



# 2013 Michaels Code of Business Conduct and Ethics

# Message from Chuck Rubin

Over the years, Michaels has maintained a strong reputation for high ethical standards and integrity. We should be very proud to work with an organization that is committed to delivering results and supporting strong business standards.

We make business decisions every day that have a dramatic influence on the lives of others, as well as on how the Company is perceived by other associates, vendors and customers. We all have the responsibility to conduct ourselves with the highest personal and professional standards, discipline and objectivity.

Because this is such an important part of our culture, I ask that you read the 2013 Michaels Code of Business Conduct and Ethics. Review the guidelines and think about how it might apply to you and your role. If you have questions, reach out to your supervisor at any time.

Thank you for your diligence and cooperation in helping Michaels maintain its stellar reputation.



Chuck Rubin  
CEO – Michaels Stores Inc.



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# About This Process

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The Michaels Code of Business Conduct and Ethics is updated annually and distributed to all associates at the Support Centers. District Managers as well as the exempt associates at Artistree and the Distribution Centers also receive the document.

Annually, each officer and designated associates of Michaels must:

- Affirm that the document has been reviewed, indicating your understanding and adherence to the policy.
- Disclose any existing or potential Conflicts of Interest by completing and submitting the Annual Disclosure form

This acknowledgement process occurs electronically once you have completed reviewing this document.

After completing this Review of the Code of Business Conduct and Ethics, you can access the document at any time during the year by re-launching the training in Michaels University.

This Code is designed to instruct Michaels officers and associates regarding the Company's policies on business conduct and ethics. The information contained in this Code is not intended to represent all of Michaels policies. In addition, Michaels officers and associates should be aware that Michaels may revise, supplement or rescind any policies or portions of this Code at any time as it deems appropriate, in its sole and absolute discretion. This Code is the property of Michaels.

# Ethical and Legal Standards

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We must maintain the highest ethical and legal standards in our dealings with customers, suppliers, co-workers, stockholders, governmental employees, elected officials, competitors, neighbors, friends, the press and the general public. All business decisions must be lawful and uninfluenced by personal interests and conducted according to the highest ethical standards. This includes honest, ethical and professional behavior and relationships.

These standards and practices are not meant to place unnecessary restrictions on conducting business, but merely to define what is or is not acceptable. All circumstances and all situations cannot be covered in one document but if there is ever any doubt, ask before you act. Our intention is always to do the right thing.

When faced with a questionable situation, you should do the following:

- Ask before you act.
- Have all the facts.
- Ask yourself “What specifically am I being asked to do?” and “Does it seem unethical or improper?”
- Clarify your responsibility and role.
- Discuss the situation with your supervisor.
- If necessary, seek guidance from someone other than your supervisor.

## **DEFINITION OF RELATIVE**

In this document, the term “relative” refers to your relatives by blood, marriage or adoption and not more remote than a first cousin.

# Compliance with Laws, Rules and Regulations

*Patty, an associate at the Support Center, was helping to unload a holiday truck at a local store. She knows there are regulations and rules regarding safety but this isn't something that she does every day. She should ask someone with the appropriate experience about any safety rules that might apply.*

Obeying the law, both in letter and spirit, is the foundation of our ethical standards. You are not expected to know all the details of all applicable laws, but it is important to know when they may apply, and that you ask for clarification as appropriate.

Such laws include:

- Labor laws
- Occupational safety and health regulations
- Building, safety and fire codes
- Employment discrimination or harassment
- Wage and hour laws
- Environmental programs
- Laws related to bribery and kickbacks
- Federal and state securities laws

If a law, rule or regulation is unclear to you, seek advice from the most senior level officer within your department, SVP – Human Resources or SVP – General Counsel.

## **BRIBERY**

Paying bribes in any form to anyone is strictly prohibited. If you are confronted with an expressed or implied request for a bribe from anyone, you must immediately bring the request to the attention of the most senior level officer within your department, SVP – Human Resources or SVP – General Counsel.

# Compliance with Laws, Rules and Regulations

*Hank has been a Category Director with Michaels for years and recently began doing business with a up and coming vendor. Because of his knowledge of the industry, the new vendor asked if he could recommend a good account “rep” that could represent their product line. Knowing that he plans to place a very large order with this vendor and that he could benefit in negotiations depending upon the account rep, Hank declined the request and suggested that the vendor network with others to find representation.*

## **OPPORTUNITIES AND CONFLICTS OF INTEREST**

You cannot personally benefit from opportunities made available to you through your position at Michaels. You have the responsibility to act in business matters solely for the benefit of Michaels. You are expected to remain free of interests which are, or appear to be, detrimental to Michaels best interests. Avoid all real or potential inappropriate uses of corporate opportunities and conflicts of interest, especially those that could impact your own or Michaels image or reputation.

- If you have the authority to purchase goods or services, you may not enter into a business partnership (including silent partnerships) with any Michaels vendor.
- You may not have a full-time or part-time employment, consulting or similar relationship with any direct competitor of Michaels (including but not limited to A.C. Moore, Hobby Lobby or Jo-Ann Stores).
- You must disclose if any relatives have full-time or part-time employment, consulting or similar relationship with any vendor or competitor of Michaels (including but not limited to A.C. Moore, Garden Ridge, Hobby Lobby or Jo-Ann Stores).

This Code cannot list all possible situations. Its objective is to prevent actual wrongdoing or the possibility or appearance of any wrongdoing. If you find that you could be involved in any possible situations or conflicts of interest, or the appearance of any such conflicts, you should provide full disclosure of the circumstances to the most senior level officer within your department, SVP – Human Resources or SVP – General Counsel.

# Compliance with Laws, Rules and Regulations

*Mark works on the Aaron Brothers Accounting team. He also operates a personal tax preparation service which keeps him very busy in February, March and April. He knows that his work at Aaron Brothers slips during those months. This is a conflict of interest, even if he's not preparing tax returns while physically in the office at Aaron Brothers.*

## **Situations to be aware of:**

### **Outside Interests:**

- Michaels expects your complete attention while you are on the job. If an outside interest interferes with your time, attention or performance while conducting business for Michaels, it is a Conflict of Interest.
- Holding an investment in a customer, supplier or competitor could create a conflict of interest or the appearance of a conflict. However, as a general rule, a conflict is not created by owning shares in a mutual fund or through holdings of less than 1% of the outstanding shares of a company's publicly traded securities.
- If you have other employment that is related to the sale of merchandise services or products that are offered by Michaels or its subsidiaries, that is a Conflict of Interest. "Employment" includes personal work effort, direction or training of others or advice for any form of compensation.

### **Company Information:**

- Do not use Michaels proprietary, "inside," privileged or customer information to benefit yourself, or any of your relatives or friends. This includes selling or providing information to outsiders, or using the information in any other manner to further your interests or the interests of any of your relatives or friends.
- Do not provide merchandise, work, equipment or any service to Michaels for your personal gain or engage in any other business transaction with Michaels that is in addition to your basic Company employment.

### **Relationships:**

- Do not actively engage in a business transaction on behalf of Michaels with a relative or with a firm in which a relative is a principal or an officer.
- Do not engage in any action with a superior or subordinate which could lead to your gain or personal favor as a result of your or your superior's power or influence.

# Compliance with Laws, Rules and Regulations

*George, a Michaels DM, was visiting stores in his District and needed to make a personal call. Even though his cell phone is provided by the Michaels, this situation would be permissible use of Company property.*

*Associate Category Manager, Jennifer has a son that has a school project on the solar system due in a week or two. She knows there are excess foam balls in the department's supply closet and they are designated for the Sample Sale. She asks her Director if she could use this product. The Director answered, "No." The product is still Michaels property and this would be misuse of Company property. Unused or discarded product must be set aside for the Sample Sale.*

## **IMPROPER USE OF CORPORATE ASSETS**

Company property (e.g. merchandise, supplies or equipment) should not be misappropriated for personal use. Theft, negligence and misuse of assets impact our profitability. Any suspected incident of fraud or theft, or any questions regarding this policy should be directed immediately to the most senior level officer within your department, SVP – Human Resources or SVP – General Counsel.

## **ENVIRONMENTAL COMPLIANCE**

Michaels strives to be an environmentally responsible corporate citizen and to operate our facilities in compliance with applicable environmental, health and safety regulations and in a manner that has the highest regard for the safety and well-being of our associates and the general public. Necessary permits, approvals and controls are maintained at all Michaels facilities.

You are responsible for complying with all applicable environmental laws and regulations and Michaels policies. Michaels also insists that our suppliers and contractors follow appropriate environmental laws and guidelines.

## **Serving on Boards of Directors:**

- Officers at or above the Senior Vice President level may **NOT** serve as a director or advisor for the board of directors of a for-profit company without the prior approval of our Board of Directors.
- All other officers and associates may **NOT** serve as a director or official of the board of directors of a for-profit company without the prior approval of the Chief Executive Officer of Michaels.

# Fair Dealing

*During a conversation with a vendor, Henry learned that one of our competitors was designing a new holiday product that was expected to be a huge win for that company. Although he's curious, Henry must not ask the vendor about the pricing, when the product is expected to hit the stores, or any other information that might give Michaels an unfair competitive advantage.*

## **COMPETITION AND FAIR DEALING**

Michaels strives to outperform its competition fairly and honestly. You must not engage in or tolerate unethical or illegal business practices or tolerate any unauthorized use of our competitors' proprietary information or trade secret information. Michaels associates are responsible for compliance with applicable antitrust laws.

Michaels associates and representatives may not engage in any activities that:

1. Are designed to reach an understanding with competitors concerning prices, production methods or division of customers
2. Are designed to reach an understanding with vendors regarding reciprocal buying and selling
3. Result in other prohibited activity such as illegal price discrimination or trade restraints.

Additionally, we must not talk to our competitors about prices, marketing practices, other competitors, vendors, geographic regions or market allocation.

Associates are not to make any statements or written records, even in jest, that suggest a proposed course of action will eliminate competition. Associates who fail to comply with the antitrust laws can jeopardize the reputation and business interests of Michaels, in addition to their own careers. Antitrust violations can result in severe criminal and civil penalties, including fines for corporations and fines and jail terms for individuals.

# Fair Dealing

## **GIFTS, ENTERTAINMENT, SOCIAL AMENITIES**

As a general rule, do not accept, or permit any member of your immediate family to accept, any gifts, gratuities or other favors from any customer, supplier, vendor or others doing or seeking to do business with Michaels.

Any gifts valued over \$50 should be returned immediately and reported to your supervisor. If immediate return is not practical, they should be given to SVP – Human Resources or SVP – General Counsel for charitable disposition as they, in their sole discretion, believe appropriate. Accepting these items may be interpreted as an obligation from the recipient to the provider.

It's acceptable for Michaels officers and associates to exchange social amenities with suppliers and customers ONLY when based on clear business purpose, common sense and moderation. You should only engage in business entertainment with anyone doing business with Michaels if the entertainment is modest, intended to serve legitimate business goals and in compliance with applicable law.

It is NOT acceptable, unless approved in advance by the Executive Committee officer for your department, to accept tickets to sporting events, golf outings, concerts and similar entertainment. Advance approvals for any officers at or above the Senior Vice President level must be obtained from Michaels Chief Executive Officer.

It is acceptable to receive items commonly exchanged in business relationships, such as reasonably priced (for the location) meals, beverage items, seminars and educational events as long as it relates to business.

Advance approvals for any exceptions to this policy for officers at or above the SVP level may be obtained from Michaels Chief Executive Officer.

## **EXAMPLES:**

**Acceptable:** Pam, from a local consulting company that you regularly work with, drops off a large pastry basket to thank you for your business. Perishable gifts like a food basket can be accepted and shared with the whole team without any one associate benefiting.

**Not Acceptable:** Angie, the administrative assistant for a VP, is given 2 theatre tickets by a vendor as a "thank you" for setting up an introductory meeting. This would not be acceptable and could be interpreted as an expectation from the vendor and put Angie in an awkward position if the vendor makes any future requests.

**Requiring Discussion/Approval:** At a Trade Show in Chicago discussing new products, a Michaels vendor invites Bob, a Private Brand Manager, to a Cubs baseball game where they can further discuss potential business opportunities between the companies. Bob should suggest they meet at the trade show instead and cannot accept the invitation without written approval from the EVP-Sourcing.

# Fair Dealing

*Sharon, the Category Director for Kid's Crafts, is organizing a children's event for her church. All the proceeds will support Michaels CARES, a non-profit organization. Sharon knows that one of her vendors would be willing to donate product because they want to keep Michaels business. Although it's for a good cause, she knows this would not be an ethical decision.*

## **RELATIONSHIPS WITH VENDORS AND SUPPLIERS**

Ethical buying practices require making objective business decisions on the basis of price, quality and availability of goods and services, and must never be influenced by personal relationships. All transactions must be fully and accurately documented with appropriate paperwork.

- Don't allow your personal bias to influence the selection or rejection of a particular supplier, product or service. You must be objective when making business decisions for Michaels.
- Don't discontinue business transactions with current vendors without a discussion with, and approval by, a senior level officer within your department. Vendor decisions can have serious implications and influence many lives.
- Don't solicit charitable donations from vendors, with the exception of those sponsored by the Company.

## **POLITICAL CONTRIBUTIONS**

Michaels Board of Directors makes all corporate decisions related to political contributions and affiliations made by Michaels.

You may participate in the political process and activities, express your personal views on legislative or political matters, and make personal political contributions but you must do this on your own time and at your personal expense. You must avoid any political reference to your affiliation with Michaels, and make clear that you are acting in your personal capacity.

- Don't allow Michaels funds to be used for political campaign contributions without prior written approval of the Board of Directors;
- Don't keep political payment funds or secret accounts hidden from corporate auditors;
- Don't reimburse any Michaels officer or other associate, agent or representative for personal political contributions; or become involved in covert political activity involving Michaels funds, assets or associates.

# International Business

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**DOING BUSINESS INTERNATIONALLY** – Michaels must adapt to business customs and market practices in global markets, so all associates should respect and comply with the laws of the host country except in the case of conflicts between the local laws and applicable U.S. laws and regulations (such as the U.S. Foreign Corrupt Practices Act or FCPA).

**Anti-Boycott Laws** – It is against the law to cooperate in any boycotts between foreign countries not sanctioned by U.S. law. All requests for boycott support or boycott-related information must be reported.

**Treasury Embargo Sanctions** – Federal law prohibits U.S. companies and their subsidiaries from doing business with certain countries, organizations or agencies and certain individuals. Regulations vary depending on the country and the type of transaction, and these rules often change as U.S. foreign policy changes.

If you are aware of any sensitive political issues with a country in which Michaels is doing or considering doing business, seek advice from the most senior level officer within your department or SVP – Human Resources or SVP – General Counsel before engaging in a potential transaction.

**Customs** – As a general rule, importation of our products is subject to various customs rules, laws and regulations. In particular, physical importation of products into a country must usually comply with either (a) regulations that specify the import duties, value added tax, excise tax, and the like that may be payable in relation to our products; or (b) tax, bonding, or other similar regulations that govern “tax or duty free” shipments. You must be sure that all imports comply with these requirements, and that any information provided to customs and tax officials is accurate and truthful.

In addition to these specific laws, be aware that U.S. antitrust laws and certain employment laws apply to our international operations. You should conduct Michaels overseas activities in an ethical and professional way that contributes to the Company’s expansion and development in all such locales.

# Foreign Corrupt Practices Act (FCPA)

*Michaels has had ties to a local agent in a foreign country for several years. The agent is now running for public office, but says that he'll still have plenty of time to "make things happen" for Michaels. He's been a good partner but cannot be retained because candidates for political office outside the U.S. are considered "foreign officials" under the FCPA. Work with the most senior officer in your department to immediately terminate this business relationship. If you want to re-engage the business relationship in the future, you must receive permission from the SVP – General Counsel.*

## **Michaels Policy**

It is Michaels policy that all of our associates, whether located in the United States or abroad, are responsible for fully complying with all terms and requirements of the FCPA. All managers and supervisors are expected to monitor compliance with the FCPA.

Any associate who becomes aware of possible FCPA violations should notify SVP — Human Resources or SVP — General Counsel.

**Overview** – The Foreign Corrupt Practices Act ("FCPA" or "Act") is a U.S. federal law that governs specific activities with respect to doing business internationally.

The Act contains two principal parts.

1. It is a criminal offense to pay, offer or give anything of value to a foreign official, a foreign political party or official or candidate for foreign office, for the purpose of influencing their decisions. This is true regardless of the fact that giving anything of value may be widely accepted or even necessary in the country in question.
2. The FCPA sets forth record keeping and accounting requirements. Michaels must keep its books, records and accounts in reasonable detail, accurately and fairly reflecting all transactions and dispositions of assets. Covering up a transaction by mischaracterizing it on Company books and records (such as an expense account) is itself a separate violation of the FCPA.

# Foreign Corrupt Practices Act (FCPA)

**Foreign Official** – The FCPA defines a “foreign official” as any officer or employee of a foreign government or any department, agency or instrumentality of a foreign government. The term also includes any officer or employee of a public international organization such as the World Bank, officers and employees of foreign state owned companies, uncompensated honorary officials (if such officials can influence the awarding of business) and members of royal families who have proprietary or managerial interests in industries and companies owned or controlled by the government.

Furthermore, any person acting in an official capacity for any foreign government agency, department or instrumentality, or for a public international organization is a “foreign official.” An entity hired to review bids on behalf of a government agency is also covered by the term “foreign official,” even if it is a U.S. based entity. The FCPA also prohibits bribes to foreign political parties and their officials as well as to candidates for foreign political office.

**Anything of Value** – The use of the phrase “anything of value” means that the FCPA forbids not only money bribes but also bribes constituting such things as stock, entertainment, gifts, discounts on products and services not available to the public, offers of employment, assumption or forgiveness of debt, payment of travel expenses or personal favors. “Anything of value” is construed quite literally, as there is no exemption in the FCPA for items of nominal value.

**Permissible Payments** – Certain payments are permissible under the FCPA. Payments may only be made to follow routine government actions solely to expedite or secure the performance of: obtaining licenses, permits and other official documents to qualify to do business in a foreign country; processing governmental papers, such as visas and work orders; providing police protection, mail services and inspection of goods or of contract performance; providing telephone service, utilities, loading or unloading cargo and protecting perishable goods from deteriorating; and actions of a similar nature.

Facilitating payments or gifts may be made only if:

- The assistance requested and for which payment or gift is made, is clearly an action which the person receiving the payment is legally required to provide, and the payment is only to facilitate such action;
- Such payment is legal and customary in the foreign country in question;
- No reasonable alternative to making the payment exists; and
- The duties of the person receiving the payment are essentially pertaining to their governmental position.

# Foreign Corrupt Practices Act (FCPA)

**Embargos:** Mary sourced a really cool new product in a foreign country that is currently under embargo by the U.S. government. She could arrange to have the product shipped first to a country that is not under embargo. She discussed the situation with the EVP of her division and they decided that would not be a good option. Even if this is 100% legal, it could open the door for accusations or perceptions of buying from an embargoed country.

**Dinners and Record-keeping:** James wants to take several foreign officials to dinner and record the expense as a meal for himself and several co-workers. First of all, the dinner may be a violation of the anti-bribery provisions of the FCPA and the Code. Second, even if approved, in order to comply with the record keeping provisions you must be sure to record the expense accurately, including who was present and the purpose of the meeting.

Such payments must be approved in advance by EVP — Private Brands & Global Sourcing, SVP — General Counsel and the CFO. Approval will be given only after it has been determined that such payment is consistent with the criteria set forth in this document and with all other applicable laws. In any event, every effort should be made to avoid such payments.

Various types of “promotional or marketing” payments may be made under the FCPA under certain circumstances. For example, certain reasonable, bona fide expenses incurred while promoting Michaels to foreign officials, hosting a tour of foreign public officials at a Michaels facility or entertaining employees of a foreign state-owned firm may also be legitimate expenses under the FCPA. However, prior written approval is required from EVP — Private Brands & Global Sourcing before such expenses are made.

## **Penalties for Violation**

Sanctions for FCPA violations, or even a mere indictment for a potential violation, are severe and potentially devastating to Michaels and to the individuals involved. Under the Act, criminal penalties for individuals include fines up to \$100,000 per violation or imprisonment up to five years, or both. Fines assessed against individuals will not be reimbursed by Michaels.

In addition, violation of the FCPA or this Code as it relates to the FCPA shall lead to disciplinary action up to and including termination of employment.

# Books and Records

*Josh on the Training team needs to purchase a video camera priced at \$2,600. He knows that Michaels has a policy requiring special approval for the purchase of equipment greater than \$2,500. To save time and ensure that he can purchase the camera, Josh could have the vendor bill the item as “professional services” and charge it to the consulting budget. When he reviewed the Code of Business Conduct and Ethics, it states that this would be a fraudulent bookkeeping entry and a violation of our capital purchase policies.*

All books, records and accounts must fully and accurately reflect any payments and transactions of Michaels, including disposition of Michaels assets. No undisclosed or unrecorded fund or asset of Michaels shall be maintained for any purpose.

No false or misleading entries shall be made in Michaels books or records for any reason. No transaction shall be effected, and no payment shall be made on behalf of Michaels, with the intention or understanding that the transaction or payment is something other than as documented.

Questionable accounting or audit activities include, but are not limited to, any of the following:

- Fraud in the preparation, evaluation, review or audit of any financial statement of Michaels
- Fraud in the recording and maintaining of Michaels financial records
- Noncompliance or deficiencies with respect to Michaels internal accounting controls over financial reporting or disclosure controls and procedures;
- Misrepresentations made to or by any senior officer, accountant or outside auditor regarding a matter contained in the financial records, financial reports or audit reports of Michaels; or
- False or misleading reporting of Michaels financial condition.

# Public Disclosures

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Michaels is often required to file reports and documents with the Securities and Exchange Commission (SEC) or other governmental agencies. Press releases and other public statements are also issued that include information about our business, financial condition and results of operations.

Michaels strives to make full, fair, accurate, timely and understandable disclosure in any such reports and documents filed or submitted, as well as in press releases and public communications. The highest standard of care is exercised in preparing such materials.

Your cooperation and open communication with our internal and outside auditors is required. It is illegal to take any action to fraudulently influence, coerce, manipulate or mislead any independent, public or certified public accountant engaged in the performance of an audit of our financial statements.

## ***RESPONSE TO MEDIA INQUIRIES***

In accordance with Michaels Media Response Policy, all requests from the media for interviews or information should be forwarded to our media relations firm, SPM Communications (817-329-3257) or CASACOM (514-286-2145) in Quebec. Michaels associates may not speak publicly for Michaels unless specifically authorized by senior management.

# Public Disclosures

*Bill works in Inventory Management and is working with Category Management to place a substantial order on a new product line that is expected to perform very well during the holiday season. He knows that the vendor's stocks will skyrocket when this becomes public information. He also knows that this is "inside" information and that he legally cannot purchase any stock in this company until a reasonable time after public disclosure.*

## **INSIDER TRADING**

Federal securities laws forbid the purchase or sale of a security based upon "inside" information unavailable to the public. Federal securities laws also prohibit employers, directors, officers and employees from knowingly or recklessly failing to take steps to prevent the trading on, or tipping of, inside information by those whom they directly or indirectly control.

You should not trade securities, including publicly traded debt of Michaels, based on material non-public information. You also must not provide such non-public information to individuals outside of Michaels. Only the Chief Executive Officer, Chief Financial Officer and individuals specifically designated by them are authorized to discuss Michaels affairs with securities analysts, members of the press, or other persons who do not have a direct relationship with Michaels.

Associates who know material information that has not been publicly disclosed, and which concerns the business, financial condition or results of operations of Michaels, or any important development in which Michaels is or may be involved, shall not buy or sell shares of stock or other securities (including publicly traded debt) of Michaels (or puts, calls, options or other rights to buy or sell such securities) until a reasonable time after public disclosure of such inside information. You must not disclose such inside information to individuals not employed by Michaels until a reasonable time after the Company publicly discloses the information. In addition, associates are never to advise others to buy or sell securities of Michaels.

If you have questions regarding the potential sale or purchase of any stock or securities of Michaels, contact the most senior level officer in your department, SVP – Human Resources or SVP – General Counsel.

# Confidential Information

*Steve is a Product Designer who has recently designed a product to be sold in the Michaels stores. There are very high expectations for this product; not only is it the hottest trend, he was able to develop a low cost way to produce the product so that it is even more profitable. Steve has friends and family that are also designers and he is excited to share his project. However, this information is proprietary. This information will impact sales, margin and product offering and he cannot share it with someone outside of Michaels.*

## **PROPRIETARY INFORMATION**

Michaels trade secrets, confidential or proprietary information and many other types of internal information are valuable assets. Protection of this information plays a vital role in Michaels continued growth and our ability to compete.

Generally, a trade secret, such as information, knowledge or know-how, is treated as property, the possession of which gives the owner some advantage over competitors who do not possess the “secret.” A trade secret must be not generally or publicly known; but it doesn’t have to be trademarked to qualify as a trade secret. All internal information regarding Michaels business is confidential and proprietary, regardless of whether or not it technically qualifies as a “trade secret.”

With respect to Michaels confidential, proprietary or trade secret information, YOU MAY NOT:

- disclose this information to people outside of Michaels (such as visitors, suppliers, relatives, friends, competitors, news media or analysts) unless those individuals are covered by a Nondisclosure Agreement;
- use this information for personal benefit or for the profit or benefit of persons outside of Michaels; or
- disclose this information to other individuals associated with Michaels except on a “need-to-know” basis and then only with an affirmative statement that the information is a Michaels trade secret. Individuals who have the “need-to-know” are those who can do their jobs properly only with knowledge of the proprietary or trade secret information.

Michaels trade secrets and confidential or proprietary information are not always technical. Other examples of proprietary information would be Michaels business plans, research and new products; strategic plans; sales or margin information and any unpublished financial or pricing information; salary, wage and benefit data; associate listings; vendor lists; promotional plans; and organizational charts or corporate phone directories.

# Confidential Information

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## ***WHEN YOUR EMPLOYMENT ENDS***

If you leave Michaels, your legal obligation is to protect and return trade secrets and confidential or proprietary information to Michaels until such information becomes publicly available or Michaels no longer considers it a trade secret, confidential or proprietary. You should also remember that correspondence, printed matter, electronic data, documents and other records of any kind specific to how Michaels conducts business are the property of, and must remain at, Michaels. The theft or misappropriation of trade secrets is a violation of state and federal law, and Michaels will cooperate with any prosecution of these crimes to the fullest extent of the law.

## ***THIRD PARTY CONFIDENTIAL AND PROPRIETARY INFORMATION***

The policy regarding information about Michaels applies equally to confidential or proprietary information or trade secrets belonging or relating to any competitor, vendor, supplier, contractor, former employer or other person or entity that you may obtain information about in your capacity as a Michaels associate.

To comply with agreements Michaels may have with its suppliers and rules and regulations regarding privacy relating to customers and associates, as well as to maintain Michaels relationships with these parties, you may not disclose information that these parties have entrusted to us on a confidential basis.

Michaels does not condone the use or dissemination of confidential information obtained improperly or in a misdirected in-error manner (such as misdirected faxes or emails) about a Michaels competitor. If you come into possession of such information, you should contact SVP – General Counsel immediately.

Do not copy, email, duplicate, scan, download or otherwise use confidential and proprietary third party information unless authorized by SVP – General Counsel.

## ***WIRETAPPING/EAVESDROPPING/TAPE RECORDING***

You must comply fully with all laws governing wiretapping, tape recording and other forms of electronic surveillance. You may not use any electronic, mechanical or other device to engage in any unauthorized monitoring or recording of any oral or electronic communication. This includes, but is not limited to, using telephone extensions to overhear other individuals' conversations. It also applies to any interception of electronic mail or other electronic communications.

# Reporting Concerns

Debbie confided to her co-worker, Melanie, that during a recent visit, a vendor took Debbie and her husband to dinner at one of the most expensive steak restaurants in town and paid for it. Although she may not have all the details, this situation didn't seem right to Melanie so she confidentially asked her supervisor about it. Her supervisor assured Melanie that she did the right thing. As signers of the Code, we all have a responsibility to report any known potential violations.

## ***REPORTING ILLEGAL OR UNETHICAL BEHAVIOR***

All associates are responsible for ensuring prompt and consistent action regarding unethical or illegal behavior. Many situations fall into a “gray area” where it is not easily identified as a Code violation. Since every situation cannot be anticipated, it is important that you understand the best way to approach a new or sensitive question or concern.

If you are approached with a situation that could possibly be considered unethical or illegal, ask yourself:

- **Do I have all the details?**
- **What specifically am I being asked to do? Would my actions be, or might be perceived, unethical or improper?**
- **What is my responsibility?**
- **Have I discussed the issue with a supervisor?** This is the basic guidance for all situations. In many cases, a supervisor will be more knowledgeable about the question and will appreciate being brought into the decision-making process early. It is the supervisor's responsibility to help resolve problems.
- **Should I seek help from Michaels management?** If it is not appropriate or comfortable to discuss the issue with a supervisor, talk to the most senior level officer in your department, SVP – Human Resources or SVP - General Counsel.

If you become aware of conduct that you suspect is illegal or unethical or violates this Code, go directly to the most senior level officer within your department or SVP – Human Resources or SVP - General Counsel. If you are uncomfortable talking with the people listed, Michaels and its Audit Committee have established the Michaels Anonymous Hotline. The hotline, (800) 241-5689, is available 24 hours a day, 7 days a week.

Every individual associated with Michaels has a duty to cooperate in internal investigations of alleged misconduct. Failure to cooperate is grounds for disciplinary action up to and including termination of employment.

# Reporting Concerns

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## ***ANTI-RETALIATION POLICY***

You are encouraged to provide reports of illegal or unethical behavior and questionable accounting or auditing activities. In good faith, Michaels keeps such reports confidential, except as necessary to conduct an adequate review. Michaels does not tolerate or condone retaliation of any type for reports of misconduct by others. Examples of retaliation could include, but are not limited to, a reduction in job responsibilities, an assignment to an undesirable shift, or an unfair performance review. A confirmed violation of this anti-retaliation policy could constitute a violation of federal or state laws.

If you believe that you have been retaliated against because you filed a complaint or cooperated in an investigation of alleged misconduct, you should immediately report the incident to the office of SVP – Human Resources or SVP - General Counsel. The report should be in writing and include the basis for this belief and the alleged retaliatory action.

Any associate who fails to disclose a reportable matter, knowingly makes a false report or violates the Michaels Code of Business Conduct and Ethics should expect disciplinary action varying from reprimand to dismissal, including recovery of losses (e.g., funds or property), caused by their actions.

## ***CONCLUSION***

Michaels continued good name and reputation depends upon every officer and associate taking personal responsibility for following a strict code of business and ethical conduct. Your business conduct on behalf of Michaels must be guided by your personal understanding of what is right and wrong, and by Michaels rules and policies set forth herein.

# The Disclosure Form

You have now reviewed the 2013 Code of Business Conduct and Ethics document. If you have any conflicts of interest, actual or potential, you must be disclose this information each year through the Disclosure Form. During the year, if a situation arises, a Disclosure Form must be submitted.

**Accessing the Disclosure Form** – You can access the form in various ways:

1. In Michaels University, access this training :
  - a. Click the link on the next page.
  - b. Click on the link in the upper right corner.
2. On the Michaels Intranet, access “Important Forms.”
3. Contact your Human Resources Representative.

**Approvals** – If you are not a member of the Executive Committee of Michaels, your form must be approved by the most senior officer in your division. The approver must be someone that does not benefit from the issue that is being disclosed. Confidentiality of any disclosures will be protected and only shared with Michaels management as necessary.

For Executive Committee members, only the CEO may waive a provision of this Code. For the CEO, only the Board of Directors or a committee of our Board may waive a provision of this Code. Any waiver for these individuals may be promptly disclosed to the public and as required under laws and regulations applicable to the Company.

**2013 Code of Business Conduct and Ethics Disclosure Form**



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As a Michaels associate, you are expected to maintain the highest ethical standards and conduct yourself with both personal and professional integrity. The company's expectations are outlined in the Code of Business Conduct and Ethics document that is updated and distributed annually.

Each year, you are asked to disclose any situation that could be or perceived to be a conflict of interest related to your position at Michaels. This could include gifts, entertainment, affiliations with individuals that could impact the ability to do your job.

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**Instructions**

If you indicated on Michaels University that you *have* “Disclosures”, follow these steps:

1. Print and complete Disclosure form. (can be found in the Knowledge Bank in Michaels University)
2. Return signed Disclosure form to Marie Jones in Human Resources by 8/30/13.

For questions on the Code of Business Conduct and Ethics, contact Marie Jones at [jonesm@michaels.com](mailto:jonesm@michaels.com).  
For technical assistance with Michaels University, contact SPOC.

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**Gift Guidelines**

List any “gifts” you received during 2013 (with a value over \$50) that were not approved by the most senior level officer of your department, or in the case of officers at the level of Senior Vice President or above, the Chief Executive officer providing. A gift could be money, entertainment, tickets, gift certificates, commissions, loans, and discounts on goods or services, vacations, tickets, use of condominiums or hotel accommodations, and holiday or other gifts available only due to your position at Michaels.

Name of Vendor, Supplier, Customer or Competitor	Date Received	Description and Value

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**Affiliation Guidelines**

List any family, personal and/or business relationships that you have with any vendors, suppliers, customers or competitors of Michaels or its subsidiaries.

Person's Name and Business Position	Name of Vendor, Supplier, Customer or Competitor	Type of Relationship (spouse, sister, etc.)

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**Foreign Corrupt Practices Act (FCPA) guidelines**

List any situations that you may have encountered while conducting business internationally for Michaels. (Sanctions for FCPA violations or even a mere indictment for a potential violation, are severe and potentially devastating to the Company and to the individuals involved. Under the Act criminal penalties for individuals include fines up to \$100,000 per violation or imprisonment up to five years, or both. Fines assessed against individuals will not be reimbursed by Michaels.)

Name of Vendor, Supplier, Customer or Competitor	Date Received	Payment/Promise Value	Business Purpose/ Description

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Signature \_\_\_\_\_ Printed Name \_\_\_\_\_

Title \_\_\_\_\_ Date \_\_\_\_\_

Code of Business Conduct and Ethics Yearly Disclosure form 6/26/2013

# The Disclosure Form

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Follow these steps to submit a disclosure, if you believe one is necessary.

## Submitting a Disclosure Form:

1. Click on the ***Disclosure Form*** button below.
2. Complete the form and email to [jonesm@michaels.com](mailto:jonesm@michaels.com).
3. Your Disclosure Form will be approved or denied and you will be contacted.
4. Click the ***Next*** button below to complete the process.



Disclosure Form

A blue rectangular button with a gradient and a drop shadow, containing the text "Disclosure Form" in white, bold, sans-serif font.

**No disclosure??** Click the ***Next*** button to complete the process.



Next

A blue rectangular button with a gradient and a drop shadow, containing the text "Next" in white, bold, sans-serif font.

# Acknowledgement

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You have completed a review of the  
***2013 Code of Business Conduct and Ethics.***

By clicking the ***Complete*** button below, you are digitally signing the Code of Business Conduct and Ethics.

*You agree that you:*

- Read the policy in its entirety, you understand its terms, and you will adhere to it going forward
- Disclosed any existing issues by submitting a Disclosure Form, if applicable
- Will submit a Disclosure Form if any new issues arise in the future
- Will discuss with your supervisor any situations that could be in conflict with this Code

**Complete**