





**Michaels Stores, Inc.**  
**EIN: 75-1943604**  
**Attachment to Form 9937**  
**Report of Organizational Actions Affecting Basis of Securities**

Disclaimer: The information contained in Form 9937 and this attachment does not constitute tax advice and does not purport to take into account any lender's specific circumstances. Lenders are urged to consult their own tax advisors regarding U.S. tax consequences of the amendments described herein and the impact to tax basis resulting from the Amendment, as defined below.

**Form 9937, Part II, Line 14**

On January 28, 2013, Michaels Stores, Inc. ("Michaels") entered into an amended and restated Credit Agreement, pursuant to which an initial term loan with a principal amount of \$1.64 billion was issued (the "2013 Tranche"). In general, the 2013 Tranche had an interest rate equal to LIBOR plus a margin of 2.75% and matured on January 31, 2020. The 2013 Tranche did not have any OID.

On July 2, 2014, Michaels issued an incremental term loan under the Credit Agreement with a principal amount of \$850 million (the "2014 Tranche"). In general, the 2014 Tranche had an interest rate equal to LIBOR plus a margin of 3.0% and matured on January 31, 2020. The 2014 Tranche was issued with 50 bps of OID. On December 28, 2015, Michaels made an unscheduled payment of \$150 million on the 2014 Tranche.

On September 28, 2016, the maturity date on both the 2013 Tranche and the 2014 Tranche was extended to January 28, 2023. Also on September 28, 2016, the margin on the 2014 tranche was reduced to 2.75%. Michaels determined that neither the 2013 Tranche nor the 2014 Tranche was deemed to be retired and reissued under Treas. Reg. § 1.1001-3 for U.S. federal income tax purposes as a result of the September 28, 2016, changes. At this point, the 2013 Tranche and the 2014 Tranche had the same stated terms, but were tracked separately for tax purposes.

On May 23, 2018, the margin on both the 2013 Tranche and the 2014 Tranche was reduced to 2.5% (the "Amendment"). As a result of the Amendment, for U.S. federal income tax purposes, the 2014 Tranche was treated as retired in exchange for a new term loan (the "New Tranche"). The 2013 Tranche was not treated as retired as a result of the Amendment and this Form 9937 is not related to the 2013 Tranche.

Certain lenders of the 2014 Tranche rolled their interests in the 2014 Tranche into the New Tranche (the "Participating Lenders"), while other lenders were repaid in cash. Michaels did not pay any cash consideration in connection with the Amendment.

### **Form 8937, Part II, Line 15**

To the extent that the 2014 Tranche and the New Tranche constitute “securities” for purposes of the rules providing for tax-free recapitalizations under section 368(a)(1)(E) (“Tax Securities”), the Amendment likely qualifies as a tax-free recapitalization of the 2014 Tranche. To the extent that either the 2014 Tranche or the New Tranche are not Tax Securities, the Amendment does not qualify as a tax-free recapitalization of the 2014 Tranche.

To the extent the Amendment is a tax-free recapitalization of the 2014 Tranche, each Participating Lender’s aggregate tax basis in the New Tranche will generally equal such Participating Lenders aggregate basis in the 2014 Tranche immediately prior to the deemed exchange (tax basis is also adjusted for cash received and gain recognized, which is not relevant to the Amendment).

Michaels intends to treat the 2014 Tranche and the New Tranche as Tax Securities such that the Amendment qualifies as a tax-free recapitalization of the 2014 Tranche. Participating Lenders should consult their tax advisors to determine the tax consequences of the Amendment to them.

### **Form 8937, Part II, Line 16**

To the extent the Amendment is a tax-free recapitalization of the 2014 Tranche, each Participating Lender’s aggregate tax basis in the New Tranche will generally equal such Participating Lenders aggregate basis in the 2014 Tranche immediately prior to the deemed exchange (tax basis is also adjusted for cash received and gain recognized, which is not relevant to the Amendment).

Michaels intends to treat the 2014 Tranche and the New Tranche as Tax Securities such that the Amendment qualifies as a tax-free recapitalization of the 2014 Tranche. Participating Lenders should consult their tax advisors to determine the tax consequences of the Amendment to them.

### **Form 8937, Part II, Line 17**

Sections 354, 358, 1001 and 1012.

### **Form 8937, Part II, Line 18**

The Amendment generally should not result in a loss to Participating Lenders to the extent the Amendment is a tax-free recapitalization of the 2014 Tranche. To the extent the Amendment is not a tax-free recapitalization of the 2014 Tranche, the Amendment may result in a loss to a Participating Lender to the extent such Participating Lender’s tax basis in the 2014 Tranche exceeds the issue price of the New Tranche received in exchange therefor.

Participating Lenders should consult their tax advisors to determine the tax consequences of the Amendment to them.