

**RELATED PERSON TRANSACTION POLICY  
THE MICHAELS COMPANIES, INC.**

It is the policy of the Board of Directors of The Michaels Companies, Inc. (the “Company”) that all Interested Transactions with Related Persons (as those terms are defined in this policy) shall be subject to approval or ratification in accordance with the procedures described in this policy.

**I. Procedures**

Directors and executive officers shall promptly report any Interested Transaction to the Company’s General Counsel or the General Counsel’s designee. The General Counsel or the General Counsel’s designee will assist with gathering information about the Interested Transaction and present the information to the Audit Committee (the “Committee”), which will be responsible for reviewing and making determinations regarding any Interested Transaction.

The Committee shall review the material facts of all Interested Transactions and either approve or disapprove of the entry into the Interested Transaction, subject to the exceptions described below. If advance Committee approval of an Interested Transaction is not feasible, then the Interested Transaction shall be considered and, if the Committee determines it to be appropriate, ratified at the Committee’s next regularly scheduled meeting. In determining whether to approve or ratify an Interested Transaction, the Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the Related Person’s interest in the transaction.

The Board of Directors has reviewed the Interested Transactions described below in “Standing Pre-Approval for Certain Interested Transactions” and determined that each of the Interested Transactions described therein shall be deemed to be pre-approved or ratified (as applicable) by the Committee under the terms of this policy. In addition, the Board of Directors has delegated to the Chair of the Committee the authority to pre-approve or ratify (as applicable) any Interested Transaction with a Related Person in which the aggregate amount is expected to be less than \$500,000. In connection with each regularly scheduled meeting of the Committee, a summary of each new Interested Transaction pre-approved by the Chair in accordance with this paragraph shall be provided to the Committee for its review.

No director shall participate in any discussion or approval of an Interested Transaction for which he or she is a Related Person, except that the directors shall provide all material information concerning the Interested Transaction to the Committee.

If an Interested Transaction will be ongoing, the Committee may establish guidelines for the Company’s management to follow in its ongoing dealings with the Related Person. Thereafter, the Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Person to see that they are in compliance with the Committee’s guidelines and that the Interested Transaction remains appropriate.

## **II. Definitions**

An “Interested Transaction” is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (1) the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year, (2) the Company is a participant, and (3) any Related Person has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity).

A “Related Person” is any:

- a.** person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 10-K and proxy statement, even if he or she does not presently serve in that role) an executive officer, director or nominee for election as a director;
- b.** beneficial owners of greater than 5% of any class of the Company’s voting securities; or
- c.** immediate family member of any of the foregoing. Immediate family member includes a person’s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone residing in such person’s home (other than a tenant or employee).

## **III. Standing Pre-Approval for Certain Interested Transactions**

The Board of Directors has reviewed the types of Interested Transactions described below and determined that each of the following Interested Transactions shall be deemed to be pre-approved by the Committee, even if the aggregate amount involved will exceed \$120,000.

### **Employment of executive officers**

Any employment by the Company of an executive officer if:

- d.** the related compensation is required to be reported in the Company’s proxy statement under Item 402 of the Securities and Exchange Commission’s (“SEC’s”) compensation disclosure requirements (generally applicable to “named executive officers”); or
- e.** the executive officer is not an immediate family member of another executive officer or director of the Company, the related compensation would be reported as compensation earned for services to the Company in the Company’s proxy statement under Item 402 of the SEC’s compensation disclosure requirements if the executive officer was a “named executive officer” and the Company’s Compensation Committee approved (or recommended that the Board approve) such compensation.

### **Director compensation**

Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement under Item 402 of the SEC's compensation disclosure requirements.

### **Certain transactions with other companies**

- a.** Any transaction with another company at which a Related Person's only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of \$1,000,000, or 2% of that company's total annual revenues.
- b.** Any transaction where the Company is indebted to another company at which a Related Person's only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company's shares, if the total amount of the Company's indebtedness to the other company at the end of that company's last completed fiscal year does not exceed 1% of that company's total consolidated assets.

### **Transactions where all shareholders receive proportional benefits**

Any transaction where the Related Person's interest arises solely from the ownership of Company common stock and all holders of the Company's common stock received the same benefit on a pro rata basis (e.g., dividends).

### **Transactions involving competitive bids**

Any transaction involving a Related Person where the rates or charges involved are determined by competitive bids.

### **Regulated transactions**

Any transaction with a Related Person involving the rendering of services as common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

### **Certain banking-related services**

Any transaction with a Related Person involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

***Dated: June 27, 2014***