26, 2014, with operating hours Monday through Saturday from 8:00 a.m. CST to 11:00 p.m. CST and Sunday from 8:00 a.m. CST to 8:00 p.m. CST.

We apologize and truly regret any concern this may cause you.

Sincerely,

Chuck Rubin
CEO, Michaels Stores

Additional Information

We encourage our customers to take the following steps:

Order Your Free Credit Report. To order your free credit report, visit www.annualcreditreport.com, call toll-free at 1-877-322-8228, or complete the Annual Credit Report Request Form on the U.S. Federal Trade Commission's ("FTC") website at www.ftc.gov and mail it to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. The three credit bureaus provide free annual credit reports only through the website, toll-free number or request form.

We recommend that you remain vigilant by reviewing your credit reports. When you receive your credit report, review it carefully. Look for accounts you did not open. Look in the "inquiries" section for names of creditors from whom you haven't requested credit. Some companies bill under names other than their store or commercial names. The credit bureau will be able to tell you when that is the case. Look in the "personal information" section for any inaccuracies in your information (such as home address and Social Security number). If you see anything you do not understand, call the credit bureau at the telephone number on the report. Errors in this information may be a warning sign of possible identity theft. You should notify the credit bureaus of any inaccuracies in your report, whether due to error or fraud, as soon as possible so the information can be investigated and, if found to be in error, corrected. If there are accounts or charges you did not authorize, immediately notify the appropriate credit bureau by telephone and in writing. Credit bureau staff will review your report with you. If the information can't be explained, then you will need to call the creditors involved. Information that can't be explained also should be reported to your local police or sheriff's office because it may signal criminal activity.

Reporting Incidents. If you detect any incident of identity theft or fraud, promptly report the incident to law enforcement or your state Attorney General. If you believe your identity has been stolen, the FTC recommends that you take these additional steps:

- Close the accounts that you have confirmed or believe have been tampered with or opened fraudulently. Use the FTC's ID Theft Affidavit (available at www.ftc.gov/idtheft) when you dispute new unauthorized accounts.
- File a local police report. Obtain a copy of the police report and submit it to your creditors and any others that may require proof of the identity theft crime.

You can contact the FTC to learn more about how to protect yourself from becoming a victim of identity theft:

Federal Trade Commission
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
1-877-IDTHEFT (438-4338)
www.ftc.gov/idtheft/

Identity Protection and Credit Monitoring Services. Michaels has arranged with AllClear ID to offer affected customers identity protection and credit monitoring services at no cost to them. If we find as part of our investigation that any of our customers were affected, we will provide information on our website on how to sign up for these services.

Consider Placing a Fraud Alert on Your Credit File. To protect yourself from possible identity theft, consider placing a fraud alert on your credit file. A fraud alert helps protect you against the possibility of an identity thief opening new credit accounts in your name. When a merchant checks the credit history of someone applying for credit, the merchant gets a notice that the applicant may be the victim of identity theft. The alert notifies the merchant to take steps to verify the identity of the applicant. You can place a fraud alert on your credit report by calling any one of the toll-free numbers provided below. You will reach an automated telephone system that allows you to flag your file with a fraud alert at all three credit bureaus.

Equifax	Equifax Credit Information Services, Inc. P.O. Box 740241 Atlanta, GA 30374	1-800-525-6285	www.equifax.com
Experian	Experian Inc. P.O. Box 9554 Allen, TX 75013	1-888-397-3742	www.experian.com
TransUnion	TransUnion LLC P.O. Box 2000 Chester, PA 19022-2000	1-800-680-7289	www.transunion.com

Consider Placing a Security Freeze on Your Credit File. You may wish to place a “security freeze” (also known as a “credit freeze”) on your credit file. A security freeze is designed to prevent potential creditors from accessing your credit file at the credit bureaus without your consent. There may be fees for placing, lifting, and/or removing a security freeze, which generally range from \$5-\$20 per action. *Unlike a fraud alert, you must place a security freeze on your credit file at each credit bureau individually.* For more information on security freezes, you may contact the three nationwide credit bureaus or the FTC as described above. Since the instructions for establishing a security freeze differ from state to state, please contact the three nationwide credit bureaus to find out more information.

The credit bureaus may require proper identification prior to honoring your request. For example, you may be asked to provide:

- Your full name with middle initial and generation (such as Jr., Sr., II, III)
- Your Social Security number
- Your date of birth
- Proof of your current residential address (such as a current utility bill)
- Addresses where you have lived over the past five years
- A legible copy of a government-issued identification card (such as a state driver’s license or military ID card)

For Maryland Residents. You can obtain information from the Maryland Office of the Attorney General about steps you can take to avoid identity theft. You may contact the Maryland Attorney General at:

Maryland Office of the Attorney General
Consumer Protection Division
200 St. Paul Place
Baltimore, MD 21202
(888) 743-0023 (toll-free in Maryland)
(410) 576-6300
www.oag.state.md.us

For Massachusetts Residents. The credit bureaus may charge you a fee of up to \$5 to place a security freeze on your account, and may require that you provide certain personal information (such as your name, Social Security number, date of birth, and address) and proper identification (such as a copy of a government-issued ID card and a bill or statement) prior to honoring your request. There is no charge, however, to place, lift or remove a security freeze if you provide the credit bureaus with a valid police report. You have the right to obtain a police report.

For North Carolina Residents. You can obtain information from the North Carolina Attorney General's Office about preventing identity theft. You can contact the North Carolina Attorney General at:

North Carolina Attorney General's Office
9001 Mail Service Center
Raleigh, NC 27699-9001
(877) 566-7226 (toll-free in North Carolina)
(919) 716-6400
www.ncdoj.gov

Michaels Stores, Inc.
FAQs
January 26, 2014

1. What happened?

We recently learned of possible fraudulent activity on some U.S. payment cards that had been used at Michaels, suggesting we may have experienced a data security attack. Although our investigation is ongoing, based on the information we have received and in light of the widely-reported criminal efforts to penetrate the data systems of U.S. retailers, we believe it is appropriate to notify our customers that a potential issue may have occurred.

2. What did Michaels do when it discovered the issue?

We are working closely with federal law enforcement and are conducting an investigation with the help of third-party data security experts to establish the facts.

3. What information may have been compromised?

At this time, we are taking steps to determine the nature and scope of the issue. We are aware of possible fraudulent activity on some U.S. payment cards that had been used at Michaels.

4. What should I do to help protect my information?

If you believe your payment card may have been affected, you should immediately contact your bank or card issuer. Under U.S. law, you are entitled to one free credit report annually from each of the three national credit bureaus. To order your free credit report, visit www.annualcreditreport.com or call toll free at 1-877-322-8228. We encourage you to review your account statements and monitor your free credit reports. For more information about steps you can take to protect your credit files, you can contact any one of the consumer reporting agencies at:

Equifax	1-800-525-6285	www.equifax.com
Experian	1-888-397-3742	www.experian.com
TransUnion	1-800-680-7289	www.transunion.com

5. Would Michaels ever send me an email asking for my personal information?

Michaels will never ask you to provide personal information in an email. You should always be suspicious of any email communications that ask for your personal information or refer you to a web page asking for personal information.

6. I am a Michaels customer. Was my information affected?

There are reports of fraudulent activity on some U.S. payment cards that had been used at Michaels. We are in the process of investigating the issue. If you believe your payment card was affected, you should immediately contact your bank or card issuer. Under U.S. law, you are

entitled to one free credit report annually from each of the three national credit bureaus. To order your free credit report, visit www.annualcreditreport.com or call toll free at 1-877-322-8228. For more details about protecting your information, please see the Additional Information we have posted on our website at www.michaels.com.

7. Is it safe to use a payment card at Michaels?

We are working closely with federal law enforcement and are conducting an investigation with the help of third-party data security experts to establish the facts. The company has taken steps to contain this issue and is continuing to address it aggressively.

8. How do I sign up for free credit monitoring?

If we find as part of our investigation that any of our customers were affected, we will offer identity protection and credit monitoring services to those customers at no cost. We will provide details as our investigation continues. See the Additional Information document posted on the website at www.michaels.com.

9. Where can I get more information?

If you have any questions or would like additional information regarding this issue, please call us toll-free at 877-412-7145 beginning January 26, 2014, Monday to Saturday from 8:00 a.m. CST to 11:00 p.m. CST or Sunday from 8:00 a.m. CST to 8:00 p.m. CST.