

MICHAELS STORES, INC.

COMPENSATION COMMITTEE CHARTER

Amended and Restated as of March 16, 2004

Purposes

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Michaels Stores, Inc. (the “Company”): (1) reviews and approves corporate goals and objectives relevant to compensation of the Chief Executive Officer; (2) evaluates the Chief Executive Officer’s performance in light of those goals and objectives; (3) determines and approves the Chief Executive Officer’s compensation level based on this evaluation; (4) determines and approves, upon the recommendation of the Company’s senior management, the compensation levels of Company’s executive officers other than the Chief Executive Officer; (5) makes recommendations to the Board with respect to incentive-compensation plans and equity-based plans; and (6) prepares a report on executive compensation for inclusion in the Company’s proxy statement for its annual meeting of stockholders in accordance with applicable rules and regulations.

Composition of the Committee

Number. The Committee shall consist of no fewer than three members of the Board.

Qualifications. At all times, each Committee member must: (1) satisfy the applicable independence requirements set forth in the rules of the New York Stock Exchange; (2) qualify as an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986; and (3) qualify as a “non-employee director” within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934. Additional qualifications for Committee members that are desirable, but are not required, include experience in business management, executive compensation, employee benefits and human resources.

Appointment and Removal. The Board appoints Committee members and appoints a Committee Chairman from among those members. Each Committee member shall serve at the pleasure of the Board for such term as the Board may decide or until such Committee member is no longer a Board member.

Duties and Responsibilities

The Committee has the following duties and responsibilities:

- Executive Compensation Policies and Programs. The Committee shall review, approve and administer the Company’s compensation policies and programs for executive officers.
- Director Compensation. The Committee shall periodically review the status of Board compensation policies and shall discuss the results of such review with the

Board. In conducting such review, the Committee shall consider such factors as the Committee deems appropriate. The Committee shall not, however, have the authority to approve or determine director compensation.

- Chief Executive Officer Compensation. The Committee shall review and approve, at least annually, corporate goals and objectives relevant to the compensation of the Chief Executive Officer of the Company. The Committee shall evaluate the performance of the Chief Executive Officer in light of those corporate goals and objectives and determine and approve the Chief Executive Officer's compensation level based on those evaluations and such other factors as it deems appropriate; *provided, however*, that the Board may by resolution direct that the determination and approval of such compensation level be effected by a special committee consisting of the members of the Committee and the other independent members of the Board. The Committee shall report the determination and approval of the Chief Executive Officer's compensation to the Board.
- Executive Officer Compensation. On the recommendation of the Company's senior management, the Committee shall review, determine and approve the compensation level of the Company's executive officers other than the Chief Executive Officer.
- Incentive Compensation Plans. The Committee shall make recommendations to the Board with respect to the approval and adoption of all cash- and equity-based incentive compensation plans in which any executive officer of the Company participates.
- Equity-Based Plans. The Committee shall also make recommendations to the Board with respect to the approval and adoption of all other equity-based plans.
- Certain Other Plans. The Committee shall administer the Company's cash and equity-based incentive compensation plans and other plans adopted by the Board that contemplate administration by the Committee; *provided, however*, that the Committee will not administer or have oversight of the administration of any employee benefit plan subject to the Employee Retirement Income Security Act, including, without limitation, the Michaels Stores, Inc. Employees 401(k) Plan, the Michaels Stores, Inc. Deferred Compensation Plan and the Leewards Pension Plan for Hourly Employees, as each plan may be amended from time to time. For so long as all of the members of the Committee satisfy the requirements under the Michaels Stores, Inc. Amended and Restated 1997 Stock Option Plan (as such plan may be amended and restated from time to time, the "1997 Stock Option Plan"), the Michaels Stores, Inc. Second Amended and Restated 2001 Employee Stock Option Plan (as such plan may be amended from time to time, the "2001 Employee Stock Option Plan") and the Michaels Stores, Inc. Amended and Restated 2001 General Stock Option Plan (as such plan may be amended from time to time, the "2001 General Stock Option Plan") for the members of the plan committee designated to administer the related stock option plan, the Committee

is designated as the committee of the Board that will perform the functions described as the functions of the 1997 Stock Option Plan Committee, the 2001 Employee Stock Option Plan Committee and the 2001 General Stock Option Plan Committee, respectively, under the related stock option plan, and the Committee shall have all of the powers, authority, responsibilities and duties conferred on each such plan committee by the 1997 Stock Option Plan, the 2001 Employee Stock Option Plan and the 2001 General Stock Option Plan, respectively. In addition, the Committee is designated as the committee of the Board to administer the Michaels Stores, Inc. 1997 Employees Stock Purchase Plan, as such plan may be amended from time to time, and shall have all the powers, authority, responsibilities and duties conferred on such committee by such plan. The Committee's administrative authority shall include the authority to approve the acquisition by the Company of shares of the Company's stock from any participant in any such plan.

- Options Grant Guidelines. The Committee shall review and approve guidelines for the grant of options to executive officers, other officers and employees.
- Regulatory Compliance. The Committee shall, in consultation with appropriate officers of the Company, oversee regulatory compliance with respect to compensation matters, including overseeing any compensation programs intended to preserve tax deductibility, and, as may be required, establishing performance goals and determining whether performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
- Employment Agreements and Severance Arrangements. The Committee shall review and approve the compensation component of any proposed employment agreement with any executive officer of the Company, including newly-hired executive officers and officers promoted to executive officer positions. With respect to newly-hired executive officers other than the Chief Executive Officer, the Committee may delegate this authority to a subcommittee composed of one or more members of the Committee. The Committee shall review and approve guidelines with respect to severance or other termination payments to be made to executive officers of the Company and shall approve any exceptions to those guidelines with respect to executive officers.
- Compensation of Newly-Hired and Promoted Executive Officers. The Committee shall review and approve the initial compensation of newly-hired executive officers and officers promoted to executive officer positions other than a new Chief Executive Officer; the Committee may delegate this authority to a subcommittee composed of one or more members of the Committee. With respect to the position of Chief Executive Officer, the Board's review and approval shall be required to appoint a newly-hired person or to promote a person to that office, but the Committee shall determine and approve the compensation of a newly-hired Chief Executive Officer or a person promoted into that position; *provided, however,* that the Board may by resolution direct that the determination and approval of such compensation be effected by a special committee consisting

of the members of the Committee and the other independent members of the Board.

- Board Reports. The Committee shall report its activities to the Board in such manner and at such times, but at least annually, as the Committee or the Board deems appropriate.
- Other Delegated Duties or Responsibilities. The Committee shall perform any other duties or responsibilities delegated to the Committee by the Board from time to time.

Meetings

The Committee shall meet as frequently as necessary to carry out its responsibilities under this Charter. The Committee Chairman shall, in consultation with the other members of the Committee and appropriate officers of the Company, establish the agenda for each Committee meeting. Any Committee member may submit items to be included on the agenda. Committee members may also raise subjects that are not on the agenda at any meeting. The Committee Chairman or a majority of the Committee members may call a meeting of the Committee at any time. A majority of the number of Committee members shall constitute a quorum for conducting business at a meeting of the Committee. The act of a majority of Committee members present at a Committee meeting at which a quorum is in attendance shall be the act of the Committee, unless a greater number is required by law, the Company's certificate of incorporation or bylaws, or this Charter. The Committee may also take any action permitted hereunder by unanimous written consent.

The Committee may request any officer or other employee of the Company, or any representative of the Company's advisors, to attend a meeting or to meet with any member or representative of the Committee. Any individual whose performance or compensation is to be discussed at a Committee meeting may not attend such meeting unless specifically invited by the Committee. Any Committee member may be excused from a meeting to permit the remaining members of the Committee to act on any matter in which such member's participation is not appropriate, and such member's absence shall not destroy the quorum for the meeting.

Resources and Authority

The Committee shall have the resources and authority appropriate, in the Committee's discretion, to discharge its responsibilities and to engage consultants, independent counsel and other independent advisors. In addition, by adoption of this Charter, the Board authorizes funding for the Committee appropriate, in the Committee's discretion, for the discharge of the Committee's functions and responsibilities. The Committee will have the sole authority to retain and terminate compensation consultants to assist in the evaluation of executive officer compensation and the sole authority to approve the fees and other retention terms of such compensation consultants.

Compensation Committee Report

The Committee, with the assistance of management and any outside advisors the Committee deems appropriate, shall prepare a report on executive compensation for inclusion in the Company's proxy statement relating to the Company's annual meeting of stockholders in accordance with applicable rules and regulations.

Annual Review

At least annually, the Committee will evaluate its own performance against the requirements of this Charter and report the results of such evaluation to the Board. The Committee will conduct its review and evaluation in such a manner as it deems appropriate.

This Charter will be included on the Company's website and will be made available in print to any stockholder of the Company who submits to the Company's Secretary a request for a copy of this Charter. The Company's annual report to stockholders will state that this Charter is available on the Company's website and will be available in print to any stockholder of the Company who submits to the Company's Secretary a request for a copy of this Charter.