

MICHAELS STORES, INC.
CODE OF BUSINESS CONDUCT
AND ETHICS

Amended and Restated as of March 15, 2005

Introduction to the Code of Business Conduct and Ethics

Each of us has the right to expect Michaels Stores, Inc. (“Michaels”) and its representatives to conduct its business in accordance with legal standards and the highest ethical and moral conduct. These standards of performance are expected from everyone associated with Michaels, whether you are a director, officer or other associate and whether you work in Store Operations, Logistics, Merchandising, Inventory Management, Marketing, Information Services, Finance, Development, Human Resources, Artistree or any subsidiary of Michaels. This Code is intended not only to express Michaels’ ethical principles applicable to all of our directors, officers and other associates but also to incorporate specific principles for the principal executive officer, principal financial officer, principal accounting officer or controller, and other officers performing similar functions, required by the Sarbanes-Oxley Act of 2002 and Securities and Exchange Commission regulations. Because of these requirements, and because we expect our officers to be ethical leaders, a proportionally heavier responsibility is borne by those who are in positions that more directly influence Michaels’ policy and practice. Therefore, we expect our management, including our Chief Executive Officer and senior financial officers, not only to comply strictly with this Code, but also to lead by example, creating through their deeds and actions an environment within Michaels that promotes compliance with this Code by all directors, officers and other associates.

This statement of policy establishes guidelines for ethical decision making in business. These guidelines are offered not because of doubts concerning the desire of those associated with Michaels to conduct business ethically, but because the pace and complexity of modern business activity can sometimes make it difficult to ascertain what is right and what is wrong.

Michaels does not want to put the unfair responsibility on individuals to determine what is right and wrong — we want to spell it out for you. However, we know that this policy may not address every potential situation, so **an overriding principle of this policy is — if you don’t know — ask!**

It is in this spirit that the Michaels Stores, Inc. Code of Business Conduct and Ethics is presented.

CODE OF BUSINESS CONDUCT AND ETHICS

Michaels and our directors, officers and other associates must maintain the highest ethical and legal standards in their dealings with our customers, suppliers, fellow workers, stockholders, governmental employees, elected officials, competitors, neighbors, friends, the press and the general public. Only lawful, honest and ethical “arms length” behavior and relationships will safeguard our interest, stated policies and reputation. The trust, respect and integrity of all people are assets that cannot be purchased. They must be earned. That is why all of the business decisions of Michaels must be uninfluenced by personal interests and conducted according to the highest ethical standards.

POLICIES AND PROCEDURES

Michaels’ standards of business conduct and ethics, as outlined herein, set forth the conduct expected of each of us as directors, officers and other associates and are to be observed in our dealings with others. The standards and practices reflected in this Code are designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interests;
- full, fair, accurate, timely and understandable disclosure in reports and documents filed with, or submitted to, the Securities and Exchange Commission (the “SEC”) and in other communications made to the public;
- compliance with the letter and spirit of applicable laws, rules and regulations;
- prompt reporting of violations of this Code to the most senior level executive within your department or Michaels’ Senior Vice President – Human Resources or other appropriate person(s); and
- accountability for adherence to this Code.

As individuals, we must abide by these standards and practices, and every level of operating management has the responsibility to monitor and enforce these standards throughout the corporation. You are personally responsible for your own conduct in complying with this Code. Nothing less than the attainment of these standards and practices can be accepted.

These standards and practices are not meant to unduly constrain the conduct of our business. They are, however, quite clear as to what is or is not acceptable. The standards and practices set forth herein do not cover all circumstances and all situations; however, **if there is ever any doubt, ask before you act.** Our overall intention is always to do the right thing.

COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Michaels and our directors, officers and other associates are committed to know and obey all applicable laws, rules and regulations of the states and countries in which we do business. If a law, rule or regulation is unclear to you, you should seek advice from the most senior level executive within your department or Michaels’ Senior Vice President – Human Resources, but each of us must always seek to act in accordance with the standards of business conduct and ethics outlined in this Code.

If a law, rule or regulation is unclear to you — ask for clarification!

CORPORATE OPPORTUNITIES AND CONFLICTS OF INTEREST

You are prohibited from taking for yourself personally opportunities that are discovered through the use of corporate property, information or your position at Michaels. As long as you remain a Michaels director, officer or other associate, your duty is to act in business matters solely for the benefit of Michaels. You are, therefore, expected to remain free of interests which are, or appear to be, harmful or detrimental to Michaels' best interests. You owe a duty to Michaels to advance its legitimate interests when the opportunity to do so arises. Therefore, all real or potential inappropriate uses of corporate opportunities and conflicts of interest, which may tarnish your own, or Michaels', image or reputation must be avoided. This includes any relationships or transactions that can be construed by others as favoritism or a conflict of interest.

- YOU MAY NOT have an outside interest which materially encroaches on time or attention which should be devoted to Michaels' affairs, or so affects your energies as to prevent the application of your full abilities to the performance of your duties. Michaels provides you with a salary, a benefits package and the other resources that are needed for you to do high quality work. In return, Michaels expects you to focus your complete attention on Michaels while you are on the job.

Example

An individual in Michaels' Accounting Department operates a personal tax preparation service. During February, March and April, the individual's side business becomes so busy that the individual is unable to keep up with the demands of his/her primary job in Michaels' Accounting Department.

- YOU MAY NOT have a direct or indirect interest in, or relationship with, any individual outside of Michaels (an "outsider"), or with a person in a position to influence the actions of an outsider, which might be construed to:
 - make possible personal gain or favor to you or any of your relatives or friends due to your actual or potential power to influence dealings between Michaels and the outsider;
 - render you partial toward the outsider for personal reasons, or otherwise inhibit the impartiality of your business judgment or your desire to serve only Michaels' best interests;
 - place you or Michaels in an equivocal, embarrassing or ethically questionable position in the eyes of a customer; or
 - reflect unfavorably on your integrity or that of Michaels.

Example

A Senior Buyer is asked by a vendor who does not currently do business with Michaels for the name of a good "rep" who can represent their product line.

Buyers absolutely must not recommend reps as this can appear to outsiders as personal bias and the only way to “get into” Michaels.

- YOU MAY NOT make use of information to benefit yourself or any of your relatives or friends by selling or making available such information to outsiders or use the information in any other manner to further your interests or the interests of any of your relatives or friends. This includes proprietary, “inside”, privileged or customer information entrusted to or discussed by you in the conduct of Michaels’ business.

Example

Various individuals within Michaels are frequently aware of Michaels’ marketing plans, company sales results, pending real estate deals, etc. You may not share proprietary information with anyone who does not have a legitimate “need to know” for any reason.

- YOU MAY NOT have a direct or indirect interest or relationship that is actually or potentially harmful or detrimental to Michaels’ best interests.

Example 1

Individuals within Michaels with the authority to purchase goods or services may not have a personal relationship with a vendor or enter into a business partnership (including silent partnerships) with any vendor as this would create an actual or potential conflict of interest or the appearance of one.

Example 2

None of our directors, officers or other associates may have a full-time or part-time employment, consulting or similar relationship with any competitor of Michaels (including but not limited to A.C. Moore, Garden Ridge, Hobby Lobby or Jo-Ann Stores) as this would create an actual or potential conflict of interest or the appearance of one.

- YOU MAY NOT engage in a business transaction on behalf of Michaels with a relative or a person whom you are dating or with a firm in which such a person is a principal, officer or representative.
- YOU MAY NOT have other gainful employment with respect to merchandise or a service, feature or facility that is offered by Michaels or its subsidiaries, and that may be detrimental to the best interests of Michaels. The term “gainful employment” includes personal work effort, direction or training of other persons or advice for any form of remuneration.
- YOU MAY NOT provide merchandise, work, equipment or any service to Michaels for your personal remuneration or engage in any other business transaction with Michaels supplementary to your basic company employment.
- YOU MAY NOT have any relationship with a superior or subordinate which leads to your, or your relatives’, personal gain or favor due to your or your superior’s power or influence.

- THE CHIEF EXECUTIVE OFFICER MAY NOT serve as a director or official of the board of directors of a for-profit company without the prior approval of our Chairman of the Board of Directors.
- 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 our Chief Executive Officer.

You should be aware that it is not possible to give examples of all conceivable situations here that could give rise to potential inappropriate uses of corporate opportunities or conflicts of interest, or the appearance thereof. Consequently, if you have any interest, direct or indirect, in any supplier or competitor of Michaels, you should make prompt disclosure to the most senior level executive within your department or Michaels' Senior Vice President – Human Resources.

Our objective is not only to help prevent actual wrongdoing, but also to preclude the possibility or appearance of that happening. All individuals who may be, or may become, involved in any possible inappropriate use of corporate opportunities or conflicts of interest, or the appearance thereof, should make full disclosure of the circumstances to the most senior level executive within his or her department or Michaels' Senior Vice President – Human Resources. Individuals to whom matters are disclosed will consult with the appropriate persons within Michaels, if necessary, and then advise the involved individual of Michaels' position with respect to the matter.

If you are not clear as to what is right or wrong — ask!

COMPETITION AND FAIR DEALING

Michaels outperforms its competition fairly and honestly. We do not engage in unethical or illegal business practices such as stealing proprietary information or trade secret information.

RELATIONSHIPS WITH VENDORS AND SUPPLIERS

Ethical buying practice involves 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 documented with appropriate paperwork completed accurately and thoroughly.

When you deal with suppliers (including service companies) on behalf of Michaels and/or its customers, facts dictate the decision — not personal relationships.

- YOU ARE NOT to allow your personal bias to influence the selection or rejection of a particular supplier, product or service. You must be objective. You are not to allow business decisions for Michaels to be influenced by personal relationships.
- YOU WILL NOT change out current vendors without a discussion with and approval by the most senior level executive within your department. If an objective decision is made to discontinue a vendor, the discontinued vendor will be notified in person as to why the decision was made before the replacement vendor is notified. These decisions are very

serious and can influence the lives of many, and the communication will be handled with integrity.

Overall, if you are not clear as to what is right or wrong — ask!

GIFTS, ENTERTAINMENT, SOCIAL AMENITIES

It should be no surprise that when you write purchase orders or make purchases on behalf of Michaels for equipment, merchandise, services, etc., your popularity increases and you are suddenly in a position of power! Everyone wants to have and keep your friendship. This can be characteristic of any buyer/vendor relationship. In an effort to keep close, vendors may aggressively offer money, gift certificates, commissions, loans, discounts on goods or services available only to you, vacations, invitations to participate in sports outings, use of condominiums or hotel accommodations or other travel services or benefits to keep your friendship, **especially if it is perceived that the friendship is important to you.** We know acceptance of some or all of these items or invitations puts serious pressure on the recipient to be obligated to the provider. It's just human nature. All buyer/vendor relationships have to be objective and arm's length in nature in order to avoid all of the distractions. This will keep unnecessary pressure off you and the vendor.

As a result of this, it is Michaels' policy that directors, officers and other associates of Michaels may not give or accept any items or invitations that might indicate an intent to influence improperly the normal objective business relationship between Michaels and any supplier, customer or competitor. The exchange of social amenities between suppliers, customers and Michaels' directors, officers and other associates is acceptable when based on a clear business purpose and within the bounds of good taste. It is acceptable to receive items commonly exchanged in business relationships, such as lunches, dinners, food and beverage items, seminars and educational events as long as it relates to business. However, even when the item or invitation appears to fall within these guidelines and relates to business, discretion and common sense should be used. It is not acceptable to accept money, gift certificates, commissions, loans, discounts on goods or services available only to you by virtue of your position at Michaels, vacations, use of condominiums or hotel accommodations or gifts (with a value over \$50). It is not acceptable, unless approved in advance by the most senior level executive in your department, to accept tickets to sporting events, golf outings, concerts and similar entertainment unless the activity is directly related to a business seminar or association conference. These advance approvals for Reporting Executive Officers (a "Reporting Executive Officer" is an officer subject to the reporting obligations of Section 16 of the Securities Exchange Act) and directors may be obtained from Michaels' Chief Executive Officer or Chairman of the Board, as appropriate.

Once again, situations are rarely black or white — if you don't know — you must ask!

INSIDER TRADING

Under federal law and as a matter of ethics you may not buy or sell Michaels securities at any time while you possess material non-public (or "inside") information concerning Michaels. "Material non-public information" is information that is not available to the public at large that

could affect the price of a security and to which a reasonable investor would attach importance in deciding whether to buy, sell or retain the security. In addition, under federal law and as a matter of ethics you may not communicate material non-public information to another person who may trade or advise others to trade on the basis of such information.

Examples of non-public information that might be deemed material include:

- quarterly or annual results;
- internal earnings estimates, especially if significantly different from “street” estimates;
- sales information;
- financial liquidity problems or management changes;
- stock or debt offerings;
- negotiations concerning significant mergers, acquisitions or divestitures;
- dividend recommendations, stock splits, stock repurchase programs, tender offers or exchange offers; and
- significant litigation or labor disputes.

Either positive or adverse information may be material, and material undisclosed developments in matters previously disclosed may also constitute material non-public information. Also, as the magnitude of a potential event or transaction increases, and the greater the chance it will actually occur, the more likely it is that information regarding that event or transaction may be deemed material.

Information is considered to be available to the public only when it has been released to the public through appropriate channels (e.g., by means of a press release) and enough time has elapsed to permit the market to absorb and evaluate the information. Once public release has occurred, information will normally be regarded as absorbed and evaluated within two or three business days thereafter.

There are certain periods in each year when Michaels’ normal business cycle and reporting schedule suggest that varying degrees of caution should be exercised. As we get closer to the end of each fiscal quarter and the announcement of earnings (especially year-end earnings), and as we get closer to the periodic release of sales information (especially during the Christmas selling season), it becomes increasingly likely that internal financial data may be deemed material. (Note: Since allegations of insider trading are always judged with “20-20 hindsight,” you may place yourself at risk even if you genuinely do not anticipate a move in market price.)

Potential penalties for violations of the insider trading rules include prison time and significant criminal and civil fines, which may be imposed upon both the violator and Michaels.

As long as any individual associated with Michaels has material non-public information relating to Michaels, it is Michaels' policy that such person may not buy or sell the equity securities of Michaels. Equally important, the information may not be passed along to others. After the information has been publicly disclosed through appropriate channels, a reasonable time should be allowed to elapse (usually at least two or three business days) before trading in the security, to allow for public dissemination and evaluation of the information. If you have any questions regarding whether or not these standards have been met, you should contact the office of Michaels' General Counsel for guidance before engaging in any transaction involving any Michaels security.

IMPROPER USE OF CORPORATE ASSETS

Michaels' assets, including employee time, may not be used improperly to enrich Michaels' directors, officers or other associates. Such a practice not only violates Michaels' ethical standards, but also may violate tax or other legal requirements. Accordingly, directors, officers and other associates may not misuse company assets, services or personnel for their personal gain; for example, using Distribution Center associates to paint a house while they are being paid by Michaels. Corporate property (e.g., merchandise, supplies or equipment) is not for personal use at any time.

Furthermore, theft, carelessness and waste of Michaels' assets have a direct impact on Michaels' profitability and should be avoided. Any suspected incident of fraud or theft should be reported immediately to the most senior level executive within your department or Michaels' Senior Vice President – Human Resources.

Any questions regarding the interpretation of this policy should be referred to the most senior level executive within your department or Michaels' Senior Vice President – Human Resources.

BOOKS AND RECORDS

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 other than as described in the documentation evidencing the transaction or supporting the payment. All books, records and accounts must fully and accurately reflect any such payment. All books, records and accounts must fully and accurately reflect the transactions of Michaels, and the disposition of Michaels' assets must be fully and accurately recorded.

Michaels' records shall be kept in accordance with generally accepted accounting principles and corporate finance and accounting policies with adequate internal controls established. No director, officer or other associate shall make any misleading statement to any auditor during the course of the auditor's examination of Michaels' books, records, accounts or financial statements. Michaels' outside auditors shall be directed to advise Michaels of anything coming to their attention indicating that this Code is not being followed.

PUBLIC REPORTING

Michaels is a public company and as a result files reports and other documents with the SEC and the New York Stock Exchange. We also issue press releases and make other public statements that include financial and other information about our business, financial condition and results of operations. We endeavor to make full, fair, accurate, timely and understandable disclosure in reports and documents we file with, or submit to, the SEC and the New York Stock Exchange, as well as in our press releases and public communications.

We require cooperation and open communication with our internal and outside auditors. 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.

The laws and regulations applicable to filings made with the SEC, including those applicable to accounting matters, are complex. While the ultimate responsibility for the information included in these reports rests with senior management, numerous other associates participate in the preparation of these reports or provide information included in these reports. We maintain disclosure controls and procedures to ensure that the information included in the reports that we file or submit to the SEC is collected and communicated to senior management in order to permit timely disclosure of the required information.

If you are requested to provide, review or certify information in connection with our disclosure controls and procedures, you must provide the requested information or otherwise respond in a full, accurate and timely manner. Moreover, even in the absence of a specific request, you should report any information that you believe should be considered for disclosure in our reports to the SEC.

If you have questions or are uncertain as to how our disclosure controls and procedures may apply in a specific circumstance, promptly contact the most senior level executive within your department or Michaels' Senior Vice President – Human Resources. We want you to ask questions and seek advice. Additional information regarding how to report your questions or concerns (including on a confidential, anonymous basis) is included below in this Code under the headings “Reporting Illegal or Unethical Behavior” and “Procedures for Submitting Concerns About Accounting and Auditing Matters.”

ELECTRONIC BULLETIN BOARDS AND CHAT ROOMS

Our directors, officers and other associates are prohibited from participating in any manner in Internet or other on-line bulletin boards or chat rooms on matters concerning Michaels or related topics unless our Chief Executive Officer or Chief Financial Officer authorizes your participation in a planned discussion of non-inside information occurring in an electronic forum.

POLITICAL CONTRIBUTIONS

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

YOU MAY NOT:

- allow Michaels' funds to be used for political campaign contributions without prior written approval of the Board of Directors;
- keep political payment funds or secret accounts hidden from corporate auditors;
- reimburse any Michaels director, officer or other associate, agent or representative for personal political contributions; or
- become involved in covert political activity involving Michaels' funds, assets or associates.

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, usually in the form of 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 secret, that is, not generally or publicly known; but it need not be patentable subject matter 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 persons outside of Michaels, for example, by conversations with visitors, suppliers, relatives, competitors, news media, trade journals, business survey organizations, analysts or friends, etc.;
- use this information for your own 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 a positive 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 of a technical nature. Typical examples of such important information are Michaels' business, research and new product plans; strategic plans; sales or margin information and any unpublished financial or pricing information; salary, wage and benefit data; associate listings, vendor lists, promotional plans, organizational charts and corporate phone directories. This list, while not complete, suggests the wide scope and variety of Michaels' confidential, proprietary or trade secret information that must be safeguarded.

In addition, to comply with agreements Michaels may have with its suppliers, as well as to maintain Michaels' relationships with suppliers, you may not disclose information that our suppliers have entrusted to us on a confidential basis.

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 special to Michaels' way of doing things are all the property of, and must remain at, Michaels.

DISCRIMINATION AND HARASSMENT

It is Michaels' policy to respect the personal dignity of all associates. Associates should treat each other with courtesy and consideration and demonstrate professional conduct in all interactions with others.

Discrimination and harassment will not be tolerated at Michaels. We are committed to providing you with an environment free of any form of discrimination, including – but not limited to – harassment regarding race, religion, color, national origin, age, sex, marital status, sexual orientation, disability, veteran status, or any other category protected by applicable federal, state, or local law. Michaels will not tolerate or condone sexual or other harassment of its associates by managers, supervisors, associates, contractors, supplier representatives, guests, customers or visitors.

HEALTH AND SAFETY

Michaels strives to provide a safe and healthful work environment by following safety and health rules and practices. We expect you to promptly report accidents, injuries and unsafe equipment, practices or conditions to your supervisor, a more senior member of management or Michaels' Senior Vice President – Human Resources.

Michaels does not permit violence or threatening behavior in any of its workplaces. We expect you to report to work in a condition to perform your duties at your best, free from the influence of illegal drugs or alcohol. We do not tolerate the use of illegal drugs in the workplace.

BRIBERY

Paying bribes in any form to anyone is strictly prohibited. If you are confronted with a request — express or implied — for a bribe from anyone, you must immediately bring the request to the attention of the most senior level executive within your department or Michaels' Senior Vice President – Human Resources.

WAIVERS

Waivers of this Code for any associate who is not a Reporting Executive Officer of Michaels (a "Reporting Executive Officer" is an officer subject to the reporting obligations of Section 16 of the Securities Exchange Act) may be made only by an appropriate supervising Senior Vice

President or more senior officer not benefiting from the waiver. The process for associates who are not Reporting Executive Officers to obtain a waiver is as follows:

- A waiver must be obtained in advance using the “Code of Business Conduct and Ethics Waiver” form. You may obtain a copy of the Waiver form from Michaels’ Senior Vice President - Human Resources.
- The waiver must be reviewed by and approved by the appropriate supervising Senior Vice President or more senior officer not benefiting from the waiver.
- A new written waiver must be approved for each situation. For example, approval of a waiver for travel at a vendor’s expense applies only for the specific event requested in the waiver, and does not apply to future events.
- Original Waiver forms must be forwarded to Michaels’ Senior Vice President – Human Resources. A copy of the Waiver form will be maintained in Michaels’ files.
- Questions concerning the appropriateness of authorizing a waiver to this Code may be addressed to Michaels’ Senior Vice President – Human Resources.

Only our Board of Directors or a committee of our Board may waive a provision of this Code for our Reporting Executive Officers or directors, and any waiver for those persons will be promptly disclosed to the public.

REPORTING ILLEGAL OR UNETHICAL BEHAVIOR

We must all work to ensure prompt and consistent action against unethical or illegal behavior. Oftentimes a violation of this Code will be easy to recognize and should be promptly reported to the most senior level executive within your department or Michaels’ Senior Vice President – Human Resources. Unfortunately, in some situations it is sometimes difficult to know right from wrong. Since none of us can anticipate every situation that will arise, it is important that we have a way to approach a new or sensitive question or concern. Here are some questions that can be asked:

- What do I need to know? In order to reach the right solutions, we must be as fully informed as possible.
- What specifically am I being asked to do? Does it seem unethical or improper? This will focus the inquiry on the specific action in question, and the available alternatives. Use judgment and common sense; if something seems unethical or improper, it probably is.
- What is my responsibility? In most situations, there is shared responsibility. Should colleagues be informed? It may help to get others involved and discuss the issue.
- 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. Remember that it is the supervisor's responsibility to help solve problems.

- Should I seek help from Michaels' management? In the case for which it may not be appropriate to discuss an issue with a supervisor, or where you would not be comfortable approaching a supervisor with your question, discuss it with the most senior level executive within your department or Michaels' Senior Vice President – Human Resources.

If you become aware of conduct that you have good reason to suspect is illegal or unethical or violates this Code, go directly to the most senior level executive within your department or Michaels' Senior Vice President – Human Resources. If you are uncomfortable talking with the people listed above, you may call **Michaels' Hotline toll-free at 1-800-241-5689**. The hotline 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.

PROCEDURES FOR SUBMITTING CONCERNS ABOUT ACCOUNTING AND AUDITING MATTERS

Michaels is committed to achieving compliance with all applicable laws and regulations relating to accounting standards and audit practices. Michaels' Audit Committee is responsible for overseeing treatment of complaints regarding these matters.

In order to facilitate the reporting of accounting and audit related complaints by individuals associated with Michaels, the Audit Committee has established the following procedures for the confidential, anonymous submission of concerns regarding questionable accounting and auditing matters:

Procedures for Submitting Concerns

If you have, at any time, concerns regarding questionable accounting or auditing matters relating to Michaels, immediately call **Michaels' Hotline toll-free at 1-800-241-5689**. The hotline is available 24 hours a day, 7 days a week. Your complaint will be received on a confidential, anonymous basis.

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.

If you are not sure if the matter you are concerned about relates to accounting or auditing matters, you should ask the most senior level executive within your department or Michaels' Senior Vice President – Human Resources or simply call Michaels' Hotline.

ANTI-RETALIATION POLICY

In order to encourage good faith reports of illegal or unethical behavior and questionable accounting or auditing activities, Michaels keeps all such reports confidential, except to the extent necessary to conduct an adequate review, and does not allow retaliation of any type for reports of misconduct by others. A knowing violation of this anti-retaliation policy could constitute a federal crime punishable with a fine, imprisonment or both.

Should an associate believe that he or she has been discriminated against because he or she filed a complaint or cooperated in an investigation of alleged misconduct, the associate should immediately report in writing to the office of Michaels' Senior Vice President – Human Resources the basis for this belief and the alleged retaliatory action.

CONCLUSION

Michaels' good name and reputation depend, to a very large extent, upon every director, officer and other associate taking personal responsibility for following a strict code of business and ethical conduct throughout Michaels. Your business conduct on behalf of Michaels must be guided by your personal understanding of what is right and wrong, by Michaels' rules and policies set forth herein.

Any individual who fails to disclose a reportable matter, who knowingly makes a false report or who deviates in any way from Michaels' Code of Business Conduct and Ethics should expect disciplinary action varying from reprimand to dismissal, including recovery of losses, i.e., funds or property, caused by their actions.

Remember, if you become aware of conduct that you have good reason to suspect is in violation of this Code, go directly to the most senior level executive within your department or Michaels' Senior Vice President – Human Resources. If you are uncomfortable talking with the people listed above, you may call **Michaels' Hotline toll-free at 1-800-241-5689**. The hotline is available 24 hours a day, 7 days a week.

ACKNOWLEDGEMENT

Each officer and other associate of Michaels must complete and execute the attached Code of Business Conduct and Ethics Compliance and Disclosure Form and return it to Michaels' Human Resources Department.