

## **INSIDER TRADING POLICY THE MICHAELS COMPANIES, INC.**

The Board of Directors of The Michaels Companies, Inc. (the “Company”) has adopted this Insider Trading Policy to prevent the misuse of confidential information about the Company as well as other companies with which we have a business relationship and to promote compliance at the Company with the securities laws.

Federal and state securities laws prohibit the purchase or sale of a company’s securities by persons who are aware of material information about that company that is not generally known or available to the public. These laws also prohibit persons who are aware of such material nonpublic information from disclosing this information to others who may trade securities. Violations of these laws can result in civil and criminal penalties. Companies and their controlling persons are also subject to liability if they fail to take reasonable steps to prevent insider trading by company personnel.

It is important that directors, officers and associates understand the breadth of activities that constitute illegal insider trading and the consequences, which can be severe. Both the Securities and Exchange Commission (“SEC”) and the Financial Regulatory Authority (“FINRA”) in the United States, and similar agencies in other jurisdictions where the Company does business, investigate and are very effective at detecting insider trading. These agencies, along with government prosecutors, pursue insider trading violations vigorously. Cases have been successfully prosecuted against trading by associates and others through foreign accounts, trading by family members and friends, and trading involving only a small number of shares.

### **I. Statement of Policy**

#### **No Trading on Nonpublic Information**

Directors, officers and associates may not trade in the securities of the Company, directly or through family members or other persons or entities, if they are aware of any material nonpublic information about the Company as defined below. Similarly, they may not trade in the securities of any other company if they are aware of any material nonpublic information about that company.

#### **No Tipping**

Directors, officers and associates may not pass material nonpublic information on to others or recommend to anyone the purchase or sale of any securities when they are aware of such information. This practice, known as “tipping,” also violates the securities laws and can result in the same civil and criminal penalties that apply to insider trading, even though they did not trade and did not gain any benefit from another’s trading.

## **No Exception for Hardship**

The existence of a personal financial emergency does not excuse anyone from compliance with this Policy.

## **II. Scope of Policy**

### **Persons Covered**

This policy applies to any director, officer or associate of the Company or its subsidiaries. The same restrictions that apply to directors, officers and associates apply to family members who reside with them, anyone else who lives in their households and any family members who do not live in their households but whose transactions in Company securities are directed by them or are subject to their influence or control (such as parents or children who consult with them before they trade in Company securities), as well as entities controlled by any such person. Directors, officers and associates are responsible for making sure that the purchase or sale of any security covered by this Policy by any such person or entity complies with this Policy. They are also responsible for informing such persons of this Policy. The Company may also make this Policy applicable to its consultants and contractors.

### **Securities Covered**

The prohibition on insider trading in this Policy is not limited to trading in the Company's securities. It includes trading in the securities of other companies, such as suppliers of the Company and companies with which the Company may be negotiating major transactions, such as an acquisition, investment, joint venture, license or sale. Information that may not be material to the Company may nevertheless be material to one of those other companies and would accordingly prohibit trading or tipping.

### **Transactions Covered**

This Policy covers purchases and sales of stock and other securities (such as debentures, bonds and notes) that are issued by the Company, and it also covers trading in derivative securities such as put and call options that are not issued by the Company.

*Transactions not Covered.* This Policy does not apply to the transactions described below as permitted under "Transactions under Company Plans," "Transactions not Involving a Purchase or Sale" and "Rule 10b5-1 Plans."

## **III. Transactions under Company Plans**

This Policy does not apply to transactions under Company benefit plans, except as noted below:

- a.** *Stock Option Exercises.* This Policy's trading restrictions generally do not apply to the exercise of a stock option. The trading restrictions do apply, however, to any sale of the underlying stock or to a cashless exercise of the option through a broker, as this entails selling a portion of the underlying stock to cover the costs of exercise.

- b. *Restricted Stock Awards/Units.* This Policy's trading restrictions do not apply to the vesting of restricted stock or restricted stock units, or the exercise of a right to have the Company withhold shares to satisfy the tax withholding consequences of vesting. The Policy would apply to market sales of any shares received.
- c. *Associate Stock Purchase Plan.* This Policy's trading restrictions do not apply to periodic purchases under a Company associate stock purchase plan, if such plan exists, that are made as the result of an election made at the beginning of the purchase period. The Policy would apply, however, to an initial decision to participate in the plan or a decision to increase the level of contribution in a subsequent purchase period. It would also apply to any sales of shares purchased under the plan.
- d. *401(k) Plan.* This Policy's trading restrictions do not apply to purchases of securities in the Company's 401(k) plan as a result of periodic contributions made pursuant to payroll deduction. The Policy does apply, however, to initial elections to participate, and increases or decreases in the level of participation, in a Company stock fund and transfers in or out of a Company stock fund (including in connection with a plan loan).

#### **IV. Transactions Not Involving a Purchase or Sale**

*Bona fide* gifts of securities are not subject to this Policy unless the person making the gift has reason to believe that the recipient intends to sell the securities at a time when the person making the gift (or a family member or other related person or entity covered by this Policy) would be prohibited from doing so. If an individual owns shares of a mutual fund that invests in the Company's securities, there are no restrictions on trading the shares of the mutual fund at any time.

#### **V. Rule 10b5-1 Plans**

Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, provides a defense from insider trading liability. To be eligible to rely on this defense, a person must buy or sell securities pursuant to a plan that meets the requirements of Rule 10b5-1 (a "Rule 10b5-1 Plan"). Transactions that comply with a valid Rule 10b5-1 Plan are permitted under this Policy. To comply, the Rule 10b5-1 Plan must be approved by the General Counsel or a designated compliance officer and meet the requirements of Rule 10b5-1. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of any material nonpublic information. The plan must specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. Once the plan is adopted, the person must not exercise any influence over any securities transactions effected pursuant to the plan, including the amount of securities to be traded or the price or timing of any trade.

#### **VI. Trading Window and Pre-Clearance Procedures**

To help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of trading on the basis of inside information, the Company's board of directors has adopted an Addendum to this Policy that applies to directors, executive officers subject to Section 16 of the Securities Exchange Act of 1934, as amended ("executive officers"), and other designated persons who have regular access to material nonpublic information about the Company. The Company will notify those individuals who are subject to the Addendum.

The Addendum generally prohibits persons and entities covered by it from trading in the Company's securities, except during the trading windows specified in the Addendum. Directors, executive officers and other designated persons also must **pre-clear** all transactions in the Company's securities with the General Counsel.

In addition, from time to time, the Company may be involved in activities – such as proposed acquisitions – that are material and that are known only by a few people at the Company. For those individuals whose duties at the Company cause them to be aware of such activity, the General Counsel or his designee will notify them of an event-specific trading restriction and they will not be permitted to trade in Company securities. The existence of an event-specific blackout will not be announced and should not be communicated to anyone. Even if individuals are not notified of an event-specific blackout, they should not trade in Company securities if they are aware of material nonpublic information.

## **VII. Definition of Material Nonpublic Information**

The concept of inside information has two important elements – materiality and the absence of public availability.

### **Material Information**

Information is material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, hold or sell a security. Any information that could reasonably be expected to affect the price of the security is material. Common examples of material information are:

- Projections of future earnings or losses or other earnings guidance such as comps.
- Earnings that are inconsistent with the consensus expectations of the investment community.
- A pending or proposed merger, acquisition, tender offer, joint venture, licensing arrangement or an acquisition or disposition of significant assets.
- A change in management.
- Major events regarding the Company's securities, including the declaration of a stock split or the offering of additional securities.
- Severe financial liquidity problems.
- Actual or threatened major litigation or the resolution of such litigation.
- New major contracts, orders, suppliers, customer or financing sources, or the loss of any of them.

Both positive and negative information can be material. Because trading that receives scrutiny will be evaluated after the fact with the benefit of hindsight, questions concerning the materiality

of particular information should be resolved in favor of materiality, and trading should be avoided.

### **Nonpublic Information**

Nonpublic information is information that is not generally known or available to the public. One common misconception is that material information loses its “nonpublic” status as soon as a press release is issued disclosing the information. In fact, information is considered to be available to the public only when it has been released broadly to the marketplace (such as by a press release or an SEC filing) *and the investing public has had time to absorb the information fully*. As a general rule, information is considered nonpublic until the end of the second full trading day after the information is released. For example, if the Company announces financial earnings before trading begins on a Tuesday, the first time a director, officer or associate can buy or sell Company securities is the opening of the market on Thursday (assuming they are not aware of other material nonpublic information at that time). However, if the Company announces earnings after trading begins on that Tuesday, the first time a director, officer or associate can buy or sell Company securities is the opening of the market on Friday (again assuming they are not aware of other material nonpublic information at that time).

### **VIII. Additional Provisions**

The Company considers it improper and inappropriate for those employed by or associated with the Company to engage in short-term or speculative transactions in the Company’s securities or in other transactions in the Company’s securities that may lead to inadvertent violations of the insider trading laws. Accordingly, directors’, officers’ and associates’ trading in Company securities is subject to the following additional provisions:

#### **Short Sales**

They may not engage in short sales (sales of securities that are not then owned), including “sales against the box” (a sale with delayed delivery).

#### **Publicly Traded Options**

They may not engage in transactions in publicly traded options, such as puts, calls and other derivative securities, on an exchange or in any other organized market.

#### **Standing and Limit Orders**

Standing and limit orders should be used only for a very brief period of time. A standing order placed with a broker to sell or purchase stock at a specified price leaves individuals without control over the timing of the transaction. A standing order transaction executed by the broker when an individual is aware of material nonpublic information may result in unlawful insider trading.

## **Hedging Transaction**

Hedging transactions can be accomplished through a variety of mechanisms, including through variable prepaid forward contracts, equity swaps and collars, and similar devices. Because hedging transactions permit the holder of Company securities to continue to own them without the full risks and rewards of ownership, they can cause the interest of such person not to be aligned with the interest of the Company's shareholders. For this reason, hedging transactions are not permitted under this Policy.

## **Margin Accounts and Pledges**

Securities held in a margin account or pledged as collateral for a loan may be sold without consent by the broker if an individual fails to meet a margin call or by the lender in foreclosure if an individual defaults on the loan. Because a margin or foreclosure sale that occurs when an individual is aware of material nonpublic information or otherwise is not permitted to trade in Company securities would violate this Policy, directors, officers and associates are prohibited from holding Company securities in a margin account or pledging Company securities as collateral for a loan. An exception may be granted where an individual wishes to pledge Company securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. If an individual wishes to pledge Company securities as collateral for a loan, he or she must submit a request for approval to the Company's General Counsel at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

## **IX. Post-Termination Transactions**

This Policy continues to apply to transactions in Company securities even after an individual has terminated employment or other services to the Company or a subsidiary as follows: if he or she is aware of material nonpublic information when the employment or service relationship terminates, he or she may not trade in Company securities until that information has become public or is no longer material.

## **X. Unauthorized Disclosure**

Maintaining the confidentiality of Company information is essential for competitive, security and other business reasons, as well as to comply with securities laws. Directors, officers and associates should treat all information they learn about the Company or its business plans in connection with their employment as confidential and proprietary to the Company. Inadvertent disclosure of confidential or inside information may expose the Company and individuals to significant risk of investigation and litigation.

The timing and nature of the Company's disclosure of material information to outsiders is subject to legal rules, the breach of which could result in substantial liability to individual directors, officers or associates, the Company and its management. Accordingly, it is important that responses to inquiries regarding the Company from the press, investment analysts or others in the financial community be made on the Company's behalf only through authorized individuals, as expressly identified by the Company.

## **XI. Company Assistance**

Compliance with this Policy is of the utmost importance for directors, officers and associates, and for the Company. If an individual has any questions about this Policy or its application to any proposed transaction, he or she may obtain additional guidance from the Company's General Counsel. Individuals should not try to resolve uncertainties on their own, as the rules relating to insider trading are often complex, not always intuitive and violations carry severe consequences.

## **XII. Certification**

All persons subject to this Policy must certify their understanding of, and compliance with, this Policy.

### **Applicable To**

This Policy applies to all directors, officers and associates of the Company. The Company may also determine that this Policy will apply to specified consultants and contractors.

### **Responsibility**

Directors, officers and associates are responsible for knowing and understanding this Policy, complying with this policy, and requesting clarification when questions arise.

The Legal Department is responsible to provide guidance in response to questions about this policy or its application to any proposed transactions.

The Legal Department is responsible for monitoring compliance and will work with Human Resources to address violations of this policy. Associates in violation of this policy will be subject to disciplinary action up to and including termination.

### **Related Policies**

Addendum to Insider Trading Policy

## **ADDENDUM TO INSIDER TRADING POLICY**

The Company has established additional procedures to assist in the administration of the Insider Trading Policy, to facilitate compliance with laws prohibiting insider trading while in possession of material nonpublic information, and to avoid the appearance of any impropriety. These additional procedures are applicable only to those individuals designated by the Company from time to time (as well as their family members and other related persons and entities for the exclusive benefit of such persons). The Company will notify those individuals who are subject to this Addendum.

### **I. Pre-Clearance Procedures**

Directors, executive officers and designated persons designated as being subject to these procedures in the “Persons Covered” section of the Insider Trading Policy, as well as their family members and entities that they control, may not engage in any transaction in Company securities without first obtaining pre-clearance of the transaction from the General Counsel or his designee. A request for pre-clearance should be submitted to the General Counsel at least two business days in advance of the proposed transaction. The General Counsel is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Company securities, and should not inform any other person of the restriction.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about the Company, and should describe fully those circumstances to the General Counsel. The requestor should be prepared, if necessary, to file a Form 4 for the proposed transaction and to comply with Rule 144 under the Securities Act of 1933, as amended, and file a Form 144 at the time of any sale.

### **II. Trading Windows**

To protect against potential insider trading based on access to any material nonpublic information, the persons designated by the Company as subject to this Addendum, as well as their family members and other related persons and entities specified in the “Persons Covered” section of the Insider Trading Policy are prohibited from engaging in any transactions involving Company securities (other than as specified by the Insider Trading Policy), except during specified periods (“trading windows”) following the announcement of the Company’s quarterly or annual earnings. Each quarter, the trading window will begin on the first trading day that is two full trading days following the public release of the Company's quarterly earnings and will end at the close of trading on The NASDAQ Global Select Market on last trading day of the fifth week prior to the close of the next fiscal quarter. For example, if the Company announces financial earnings before trading begins on a Tuesday, the trading window will open with the opening of The NASDAQ Global Select Market on Thursday. However, if the Company announces earnings after trading begins on that Tuesday, the trading window will open with the opening of The NASDAQ Global Select Market on Friday. However, even during a trading window, a restricted person who is in possession of any material nonpublic information may not trade in the Company’s securities. In addition, all trades during this period by Directors and



executive officers (or any family member or controlled entity of such person) should be pre-cleared through the Company's General Counsel in accordance with the provisions specified above under "Pre-Clearance Procedures."

### **III. Event-Specific Trading Restrictions**

From time to time, an event may occur that is material to the Company and is known by only a few directors, officers and/or associates. So long as the event remains material and nonpublic, the persons designated by the General Counsel may not trade in Company securities, regardless of whether the period would otherwise be a trading window. The existence of an event-specific trading restriction will not be announced to the Company as a whole, and should not be communicated to any other person. Even if the General Counsel has not designated an individual as a person who should not trade due to an event-specific trading restriction, an individual should not trade while aware of material nonpublic information. Exceptions will not be granted during an event-specific trading restriction period.

### **IV. Exceptions**

The prohibition on trading outside of trading windows as well as the event-specific trading restrictions do not apply to those transactions to which this Policy does not apply, as described in the Insider Trading Policy under the headings "Transactions Under Company Plans" and "Transactions Not Involving a Purchase or Sale." Further, the requirement for pre-clearance, the quarterly trading restrictions and event-specific trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 plans, as described under the heading "Rule 10b5-1 Plans."

*Dated: June 27, 2014*