

MICHAELS STORES, INC.

CORPORATE GOVERNANCE GUIDELINES

Amended and Restated as of March 16, 2004

Responsibility of the Board

The primary mission of the Board of Directors (the “Board”) of Michaels Stores, Inc. (the “Company”) is to advance the interests of the Company’s stockholders by creating a valuable long-term business. The Board believes that this mission is best served by establishing a corporate culture of accountability, responsibility and ethical behavior through the careful selection and evaluation of senior management and members of the Board and by carrying out the Board’s responsibilities with honesty and integrity.

In discharging their obligations, directors should be entitled to rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors. Board members are expected to devote the time necessary to appropriately discharge their responsibilities and to rigorously prepare for and, to the extent possible, attend and participate in all Board meetings and meetings of Board committees on which they serve. Each Board member is expected to ensure that other commitments do not materially interfere with the member’s service as a director.

Director Selection

Selection of Director Nominees. The Governance and Nominating Committee shall recommend candidates for election to the Board in accordance with the policies and principles in its charter and the criteria described herein. The invitation to join the Board should be extended by the Board through the Chairman of the Board or Vice-Chairman of the Board. The Governance and Nominating Committee will be responsible for recommending the nomination of those incumbent directors it deems appropriate for re-election to the Board as part of the committee’s annual review and selection process.

Director Orientation and Continuing Education. The Company shall establish an orientation program for new directors that includes presentations by senior management. All directors will also be invited to participate in the orientation program. Periodically, the Company will provide opportunities for directors to visit the Company’s significant facilities in order to provide greater understanding of the Company’s business and operations.

Board Composition

Independent Directors. A majority of the members of the Board must satisfy the applicable independence requirements set forth in the rules of the New York Stock Exchange and under applicable law.

Size of the Board. It is the sense of the Board and the Governance and Nominating Committee that the Board should have between five and seven members. The Board determines the number of directors as permitted in the Company's certificate of incorporation and bylaws and will periodically review the size of the Board based on recommendations of the Governance and Nominating Committee.

Position of Chief Executive Officer. The Chief Executive Officer shall not be a member of the Board.

Service on Other Boards. No director should serve on more than three other boards of directors of public companies without the approval of the Board. 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 the Chairman of the Board. Other officers and employees 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.

Changes in Professional Responsibility. The Board should consider whether a change in an individual's professional responsibility directly or indirectly impacts that person's ability to fulfill his or her obligations as a director of the Company.

Term Limits. The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they have the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and are able to provide an increasing contribution to the Board as a whole.

Retirement Policy. The Board does not believe that age alone should determine whether an individual should serve as a director and therefore does not believe that a mandatory retirement age for directors is appropriate.

Director Compensation and Performance

Compensation Policy and Compensation Review. It is the policy of the Board to provide directors with a mix of compensation, including a periodic cash retainer, meeting attendance fees and annual stock option grants based on continued service on the Board and Company performance. Proposed changes in Board compensation shall initially be reviewed by the Compensation Committee, but any changes in the compensation of directors shall require the approval of the Board. The Compensation Committee shall periodically review the status of Board compensation. The Committee shall discuss its review with the Board.

Annual Performance Review. At least annually, the Governance and Nominating Committee shall oversee an evaluation of the performance of the Board and the Company's management against these guidelines and report the results of such evaluation to the Board. As part of this process, the Board will conduct a self-evaluation to determine whether it and its committees are functioning effectively.

Transactions with Directors or Their Affiliates. The Company does not engage in transactions with directors or their affiliates if a transaction would cast into doubt the independence of a director, would present the appearance of a conflict of interest or is otherwise prohibited by law, rule or regulation. This includes, directly or indirectly, any extension, maintenance or renewal of an extension of credit to any director of the Company. This prohibition also includes significant business dealings with directors or their affiliates, and consulting contracts with, or other indirect forms of compensation to, a director. Any waiver of this policy may be made only by the Board. The Board does not believe that charitable contributions to organizations with which a director is affiliated raise the same governance issues and concerns as non-charitable transactions so long as such charitable contributions are (1) in an amount not exceeding \$50,000 per year, (2) made pursuant to a general corporate giving program established by the Company, approved by the Board and administered by disinterested officers appointed by the Board, or (3) pursuant to non-program contributions the facts of which are disclosed to the Board and approval of which is granted by the Board in accordance with the provisions of the General Corporation Law of the State of Delaware governing “interested director” transactions (currently, Section 144 thereof) as if such contributions were required to be so approved by the terms of the General Corporation Law of the State of Delaware.

Board Meetings

Schedule. Board meetings are scheduled in advance and held not less than quarterly. The Board holds special meetings as required.

Distribution of Board Material. Information that is important to the Board’s understanding of the Company’s business should be distributed to the directors a reasonable period of time before the Board meeting.

Meetings of Non-Management Directors. The non-management directors shall meet at regularly scheduled executive sessions without management. Meetings of the non-management directors should generally coincide with regularly scheduled Board meetings; however, a majority of the non-management directors may call a meeting of the non-management directors at any time. At each meeting of non-management directors one non-management director shall serve as the presiding director and shall supervise the conduct thereof. The responsibility of presiding over each meeting shall be rotated among the non-management directors on an alphabetical basis. The presiding non-management director shall communicate the results of each such meeting to the Chairman of the Board, the Chief Executive Officer and the Board, as appropriate. If one or more non-management directors do not satisfy the applicable independence requirements set forth in the rules of the New York Stock Exchange and under applicable law, then at least once annually an executive session including only independent directors shall be held.

Board Presentations and Access to Employees and Advisors. Directors shall have full access to officers and employees of the Company and, as necessary and appropriate, the Company’s independent advisors, including legal counsel and independent accountants. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer, the Secretary or directly by the director. Each director will use his or her

judgment to ensure that any such contact is not disruptive to the business operations of the Company.

The Board encourages the Chief Executive Officer and other executive officers to invite to Board meetings officers, other key employees and independent advisors who can provide additional insight into the items being discussed or whom the Chief Executive Officer or other executive officers believe should be given exposure to the Board.

Board Interaction with Investors, Media and Others. The Board believes that senior management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do so with the knowledge of executive officers and, in most instances, at the request of executive officers.

Board Committees

Standing Committees. The Board shall have at all times an Audit Committee, a Compensation Committee and a Governance and Nominating Committee, and all of the members of those committees shall satisfy the applicable independence requirements set forth in the rules of the New York Stock Exchange and under applicable law.

Committees shall receive authority exclusively through delegation from the Board through their charters, Board resolutions or as provided by these guidelines. In addition to the authority granted hereunder or under each committee's charter or in the case of a committee, by further resolution of the Board, the Board and each committee have the power on the Company's behalf to hire independent legal, financial or other advisors as any of them may deem necessary without consulting or obtaining the approval of management of the Company.

Committee Charters. Each standing committee will have a written charter approved by the Board. The charters will set forth the purposes and responsibilities of the committees as well as qualifications for committee membership, procedures for appointment and removal, structure and operations and reporting to the Board. The charters will also provide that each committee will annually evaluate its performance. The charters will be included on the Company's website and will be made available in print to any stockholder of the Company who submits a request to the Company's Secretary for a copy of the charters. The charters that are required by applicable rule or regulation to be periodically published in the proxy statement relating to the Company's annual meeting of stockholders will be so published.

Committee Meetings and Committee Agenda. Each committee chairman, in consultation with the committee members and appropriate officers of the Company, will determine the frequency of committee meetings consistent with the committee's charter, provided that a majority of committee members may call a meeting of the committee on which they are members at any time. Each committee chairman, in consultation with the other members of the committee and the appropriate executive officers, will develop the committee's agenda.

Director Attendance at Annual Meetings of Stockholders

The Company expects its directors to attend the Company's annual meetings of stockholders.

Management Evaluation and Succession

Chief Executive Officer Selection. The Board shall select a Chief Executive Officer in a manner that is in the best interests of the Company.

Evaluation of Executive Officers. The Compensation Committee shall conduct an annual review of the performance of the Chief Executive Officer in light of the goals and objectives of the Company and these guidelines and shall determine and approve the Chief Executive Officer's compensation level based on such review; *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 Compensation Committee and the other independent members of the Board. The Compensation Committee shall also (i) upon the recommendation of the Company's senior management, review, determine and approve the compensation level of the Company's executive officers, other than the Chief Executive Officer, based on such factors as it deems appropriate, (ii) 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, which authority with respect to newly-hired executives, other than the Chief Executive Officer, may be delegated to a subcommittee composed of one or more members of the Compensation Committee, and (iii) review and approve the initial compensation of newly-hired executive officers and officers promoted to executive officer positions, other than the Chief Executive Officer, which authority may be delegated to a subcommittee composed of one or more members of the Compensation Committee.

Succession Planning and Management Development. The Board shall determine the Company's succession plan, which at a minimum shall include appropriate contingencies in case the Chief Executive Officer retires or is incapacitated. The Board will evaluate potential successors to the Chief Executive Officer. The Chief Executive Officer shall at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals. The Chairman of the Board and Vice Chairman of the Board shall provide guidance and leadership to the Board and to management in this critical area in light of future growth and development plans and strategies and their evaluation of the performance of management.

Availability of These Guidelines

These guidelines 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 Secretary a request for a copy of these guidelines. The Company's annual report to stockholders will state that these guidelines are available on the Company's website and will be available in print to any stockholder of the Company who submits to the Secretary a request for a copy of these guidelines.