UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 29, 2017

Commission file number 001-36501

THE MICHAELS COMPANIES, INC.
A Delaware Corporation

IRS Employer Identification No. 37-1737959

8000 Bent Branch Drive
Irving, Texas 75063

(972) 409-1300

The Michaels Companies, Inc. (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

The Michaels Companies, Inc. has submitted electronically and posted on its corporate website every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

The Michaels Companies, Inc. is a large accelerated filer.

The Michaels Companies, Inc. is not a shell company or emerging growth company (as defined in Rule 12b-2 of the Exchange Act).

As of May 25, 2017, 188,851,842 shares of The Michaels Companies, Inc.'s common stock were outstanding.

THE MICHAELS COMPANIES, INC.

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ITEM 1. FINANCIAL STATEMENTS

THE MICHAELS COMPANIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share data)
(Unaudited)

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Net sales	$ 1,158,563	$ 1,158,880
Cost of sales and occupancy expense	690,929	694,129
Gross profit	467,634	464,751
Selling, general and administrative	327,396	317,800
Store pre-opening costs	978	1,626
Operating income	139,260	145,325
Interest expense	30,437	32,219
Other (income) expense, net	(44)	446
Income before income taxes	108,867	112,660
Income taxes	36,659	41,895
Net income	$ 72,208	$ 70,765
Other comprehensive income, net of tax:		
Foreign currency translation adjustment and other	(5,272)	14,209
Comprehensive income	$ 66,936	$ 84,974
Earnings per common share:		
Basic	$ 0.38	$ 0.34
Diluted	$ 0.38	$ 0.34
Weighted-average common shares outstanding:		
Basic	188,968	206,994
Diluted	190,399	208,973

See accompanying notes to consolidated financial statements.

THE MICHAELS COMPANIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(Unaudited)

ASSETS	April 29, 2017	January 28, 2017	April 30, 2016
Current Assets:			
Cash and equivalents	$ 197,863	$ 298,813	$ 171,870
Merchandise inventories	1,102,346	1,127,777	1,057,642
Prepaid expenses and other	84,865	87,175	84,706
Accounts receivable, net	26,381	23,215	24,890
Income taxes receivable	3,394	5,825	7,150
Total current assets	1,414,849	1,542,805	1,346,258
Property and equipment, at cost	1,497,816	1,488,136	1,712,074
Less accumulated depreciation and amortization	(1,094,767)	(1,074,972)	(1,309,312)
Property and equipment, net	403,049	413,164	402,762
Goodwill	119,074	119,074	119,074
Other intangible assets, net	23,219	23,702	24,251
Deferred income taxes	37,376	36,834	44,390
Other assets	12,214	12,061	9,958
Total assets	$ 2,009,781	$ 2,147,640	$ 1,946,693
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current Liabilities:			
Accounts payable	$ 430,261	$ 517,268	$ 373,492
Accrued liabilities and other	348,807	397,497	359,815
Current portion of long-term debt	24,900	31,125	24,900
Income taxes payable	108,345	78,334	36,402
Total current liabilities	912,313	1,024,224	794,609
Long-term debt	2,717,831	2,723,187	2,740,064
Other liabilities	101,562	98,655	95,378
Total liabilities	3,731,706	3,846,066	3,630,051
Commitments and contingencies			
Stockholders' Deficit:			
Common stock, $0.06775 par value, 350,000 shares authorized; 188,849 shares issued and outstanding at April 29, 2017; 193,311 shares issued and outstanding at January 28, 2017; and 207,725 shares issued and outstanding at April 30, 2016	12,656	12,948	13,898
Additional paid-in-capital	142,986	233,129	549,124
Treasury stock	—	—	(860)
Accumulated deficit	(1,858,071)	(1,930,279)	(2,237,673)
Accumulated other comprehensive loss	(19,496)	(14,224)	(7,847)
Total stockholders' deficit	(1,721,925)	(1,698,426)	(1,683,358)
Total liabilities and stockholders' deficit	$ 2,009,781	$ 2,147,640	$ 1,946,693

See accompanying notes to consolidated financial statements.

THE MICHAELS COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Cash flows from operating activities:		
Net income	$ 72,208	$ 70,765
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	28,551	29,470
Share-based compensation	4,942	3,129
Debt issuance costs amortization	1,274	1,974
Accretion of long-term debt, net	(126)	(62)
Deferred income taxes	259	(3,991)
(Gains) losses on disposition of property and equipment	(17)	32
Excess tax benefits from share-based compensation	—	(4,599)
Changes in assets and liabilities, excluding acquired net assets:		
Merchandise inventories	25,516	28,982
Prepaid expenses and other	2,311	1,467
Accounts receivable	(3,166)	6,888
Other assets	(433)	(320)
Accounts payable	(91,767)	(108,337)
Accrued interest	(4,983)	6,675
Accrued liabilities and other	(46,266)	(43,905)
Income taxes	32,442	(9,558)
Other liabilities	2,200	(2,473)
Net cash provided by (used in) operating activities	22,945	(23,863)
Cash flows from investing activities:		
Additions to property and equipment	(15,690)	(14,664)
Acquisition of Lamrite West, net of cash acquired	—	(144,600)
Net cash used in investing activities	(15,690)	(159,264)
Cash flows from financing activities:		
Common stock repurchased	(100,167)	(60,978)
Payments on term loan credit facility	(12,450)	(6,225)
Borrowings on asset-based revolving credit facility	12,000	—
Payments on asset-based revolving credit facility	(12,000)	—
Payment of dividends	(317)	(317)
Proceeds from stock options exercised	4,729	8,664
Excess tax benefits from share-based compensation	—	4,599
Other financing activities	—	(137)
Net cash used in financing activities	(108,205)	(54,394)
Net change in cash and equivalents	(100,950)	(237,521)
Cash and equivalents at beginning of period	298,813	409,391
Cash and equivalents at end of period	$ 197,863	$ 171,870
Supplemental cash flow information:		
Cash paid for interest	$ 34,560	$ 23,638
Cash paid for taxes	$ 4,245	$ 53,997

See accompanying notes to consolidated financial statements.

THE MICHAELS COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

All expressions of the "Company", "us", "we", "our", and all similar expressions are references to The Michaels Companies, Inc. and our consolidated, wholly-owned subsidiaries, unless otherwise expressly stated or the context otherwise requires. Our consolidated financial statements include the accounts of The Michaels Companies, Inc. and our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13 or 15(d) under the Securities Exchange Act of 1934. In the opinion of management, all adjustments (consisting of normal recurring accruals and other items) considered necessary for a fair presentation have been included.

We report on the basis of a 52- or 53-week fiscal year, which ends on the Saturday closest to January 31. All references to fiscal year mean the year in which that fiscal year began. References to "fiscal 2017" relate to the 53 weeks ended February 3, 2018 and references to "fiscal 2016" relate to the 52 weeks ended January 28, 2017. In addition, all references to "the first quarter of fiscal 2017" relate to the 13 weeks ended April 29, 2017 and all references to "the first quarter of fiscal 2016" relate to the 13 weeks ended April 30, 2016. Because of the seasonal nature of our business, the results of operations for the 13 weeks ended April 29, 2017 are not indicative of the results to be expected for the entire year.

Certain prior year amounts have been reclassified in the accompanying consolidated financial statements to conform to our fiscal 2017 presentation.

Share Repurchase Program

In fiscal 2016, the Board of Directors authorized the Company to purchase $500.0 million of the Company's common stock on the open market. Shares repurchased under the program are held as treasury shares until retired. During the first quarter of fiscal 2017 and 2016, we repurchased 4.8 million and 2.3 million shares for an aggregate amount of $99.3 million and $59.3 million, respectively. As of April 29, 2017, we have utilized all availability under our share repurchase program.

Accounting Pronouncements Recently Adopted

In March 2016, the FASB issued ASU No. 2016-09, *"Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting"* ("ASU 2016-09"). ASU 2016-09 identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. We adopted the new guidance on a prospective basis in the first quarter of fiscal 2017. As a result of the adoption, we recognized $0.9 million of excess tax benefits related to share-based compensation in income tax expense for the first quarter of fiscal 2017. Excess tax benefits were historically recorded in additional paid-in capital. In addition, cash flows related to excess tax benefits are now classified as an operating activity. Cash flows were historically classified as a financing activity. We have elected to continue to estimate forfeitures expected to occur to determine the amount of

compensation cost to be recognized each period. None of the other provisions in this amended guidance had a material impact on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04, *"Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment"* ("ASU 2017-04"). ASU 2017-04 simplifies the measurement of goodwill impairment by removing the second step of the goodwill impairment test, which requires the determination of the fair value of individual assets and liabilities of a reporting unit. Under ASU 2017-04, goodwill impairment is to be measured as the amount by which a reporting unit's carrying value exceeds its fair value with the loss recognized not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The standard is to be applied on a prospective basis. We do not anticipate a material impact to the consolidated financial statements once implemented.

In October 2016, the FASB issued ASU No. 2016-16, *"Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory"* ("ASU 2016-16"). ASU 2016-16 requires entities to recognize income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, including interim reporting periods within that reporting period, with early adoption permitted. We are currently evaluating the new standard but do not anticipate a material impact to the consolidated financial statements once implemented.

In August 2016, the FASB issued ASU No. 2016-15, " *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments"* ("ASU 2016-15"). ASU 2016-15 clarifies how companies should present and classify certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017, including interim reporting periods within that reporting period, with early adoption permitted. We have evaluated the new standard and it will not have a material impact to the consolidated financial statements once implemented.

In February 2016, the FASB issued ASU No. 2016-02, *"Leases (Topic 842)"* ("ASU 2016-02"). Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with early adoption permitted. At adoption, this update will be applied using a modified retrospective approach. We are currently evaluating the impact that ASU 2016-02 will have on the consolidated financial statements. We believe the most significant impact relates to our accounting for real estate leases, which will be recorded as assets and liabilities on our balance sheet upon adoption.

In May 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers"* ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in "*Revenue Recognition (Topic 605)*", and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In March 2016, the FASB issued ASU No. 2016-08*, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)"* which is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *"Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*" which provides further guidance on identifying performance obligations and improves the operability and understandability of the licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, *"Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients"* which narrowly amended the revenue

recognition guidance regarding collectability, noncash consideration, presentation of sales tax and transition. The guidance under these standards is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and are to be applied using a retrospective or modified retrospective approach. While we continue to assess all potential impacts of the guidance, our focus has been on vendor arrangements in which we act as either a principal or agent and customer incentive arrangements. Based on our preliminary assessment, we do not anticipate that the adoption of ASU 2014-09 will have a material impact on our consolidated financial statements once implemented.

2. FAIR VALUE MEASUREMENTS

As defined in Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("ASC 820"), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level valuation hierarchy for fair value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect less transparent active market data, as well as internal assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1—Quoted prices for *identical* instruments in active markets;
- Level 2—Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable; and
- Level 3—Instruments with significant unobservable inputs.

Impairment losses related to store-level property and equipment are calculated using significant unobservable inputs including the present value of future cash flows expected to be generated using a risk-adjusted weighted-average cost of capital and comparable store sales growth assumptions, and therefore are classified as a Level 3 measurement in the fair value hierarchy.

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates their estimated fair values due to the short maturities of these instruments.

The table below provides the fair values of our senior secured term loan facility ("Amended Term Loan Credit Facility") and our 5.875% senior subordinated notes maturing in 2020 ("2020 Senior Subordinated Notes "). The fair values of our Amended Term Loan Credit Facility and our 2020 Senior Subordinated Notes were determined based on quoted market prices which are considered Level 2 inputs within the fair value hierarchy.

	April 29, 2017	January 28, 2017	April 30, 2016
		(in thousands)	
Term loan credit facility	$ 2,245,397	$ 2,266,304	$ 2,280,483
Senior subordinated notes	522,750	526,575	534,225

3. DEBT

Long-term debt consists of the following (in thousands):

	Interest Rate	April 29, 2017	January 28, 2017	April 30, 2016
Term loan credit facility	Variable	$ 2,251,025	$ 2,263,475	$ 2,275,925
Senior subordinated notes	5.875 %	510,000	510,000	510,000
Total debt		2,761,025	2,773,475	2,785,925
Less unamortized discount/premium and debt costs		(18,294)	(19,163)	(20,961)
Total debt, net		2,742,731	2,754,312	2,764,964
Less current portion		(24,900)	(31,125)	(24,900)
Long-term debt		$ 2,717,831	$ 2,723,187	$ 2,740,064

Revolving Credit Facility

As of April 29, 2017 and April 30, 2016, the borrowing base under our senior secured asset-based revolving credit facility was $786.9 million and $650.0 million, respectively, of which Michaels Stores, Inc. ("MSI") had unused borrowing capacity of $727.6 million and $585.5 million, respectively. As of April 29, 2017 and April 30, 2016, outstanding standby letters of credit, which reduce our borrowing base, totaled $59.3 million and $64.5 million, respectively. There were no outstanding borrowings under our senior secured asset-based revolving credit facility as of April 29, 2017 and April 30, 2016.

Debt Issuance Costs

Accumulated amortization of debt issuance costs was $64.9 million, $63.7 million and $63.0 million as of April 29, 2017, January 28, 2017 and April 30, 2016, respectively.

4. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table includes detail regarding changes in the composition of accumulated other comprehensive loss (in thousands):

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Beginning of period	$ (14,224)	$ (22,056)
Foreign currency translation adjustment and other	(5,272)	14,209
End of period	$ (19,496)	$ (7,847)

5. INCOME TAXES

The effective tax rate was 33.7% for the first quarter of fiscal 2017 and 37.2% for the first quarter of fiscal 2016. The effective tax rate for the first quarter of fiscal 2017 is lower than the same period in the prior year due to benefits realized associated with our direct sourcing initiatives implemented in the second half of fiscal 2016 and the recognition of $0.9 million of excess tax benefits associated with the adoption of the new share-based compensation accounting standard.

6. EARNINGS PER SHARE

The Company's unvested restricted stock awards contain non-forfeitable rights to dividends and meet the criteria of a participating security as defined by ASC 260, "*Earnings Per Share*". In applying the two-class method, net income is allocated to both common and participating securities based on their respective weighted-average shares outstanding for the period. Basic earnings per share is computed by dividing net income allocated to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted-average common shares outstanding plus the potential dilutive impact from the exercise of stock options and restricted stock units. Common equivalent shares are excluded from the computation if their effect is anti-dilutive. There were 4.9 million and 1.9 million anti-dilutive shares during the first quarters of fiscal 2017 and fiscal 2016, respectively.

The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except per share data):

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Basic earnings per common share:		
Net income	$ 72,208	$ 70,765
Less income related to unvested restricted shares	(337)	(476)
Income available to common shareholders - Basic	$ 71,871	$ 70,289
Weighted-average common shares outstanding - Basic	188,968	206,994
Basic earnings per common share	$ 0.38	$ 0.34
Diluted earnings per common share:		
Net income	$ 72,208	$ 70,765
Less income related to unvested restricted shares	(334)	(471)
Income available to common shareholders - Diluted	$ 71,874	$ 70,294
Weighted-average common shares outstanding - Basic	188,968	206,994
Effect of dilutive stock options and restricted stock units	1,431	1,979
Weighted-average common shares outstanding - Diluted	190,399	208,973
Diluted earnings per common share	$ 0.38	$ 0.34

7. SEGMENTS AND GEOGRAPHIC INFORMATION

We consider Michaels-U.S., Michaels-Canada, Aaron Brothers, Pat Catan's and Darice to be our operating segments for purposes of determining reportable segments based on the criteria of ASC 280, *Segment Reporting* ("ASC 280"). We determined that Michaels-U.S., Michaels-Canada, Aaron Brothers and Pat Catan's have similar economic characteristics and meet the aggregation criteria set forth in ASC 280. Therefore, we combine these operating segments into one reporting segment. Darice does not meet the materiality criteria in ASC 280 and, therefore, is not disclosed as a reportable segment.

Our net sales by country are as follows (in thousands):

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
United States	$ 1,056,643	$ 1,063,837
Canada	101,920	95,043
Total	$ 1,158,563	$ 1,158,880

Our chief operating decision makers evaluate historical operating performance and forecast future periods' operating performance based on operating income and earnings before interest, income taxes, depreciation and amortization ("EBITDA"). We believe these metrics more closely reflect the operating effectiveness of factors over which management has control. A reconciliation of EBITDA to net income is presented below (in thousands):

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Net income	$ 72,208	$ 70,765
Interest expense	30,437	32,219
Income taxes	36,659	41,895
Depreciation and amortization	28,551	29,470
Interest income	(144)	(280)
EBITDA	$ 167,711	$ 174,069

8. CONTINGENCIES

Rea Claim

On September 15, 2011, MSI was served with a lawsuit filed in the California Superior Court in and for the County of Orange ("Superior Court") by four former store managers as a class action proceeding on behalf of themselves and certain former and current store managers employed by MSI in California. The lawsuit alleged that MSI improperly classified its store managers as exempt employees and as such failed to pay all wages, overtime and waiting time penalties and failed to provide accurate wage statements. The lawsuit also alleged that the foregoing conduct was in breach of various laws, including California's unfair competition law. On December 3, 2013, the Superior Court entered an order certifying a class of approximately 200 members. MSI successfully removed the case to the U.S. District Court for the Central District of California and on May 8, 2014, the class was decertified. Three of the four named plaintiffs' claims were resolved in September 2014 and the remaining one is set for trial on September 12, 2017. The individual claims of 26 former class members remain pending in the Central District of California. In addition, a separate representative action brought on behalf of store managers throughout the state is pending in the California Superior Court, County of San Diego. We believe we have meritorious defenses and intend to defend the lawsuits vigorously. We do not believe the resolution of the lawsuits will have a material effect on our consolidated financial statements.

Fair Credit Reporting Claim

On December 11, 2014, MSI was served with a lawsuit, *Christina Graham v. Michaels Stores, Inc.*, filed in the U.S. District Court for the District of New Jersey by a former employee. The lawsuit is a purported class action, bringing plaintiff's individual claims, as well as claims on behalf of a putative class of applicants who applied for employment with Michaels through an online application, and on whom a background check for employment was procured. The lawsuit alleges that MSI violated the Fair Credit Reporting Act ("FCRA") and the New Jersey Fair Credit Reporting Act by failing to provide the proper disclosure and obtain the proper authorization to conduct background checks. Since the initial filing, another named plaintiff joined the lawsuit, which was amended in February 2015, *Christina Graham and Gary Anderson v. Michaels Stores, Inc.*, with substantially similar allegations. The plaintiffs seek statutory and punitive damages as well as attorneys' fees and costs.

Following the filing of the *Graham* case in New Jersey, five additional purported class action lawsuits with six plaintiffs were filed, *Michele Castro and Janice Bercut v. Michaels Stores, Inc.*, in the U.S. District Court for the Northern District of Texas, *Michelle Bercut v. Michaels Stores, Inc.* in the Superior Court of California for Sonoma County, *Raini Burnside v. Michaels Stores, Inc.*, in the U.S. District Court for the Western District of Missouri, *Sue Gettings v. Michaels Stores, Inc.*, in the U.S. District Court for the Southern District of New York, and *Barbara Horton v. Michaels Stores, Inc.,* in the U.S. District Court for the Central District of California. All of the plaintiffs alleged violations of the FCRA. In addition, the *Castro, Horton* and *Janice Bercut* lawsuits also alleged violations of California's unfair competition law. The *Burnside, Horton* and *Gettings* lawsuits, as well as the claims by Michele Castro, have been dismissed. The *Graham, Janice Bercut* and *Michelle Bercut* lawsuits were transferred for centralized pretrial proceedings to the District of New Jersey. On January 24, 2017, the Company's motion to dismiss for lack of standing was granted, and the court declined to rule on the merits of plaintiffs' claims. The dismissal order was stayed for 30 days to allow the plaintiffs to amend their complaints. Because there were no amendments filed, two of the three centralized cases were dismissed and subsequently appealed to the U.S. Court of Appeals for the Third Circuit, and the remaining case (*Michelle Bercut*) was remanded to California Superior Court. The Company intends to defend the remaining lawsuits vigorously. We cannot reasonably estimate the potential loss, or range of loss, related to the lawsuits, if any.

Data Security Incident

Five putative class actions were filed against MSI relating to the January 2014 data breach. The plaintiffs generally alleged that MSI failed to secure and safeguard customers' private information including credit and debit card information, and as such, breached an implied contract and violated the Illinois Consumer Fraud Act (and other states' similar laws). The plaintiffs are seeking damages including declaratory relief, actual damages, punitive damages, statutory damages, attorneys' fees, litigation costs, remedial action, pre and post judgment interest, and other relief as available. The cases are as follows: *Christina Moyer v. Michaels Stores, Inc.*, was filed on January 27, 2014; *Michael and Jessica Gouwens v. Michaels Stores, Inc.,* was filed on January 29, 2014; *Nancy Maize and Jessica Gordon v. Michaels Stores, Inc.*, was filed on February 21, 2014; and *Daniel Ripes v. Michaels Stores, Inc.*, was filed on March 14, 2014. These four cases were filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. On March 18, 2014, an additional putative class action was filed in the U.S. District Court for the Eastern District of New York, *Mary Jane Whalen v. Michaels Stores, Inc.*, but was voluntarily dismissed by the plaintiff on April 11, 2014 without prejudice to her right to re-file a complaint. On April 16, 2014, an order was entered consolidating the Illinois actions. On July 14, 2014, the Company's motion to dismiss the consolidated complaint was granted.

On December 2, 2014, Whalen filed a new lawsuit against MSI related to the data breach in the U.S. District Court for the Eastern District of New York, *Mary Jane Whalen v. Michaels Stores, Inc.*, seeking damages including declaratory relief, monetary damages, statutory damages, punitive damages, attorneys' fees and costs, injunctive relief, pre and post judgment interest, and other relief as available. The Company filed a motion to dismiss which was granted on December 28, 2015, and judgment was entered in favor of the Company on January 8, 2016. Plaintiff appealed the judgment to the U.S. Court of Appeals for the Second Circuit and on May 2, 2017, the Second Circuit affirmed the

dismissal. The Company intends to defend any further appeals of this case vigorously. We cannot reasonably estimate the potential loss, or range of loss, related to the lawsuit, if any.

Consumer Product Safety Commission Claim

On April 21, 2015, the U.S. Department of Justice, on behalf of the Consumer Product Safety Commission (the "CPSC"), filed a complaint against MSI and Michaels Stores Procurement Company, Inc. ("MSPC") in the U.S. District Court for the Northern District of Texas. The complaint seeks civil penalties for an alleged failure to timely report a potential product safety hazard to the CPSC related to the breakage of certain glass vases. The complaint also alleges the report contained a material misrepresentation and seeks injunctive relief requiring MSI and MSPC to, among other things, establish internal recordkeeping and compliance monitoring systems. On April 4, 2017, the CPSC filed an amended complaint eliminating their misrepresentation claim. We believe we have meritorious defenses and intend to defend the lawsuit vigorously. We do not believe the resolution of the lawsuit will have a material effect on our consolidated financial statements.

General

In addition to the litigation discussed above, we are now, and may be in the future, involved in various other lawsuits, claims and proceedings incident to the ordinary course of business. The results of litigation are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources.

For some of the matters disclosed above, as well as other lawsuits involving the Company, we are able to estimate a range of losses in excess of the amounts recorded, if any, in the accompanying consolidated financial statements. As of April 29, 2017, the aggregate estimated loss was approximately $11 million, which includes amounts recorded by the Company.

9. RELATED PARTY TRANSACTIONS

Affiliates of, or funds advised by, Bain Capital Partners, LLC ("Bain Capital") and The Blackstone Group L.P. ("The Blackstone Group", together with Bain Capital and their applicable affiliates, the "Sponsors") owned approximately 39% of our outstanding common stock as of April 29, 2017.

The Blackstone Group owns a majority equity position in RGIS, a vendor we utilize to count our store inventory. Payments associated with this vendor during the first quarters of fiscal 2017 and fiscal 2016 were $2.0 million. These expenses are included in selling, general and administrative ("SG&A") in the consolidated statements of comprehensive income.

The Blackstone Group owns an equity position in Vistar, a vendor we utilize for all of the candy-type items in our stores. Payments associated with this vendor during the first quarters of fiscal 2017 and fiscal 2016 were $6.6 million and $6.3 million, respectively. These expenses are recognized in cost of sales and occupancy expense in the consolidated statements of comprehensive income as the sales are incurred.

The Blackstone Group owns a majority equity position in Excel Trust, Inc., Blackstone Real Estate DDR Retail Holdings III, LLC and Blackstone Real Estate RC Retail Holdings, LLC, vendors we utilize to lease certain properties. Payments associated with these vendors during the first quarters of fiscal 2017 and fiscal 2016 were $1.7 million and $0.8 million, respectively. These expenses are included in cost of sales and occupancy expense in the consolidated statements of comprehensive income.

Certain affiliates of The Blackstone Group have significant influence over US Xpress Enterprises, Inc., a vendor we utilize for transportation services. Payments associated with this vendor during the first quarters of fiscal 2017 and

fiscal 2016 were $0.2 million and $0.3 million, respectively. These expenses are recognized in cost of sales and occupancy expense in the consolidated statements of comprehensive income as the sales are incurred.

Four of our current directors, Joshua Bekenstein, Nadim El Gabbani, Lewis S. Klessel and Peter F. Wallace, are affiliates of Bain Capital or The Blackstone Group. As such, some or all of such directors may have an indirect material interest in payments with respect to debt securities of the Company that have been purchased by affiliates of Bain Capital and The Blackstone Group. As of April 29, 2017, affiliates of The Blackstone Group held $51.9 million of our Amended Term Loan Credit Facility.

10. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Our debt covenants restrict MSI, and certain subsidiaries of MSI, from various activities including the incurrence of additional debt, payment of dividends and the repurchase of MSI's capital stock (subject to certain exceptions), among other things. The following condensed consolidated financial information represents the financial information of MSI and its wholly-owned subsidiaries subject to these restrictions. The information is presented in accordance with the requirements of Rule 12-04 under the SEC's Regulation S-X.

Michaels Stores, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

ASSETS	April 29, 2017	January 28, 2017	April 30, 2016
Current assets:			
Cash and equivalents	$ 197,100	$ 294,054	$ 167,126
Merchandise inventories	1,102,346	1,127,777	1,057,642
Prepaid expenses and other current assets	114,536	116,072	116,641
Total current assets	1,413,982	1,537,903	1,341,409
Property and equipment, net	403,049	413,164	402,762
Goodwill	119,074	119,074	119,074
Other assets	73,414	73,201	77,292
Total assets	$ 2,009,519	$ 2,143,342	$ 1,940,537
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	$ 430,261	$ 517,268	$ 373,492
Accrued liabilities and other	347,987	395,745	358,193
Current portion of long-term debt	24,900	31,125	24,900
Other current liabilities	153,243	123,258	81,956
Total current liabilities	956,391	1,067,396	838,541
Long-term debt	2,717,831	2,723,187	2,740,064
Other liabilities	109,975	103,972	93,198
Total stockholders' deficit	(1,774,678)	(1,751,213)	(1,731,266)
Total liabilities and stockholders' deficit	$ 2,009,519	$ 2,143,342	$ 1,940,537

Michaels Stores, Inc.
Condensed Consolidated Statements of Comprehensive Income
(in thousands)

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Net sales	$ 1,158,563	$ 1,158,880
Cost of sales and occupancy expense	690,929	694,129
Gross profit	467,634	464,751
Selling, general and administrative	327,465	317,265
Other operating expense	978	1,626
Operating income	139,191	145,860
Interest and other expense	30,396	32,670
Income before income taxes	108,795	113,190
Income taxes	36,634	42,092
Net income	$ 72,161	$ 71,098
Other comprehensive income, net of tax:		
Foreign currency translation adjustment and other	(5,272)	14,209
Comprehensive income	$ 66,889	$ 85,307

Michaels Stores, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	$ 26,543	$ (17,149)
Cash flows from investing activities:		
Additions to property and equipment	(15,690)	(14,664)
Acquisition of Lamrite West, net of cash acquired	—	(144,600)
Net cash used in investing activities	(15,690)	(159,264)
Cash flows from financing activities:		
Net repayments of debt	(24,450)	(6,225)
Net borrowings of debt	12,000	—
Payment of dividend to Michaels Funding, Inc.	(95,357)	(59,348)
Other financing activities	—	4,462
Net cash used in financing activities	(107,807)	(61,111)
Net change in cash and equivalents	(96,954)	(237,524)
Cash and equivalents at beginning of period	294,054	404,650
Cash and equivalents at end of period	$ 197,100	$ 167,126

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements of the Company (and the related notes thereto included elsewhere in this quarterly report), and the audited consolidated financial statements of the Company (and the related notes thereto) and the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2017 ("Annual Report") filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13 or 15(d) under the Securities Act of 1934 on March 7, 2017.

All of the "Company", "us", "we", "our", and similar expressions are references to The Michaels Companies, Inc. ("Michaels") and our consolidated wholly-owned subsidiaries, unless otherwise expressly stated or the context otherwise requires.

We report on the basis of a 52- or 53-week fiscal year, which ends on the Saturday closest to January 31. All references to fiscal year mean the year in which that fiscal year began. References to "fiscal 2017" relate to the 53 weeks ended February 3, 2018 and references to "fiscal 2016" relate to the 52 weeks ended January 28, 2017. In addition, all references to "the first quarter of fiscal 2017" relate to the 13 weeks ended April 29, 2017 and all references to "the first quarter of fiscal 2016" relate to the 13 weeks ended April 30, 2016. Because of the seasonal nature of our business, the results of operations for the 13 weeks ended April 29, 2017 are not indicative of the results to be expected for the entire year.

Overview

We are the largest arts and crafts specialty retailer in North America (based on store count) providing materials, project ideas and education for creative activities under the retail brands of Michaels, Aaron Brothers and Pat Catan's. We also operate an international wholesale business under the Darice brand name and a market-leading vertically-integrated custom framing business under the Artistree brand name. As of April 29, 2017, we operated 1,225 Michaels stores, 104 Aaron Brothers stores and 35 Pat Catan's stores.

Net sales for the first quarter of fiscal 2017 were flat compared to the same period in the prior year. Comparable store sales decreased $13.5 million, or 1.2%, due to a decrease in our average ticket. The decrease was partially offset by a $13.2 million increase in net sales related to the opening of 12 additional stores (net of closures) since April 30, 2016. Gross profit as a percent of net sales increased 30 basis points to 40.4% during the first quarter of fiscal 2017 due to sourcing efficiencies, an increase in retail prices and $3.6 million of non-recurring purchase accounting adjustments related to inventory recorded in the prior year. Operating income as a percent of net sales decreased 0.5% to 12.0% for the first quarter of fiscal 2017 as compared to 12.5% in the same period in the prior year. The decrease as a percentage of net sales is due primarily to a decline in comparable store sales and $7.7 million of Lamrite integration costs and non-recurring purchase accounting adjustments recorded in the prior year.

Comparable Store Sales

Comparable store sales represents the change in net sales for stores open the same number of months in the comparable period of the previous year, including stores that were relocated or expanded during either period, as well as e-commerce sales. A store is deemed to become comparable in its 14th month of operation in order to eliminate grand opening sales distortions. A store temporarily closed more than two weeks is not considered comparable during the month it is closed. If a store is closed longer than two weeks but less than two months, it becomes comparable in the month in which it reopens, subject to a mid-month convention. A store closed longer than two months becomes comparable in its 14th month of operation after its reopening.

Operating Information

The following table sets forth certain operating data:

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Michaels stores:		
Open at beginning of period	1,223	1,196
New stores	3	11
Relocated stores opened	7	6
Closed stores	(1)	(3)
Relocated stores closed	(7)	(6)
Open at end of period	1,225	1,204
Aaron Brothers stores:		
Open at beginning of period	109	117
Closed stores	(5)	(2)
Open at end of period	104	115
Pat Catan's stores:		
Open at beginning of period	35	—
Acquired stores	—	32
New stores	—	1
Open at end of period	35	33
Total store count at end of period	1,364	1,352
Other Operating Data:		
Average inventory per Michaels store (in thousands) [1]	$ 803	$ 787
Comparable store sales	(1.2)%	0.9 %
Comparable store sales, at constant currency	(1.2)%	1.4 %

(1) The calculation of average inventory per Michaels store excludes our Aaron Brothers and Pat Catan's stores.

Results of Operations

The following table sets forth the percentage relationship to net sales of line items of our consolidated statements of comprehensive income. This table should be read in conjunction with the following discussion and with our consolidated financial statements, including the related notes.

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Net sales	100.0 %	100.0 %
Cost of sales and occupancy expense	59.6	59.9
Gross profit	40.4	40.1
Selling, general and administrative	28.3	27.4
Store pre-opening costs	0.1	0.1
Operating income	12.0	12.5
Interest expense	2.6	2.8
Other (income) expense, net	—	—
Income before income taxes	9.4	9.7
Income taxes	3.2	3.6
Net income	6.2 %	6.1 %

13 Weeks Ended April 29, 2017 Compared to the 13 Weeks Ended April 30, 2016

Net Sales. Net sales in the first quarter of fiscal 2017 were flat compared to the first quarter of fiscal 2016. Comparable store sales decreased $13.5 million, or 1.2%, due to a decrease in our average ticket. The decrease was partially offset by a $13.2 million increase related to 12 additional stores opened (net of closures) since April 30, 2016.

Gross Profit. Gross profit was 40.4% of net sales in the first quarter of fiscal 2017 compared to 40.1% in the first quarter of fiscal 2016. The 30 basis point increase was primarily due to sourcing efficiencies, an increase in retail prices and $3.6 million of non-recurring purchase accounting adjustments related to inventory recorded in the prior year. The increase was partially offset by higher promotional activity, an increase in inventory shrink and occupancy costs deleverage as a result of the decline in comparable store sales.

Selling, General and Administrative. Selling, general and administrative ("SG&A") was 28.3% of net sales for the first quarter of fiscal 2017 compared to 27.4% for the first quarter of fiscal 2016. SG&A increased $9.6 million to $327.4 million for the first quarter of fiscal 2017. The increase was primarily due to $5.8 million of expenses associated with operating 12 additional stores (net of closures), a $3.4 million increase in marketing expenses and higher healthcare costs. The increase was partially offset by $4.1 million of Lamrite integration costs recorded in the prior year.

Interest Expense. Interest expense decreased $1.8 million to $30.4 million in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. The decrease was primarily attributable to $1.1 million of interest savings due to the refinancing of our amended and restated term loan credit facility ("Amended Term Loan Credit Facility") in the third quarter of fiscal 2016 and $0.4 million of interest savings from the refinancing of our senior secured asset-based revolving credit facility ("Amended Revolving Credit Facility") in the second quarter of fiscal 2016.

Income Taxes. The effective tax rate was 33.7% for the first quarter of fiscal 2017 compared to 37.2% for the first quarter of fiscal 2016. The effective income tax rate for the first quarter of fiscal 2017 was lower than the same period in the prior year due to benefits realized associated with our direct sourcing initiatives implemented in the second half of fiscal 2016 and the recognition of $0.9 million of excess tax benefits associated with the adoption of the new share-based compensation accounting standard.

Liquidity and Capital Resources

We require cash principally for day-to-day operations, to finance capital investments, purchase inventory, service our outstanding debt and for seasonal working capital needs. We expect that our available cash, cash flow generated from operating activities and funds available under our Amended Revolving Credit Facility will be sufficient to fund planned capital expenditures, working capital requirements, debt repayments, debt service requirements and anticipated growth for the foreseeable future. Our ability to satisfy our liquidity needs and continue to refinance or reduce debt could be adversely affected by the occurrence of any of the events described under "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 or our failure to meet our debt covenants. Our Amended Revolving Credit Facility provides senior secured financing of up to $850.0 million, subject to a borrowing base. As of April 29, 2017, the borrowing base was $786.9 million, of which we had $59.3 million of outstanding standby letters of credit and $727.6 million of unused borrowing capacity. Our cash and cash equivalents totaled $197.9 million at April 29, 2017, of which $74.6 million was held by our foreign subsidiaries. If it were necessary to repatriate these funds for use in the U.S., we would be required to pay U.S. taxes on the amount of undistributed earnings in our foreign subsidiaries. However, it is our intent to indefinitely reinvest these funds outside the U.S.

In fiscal 2016, the Board of Directors authorized the Company to purchase $500.0 million of the Company's common stock on the open market. Shares repurchased under the program are held as treasury shares until retired. During the first quarter of fiscal 2017 and 2016, we repurchased 4.8 million and 2.3 million shares for an aggregate amount of $99.3 million and $59.3 million, respectively. As of April 29, 2017, we have utilized all availability under our share repurchase program.

We had total outstanding debt of $2,761.0 million at April 29, 2017, of which $2,251.0 million was subject to variable interest rates and $510.0 million was subject to fixed interest rates.

Our substantial indebtedness could adversely affect our ability to raise additional capital, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk and prevent us from meeting our obligations. Management reacts strategically to changes in economic conditions and monitors compliance with debt covenants to seek to mitigate any potential material impacts to our financial condition and flexibility.

We intend to use excess operating cash flows to invest in growth opportunities, repurchase outstanding shares and repay portions of our indebtedness, depending on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. As such, we and our subsidiaries, affiliates and significant shareholders may, from time to time, seek to retire or purchase our outstanding debt (including publicly issued debt) through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions, by tender offer or otherwise. If we use our excess cash flows to repay our debt, it will reduce the amount of excess cash available for additional capital expenditures.

Cash Flow from Operating Activities

Cash flows provided by operating activities were $22.9 million in the first quarter of fiscal 2017 compared to cash flows used in operating activities of $23.9 million in the first quarter of fiscal 2016. The improvement was primarily due to a change in tax regulations that allowed certain estimated tax payments to be moved from the first quarter to the second quarter.

Inventory at the end of the first quarter of fiscal 2017 increased $44.7 million, or 4.2%, to $1,102.3 million, compared to $1,057.6 million at the end of the first quarter of fiscal 2016. The increase in inventory was primarily due to the additional 12 stores opened (net of closures) since April 30, 2016. Average inventory per Michaels store (inclusive of distribution centers, in-transit and inventory for the Company's e-commerce site) increased 2.0% to $803,000 at April 29, 2017, from $787,000 at April 30, 2016.

Cash Flow from Investing Activities

The following table includes capital expenditures paid during the periods presented (in thousands):

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
New and relocated stores and stores not yet opened [(1)]	$ 2,638	$ 3,228
Existing stores	6,392	4,088
Information systems	3,081	4,129
Corporate and other	3,579	3,219
	$ 15,690	$ 14,664

(1) In the first quarter of fiscal 2017, we incurred capital expenditures related to the opening of 10 Michaels stores, including the relocation of seven stores. In the first quarter of fiscal 2016, we incurred capital expenditures related to the opening of 17 Michaels stores, including the relocation of six stores, and one Pat Catan's store.

Non-GAAP Measures

The following table sets forth certain non-GAAP measures the Company uses to manage our performance and measure compliance with certain debt covenants. The Company defines "EBITDA" as net income before interest, income taxes, depreciation and amortization. The Company defines "Adjusted EBITDA" as EBITDA adjusted for certain defined amounts in accordance with the Company's Amended Term Loan Credit Facility and Amended Revolving Credit Facility (collectively, the "Adjustments").

The Company has presented EBITDA and Adjusted EBITDA to provide investors with additional information to evaluate our operating performance and our ability to service our debt. Adjusted EBITDA is a required calculation under the Company's Amended Term Loan Credit Facility and its Amended Revolving Credit Facility (together the "Senior Secured Credit Facilities"). As it relates to the Senior Secured Credit Facilities, Adjusted EBITDA is used in the calculations of fixed charge coverage and leverage ratios, which, under certain circumstances determine mandatory repayments or maintenance covenants and may restrict the Company's ability to make certain payments (characterized as restricted payments), investments (including acquisitions) and debt repayments.

As EBITDA and Adjusted EBITDA are not measures of operating performance or liquidity calculated in accordance with U.S. generally accepted accounting principles ("GAAP"), these measures should not be considered in isolation of, or as a substitute for, net income, as an indicator of operating performance, or net cash provided by operating activities as an indicator of liquidity. Our computation of EBITDA and Adjusted EBITDA may differ from similarly titled measures used by other companies.

The following table shows a reconciliation of EBITDA and Adjusted EBITDA to net income and net cash provided by (used in) operating activities (in thousands):

	13 Weeks Ended	
	April 29, 2017	April 30, 2016
Net cash provided by (used in) operating activities	$ 22,945	$ (23,863)
Depreciation and amortization	(28,551)	(29,470)
Share-based compensation	(4,942)	(3,129)
Debt issuance costs amortization	(1,274)	(1,974)
Accretion of long-term debt, net	126	62
Deferred income taxes	(259)	3,991
Gains (losses) on disposition of property and equipment	17	(32)
Excess tax benefits from share-based compensation	—	4,599
Changes in assets and liabilities	84,146	120,581
Net income	72,208	70,765
Interest expense	30,437	32,219
Income taxes	36,659	41,895
Depreciation and amortization	28,551	29,470
Interest income	(144)	(280)
EBITDA	167,711	174,069
Adjustments:		
Share-based compensation	4,942	3,129
Severance costs	334	746
Store pre-opening costs	1,007	1,629
Store remodel costs	122	(81)
Foreign currency transaction losses	61	936
Store closing costs	1,729	1,098
Lamrite integration costs	—	4,145
Other [1]	836	778
Adjusted EBITDA	$ 176,742	$ 186,449

(1) Other adjustments primarily relate to items such as moving and relocation expenses, franchise taxes, sign on bonuses and certain legal expenses.

Disclosure Regarding Forward-Looking Information

The above discussion, as well as other portions of this Quarterly Report on Form 10-Q, contains forward-looking statements that reflect our plans, estimates and beliefs. Any statements contained herein (including, but not limited to, statements to the effect that Michaels or its management "anticipates", "plans", "estimates", "expects", "believes", "intends" and other similar expressions) that are not statements of historical fact should be considered forward-looking statements and should be read in conjunction with our Annual Report. Such forward-looking statements are based upon management's current knowledge and assumptions about future events and involve risks and uncertainties that could cause actual results, performance or achievements to be materially different from anticipated results, prospects, performance or achievements expressed or implied by such forward-looking statements. Most of these factors are outside of our control and are difficult to predict. Such risks and uncertainties include, but are not limited to the following:

- risks related to the effect of economic uncertainty;
- risks related to our substantial indebtedness;
- our debt agreements contain restrictions that limit our flexibility in operating our business;
- changes in customer demand could materially adversely affect our sales, results of operations and cash flow;
- our failure to adequately maintain security and prevent unauthorized access to electronic and other confidential information, which could result in an additional data breach, could materially adversely affect our financial condition and operating results;
- competition, including internet-based competition, could negatively impact our business;
- our reliance on foreign suppliers increases our risk of obtaining adequate, timely and cost-effective product supplies;
- our ability to open new stores and increase comparable store sales, as our growth depends on our strategy of expanding our base of retail stores; and, if we are unable to continue this strategy, our ability to increase our sales, profitability and cash flow could be impaired;
- damage to the reputation of the Michaels brand or our private and exclusive brands could adversely affect our sales;
- a weak fourth quarter would materially adversely affect our results of operations;
- risks associated with the suppliers from whom our products are sourced may fail us and transitioning to other qualified vendors could materially adversely affect our revenue and profit growth;
- unexpected or unfavorable consumer responses to our promotional or merchandising programs could materially adversely affect our sales, results of operations, cash flows and financial condition;
- our marketing programs, e-commerce initiatives and use of consumer information are governed by an evolving set of laws and enforcement trends and unfavorable changes in those laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations;

- product recalls and/or product liability, as well as changes in product safety and other consumer protection laws, may adversely impact our operations, merchandise offerings, reputation, results of operation, cash flow, and financial condition;

- changes in regulations or enforcement, or our failure to comply with existing or future regulations, may adversely impact our business;

- significant increases in inflation or commodity prices such as petroleum, natural gas, electricity, steel, wood, and paper may adversely affect our costs, including cost of merchandise;

- we may be subject to information technology system failures or network disruptions, or our information systems may prove inadequate, resulting in damage to our reputation, business operations and financial condition;

- improvements to our supply chain may not be fully successful;

- changes in estimates or projections used to assess fair value of intangible assets, goodwill and property and equipment may cause us to incur impairment charges that could adversely affect our results of operations;

- changes in newspaper subscription rates may result in reduced exposure to our circular advertisements;

- disruptions in the capital markets could increase our costs of doing business;

- our real estate leases generally obligate us for long periods, which subjects us to various financial risks;

- we have co-sourced certain of our information technology, accounts payable, payroll, accounting and human resources functions, and may co-source other administrative functions, which makes us more dependent upon third parties;

- we are exposed to fluctuations in exchange rates between the U.S. and Canadian dollar, which is the functional currency of our Canadian subsidiaries;

- we are dependent upon the services of our senior management team;

- failure to attract and retain quality sales, distribution center and other team members in appropriate numbers as well as experienced buying and management personnel could adversely affect our performance;

- our results may be adversely affected by serious disruptions or catastrophic events, including geo-political events and weather;

- any difficulty executing or integrating an acquisition, a business combination or a major business initiative could adversely affect our business or results of operations;

- substantial changes to fiscal and tax policies may adversely affect our business;

- our holding company structure makes us, and certain of our direct and indirect subsidiaries, dependent on the operations of our, and their, subsidiaries to meet our financial obligations; and

- affiliates of or funds advised by the Sponsors own approximately 39% of the outstanding shares of our common stock and as a result will have the ability to strongly influence or effectively control our decisions, and they may have interests that differ from those of other stockholders.

For more details on factors that may cause actual results to differ materially from such forward-looking statements, please see the Risk Factors section of our Annual Report. Except as required by applicable law, we disclaim any intention to, and undertake no obligation to, update or revise any forward-looking statement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

We are exposed to fluctuations in exchange rates between the U.S. and Canadian dollar, which is the functional currency of our Canadian subsidiaries. Our sales, costs and expenses of our Canadian subsidiaries, when translated into U.S. dollars, can fluctuate due to exchange rate movement. A 10% increase or decrease in the exchange rate of the Canadian dollar would have increased or decreased net income by approximately $3 million for the 13 weeks ended April 29, 2017.

Interest Rate Risk

We have market risk exposure arising from changes in interest rates on our Amended Term Loan Credit Facility and our Amended Revolving Credit Facility. The interest rates on our Amended Term Loan Credit Facility and our Amended Revolving Credit Facility will reprice periodically, which will impact our earnings and cash flow. The interest rate on our 2020 Senior Subordinated Notes is fixed. Based on our overall interest rate exposure to variable rate debt outstanding as of April 29, 2017, a 1% change in interest rates would impact income before income taxes by approximately $23 million for fiscal 2017. A 1% change in interest rates would impact the fair value of our long-term fixed rate debt by approximately $14 million. A change in interest rates would not materially affect the fair value of our variable rate debt as the debt reprices periodically.

Inflation Risk

We do not believe inflation and changing commodity prices have had a material impact on our net sales, income from continuing operations, plans for expansion or other capital expenditures for any period presented in this report. However, we cannot be sure inflation and changing commodity prices will not have an adverse impact on our operating results, financial condition, plans for expansion or other capital expenditures in future periods.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated by the SEC under the Securities Exchange Act of 1934) designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. We note the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities and Exchange Act of 1934, as amended, is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such

information is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms.

Change in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended April 29, 2017 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 8 to the consolidated financial statements in this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes to the Risk Factors described in the Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides certain information with respect to our purchases of shares of the Company's common stock during the first quarter of fiscal 2017:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (b)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan (b) (in thousands)
January 29, 2017 - February 25, 2017	3,623,620	$ 20.71	3,622,000	$ 24,325
February 26, 2017- April 1, 2017	1,229,696	20.42	1,194,700	—
April 2, 2017 - April 29, 2017	—	—	—	—
Total	4,853,316	$ 20.64	4,816,700	$

(a) These amounts reflect the following transactions during the first quarter of fiscal 2017: (i) the repurchase of 4,816,700 shares as part of our publicly announced share repurchase program and (ii) the surrender of shares of common stock to the Company to satisfy tax withholding obligations in connection with the vesting of employee restricted stock awards.

(b) In fiscal 2016, the Board of Directors authorized the Company to purchase up to $500.0 million of the Company's common stock on the open market. The Company retired shares repurchased under the program. As of April 29, 2017, all availability under the share repurchase program has been fully utilized.

ITEM 6. EXHIBITS

(a) Exhibits:

Exhibit Number	Description of Exhibit
10.1*	Michaels Stores, Inc. Amended and Restated Officer Severance Pay Plan (filed herewith).
10.2*	Form of Stock Option Agreement under the Amended and Restated 2014 Omnibus Long-Term Incentive Plan (filed herewith).
10.3*	Form of Restricted Stock Unit Agreement under the Amended and Restated 2014 Omnibus Long-Term Incentive Plan (filed herewith).
31.1	Certifications of Carl S. Rubin pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certifications of Denise A. Paulonis pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

*Management contract or compensatory plan or agreement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE MICHAELS COMPANIES, INC.

By: /s/ Carl S. Rubin
Carl S. Rubin
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Denise A. Paulonis
Denise A. Paulonis
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: June 6, 2017

Exhibit 10.1

MICHAELS STORES, INC.
OFFICER SEVERANCE PAY PLAN
Established April 17, 2008 and Amended as of May 20, 2014, December 9, 2014 and March 21, 2017

I. PURPOSE

This Plan has been established by Michaels Stores, Inc. (the "Company") to provide certain severance benefits, subject to the terms and conditions set forth, to designated officers in the event that his/her employment is permanently terminated as a result of a Qualifying Termination, as described below. As a severance pay plan, this Plan is intended to comply with all applicable requirements of the Employee Retirement Income Security Act of 1974 ("ERISA") and the regulations promulgated under ERISA for top hat employee welfare benefit plans and is to be interpreted in a manner consistent with those requirements. This document contains the provisions of the Plan and the Summary Plan Description. This Plan also is intended to comply with the applicable requirements of Section 409A ("Section 409A") of the Internal Revenue Code of 1986 as amended (the "Code") and is to be interpreted and administered in a manner consistent with those requirements.

II. ELIGIBILITY TO PARTICIPATE

In order to be eligible to be a participant in this Plan (a 'Participant'), an individual must be employed by the Company in a position with the title of Vice President (or equivalent, as approved by the Compensation Committee), Senior Vice President, Executive Vice President, or President. No other individual will be considered a Participant.

III. QUALIFICATIONS FOR RECEIPT OF PLAN BENEFITS

In order to qualify for benefits under this Plan, a Participant must meet all of the following qualifications: (A) must have a Qualifying Termination, as defined in Section IV below; (B) must not be eligible for severance pay or other termination benefits under any other severance pay plan or under any employment agreement or other agreement with the Company or any of its Affiliates (including without limitation a change-of-control or like agreement) at the time of the Qualifying Termination; (C) must sign and return, following the Termination Date, a timely and effective separation agreement and release of claims in the form attached to this Plan and marked "Exhibit A" (the "Agreement and Release"); and (D) must comply with the post-employment obligations set forth in Section VII(B) of this Plan.

IV. QUALIFYING TERMINATION

A Participant's termination of employment is a Qualifying Termination only if all of the following requirements are met and such termination is not enumerated in the list of exclusions in Section V:

A. The Participant is on the active payroll or is on an approved leave of absence with a right to reinstatement at the time employment terminates;

B. the Participant's employment is terminated by the Company other than for "Cause" (as hereafter defined) and other than as a result of death or Disability;

C. the Participant is not offered other employment with (1) an Affiliate of the Company (as hereafter defined), (2) a successor of the Company (a "Successor") or (3) a purchaser of some or all of the assets of the Company (a "Purchaser") (a) in a position which the Participant is qualified to perform regardless of whether the Participant is subject to, among other things, a new job title, different reporting relationships or a modification of Participant's duties and responsibilities, (b) that, when compared with the Participant's last position with the Company, provides a comparable base salary and bonus opportunity, and (c) there is no change in Participant's principal place of employment to a location more than 35 miles from the Participant's principal place of employment immediately prior to the Qualifying Termination;

D. the Participant has not accepted employment, in any position, with an Affiliate, a Successor or a Purchaser at the time he or she otherwise qualifies for benefits under this Plan; and

E. the Participant continues employment until the termination date designated by the Company or such earlier date to which the Company agrees; and, during the period from the date the Participant receives notice of termination until the Termination Date, the Participant continues to perform to the reasonable satisfaction of the Company.

V. EXCLUSIONS

The following are examples of events which would not be a Qualifying Termination under this Plan. This is not an exclusive list.

A. The Participant resigns, retires or otherwise voluntarily leaves his/her employment with the Company; or

B. the Participant's employment terminates as a result of death or Disability; or

C. the Participant's employment is terminated by the Company for Cause; or

D. the Participant is offered other employment with an Affiliate, Successor or a Purchaser in a position that he or she is qualified to perform, with a comparable base salary and bonus opportunity and there is no change in Participant's principal place of employment to a location more than 35 miles from the Participant's principal place of employment immediately prior to the Qualifying Termination; or

E. the Participant accepts any employment with an Affiliate, a Successor or a Purchaser.

VI. BENEFITS UNDER THE PLAN

A. As the sole benefits under this Plan and subject to all Plan terms and conditions, a Participant will be entitled to the following:

(1) Severance Pay:

(a) A Participant in the position of Vice President (or equivalent, as approved by the Compensation Committee) at the time of a Qualifying Termination who has less than two years of service from his/her most recent date of hire by the Company will be eligible for six (6) months of severance pay and such a Participant with two or more years of service from his/her most recent date of hire by the Company will be eligible for twelve (12) months of severance pay.

(b) A Participant in the position of Senior Vice President, Executive Vice President or President at the time of a Qualifying Termination who has less than two years of service from his/her most recent date of hire by the Company will be eligible for twelve (12) months of severance pay and such a Participant with two or more years of service from his/her most recent date of hire by the Company will be eligible for eighteen (18) months of severance pay.

(c) One month of severance pay is equal to one-twelfth (1/12 th) of a Participant's base salary at the annual rate in effect at the time termination occurs. Automobile allowance, if applicable, is not included in severance pay nor is it considered part of a Participant's base salary.

(d) Years of service means the total number of consecutive completed years of service with the Company.

(e) "Severance Period" means the period during which a Participant receives severance pay pursuant to Section VI(A)(1)(a) or (b) above.

(2) Pro-Rated Annual Bonus:

Provided that the Participant is participating in a Company executive annual bonus plan for the fiscal year in which the Participant has a Qualifying Termination hereunder, the Participant shall be entitled to receive a pro-rated annual bonus, if earned based on actual performance for the full fiscal year, based upon the number

of full months that the Participant was employed by the Company during such fiscal year, to be paid as provided for in Section VI(B). Participants whose Termination Date occurs before the 15th of a month will not receive credit for that month. Participants whose Termination Date occurs on or after the 15th of a month will receive credit for that month. For avoidance of doubt, for a Participant eligible to receive a pro-rated earned annual bonus pursuant to this Section VI(A)(2), the individual performance appraisal portion of the Participant's bonus will be calculated based upon the Company's lowest merit eligible rating.

(3) Welfare Benefits:

(a) In the event of a Qualifying Termination hereunder, the Participant shall be entitled to receive during the Severance Period cash welfare benefit payments ("Welfare Benefit Payments").

(b) The Welfare Benefit Payments shall be paid at a rate equal to (i) the Company-paid portion of the group medical and dental plan premiums in effect for the Participant (and his/her spouse and dependents, as applicable) immediately prior to the Termination Date, as pro-rated for each payroll period, multiplied by (ii) 130%.

(c) Except for any right the Participant may have under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") to elect to continue participation in the Company's group medical, vision, and dental plans at the Participant's sole cost and expense, the Participant's (and his/her spouse's and eligible dependents', as applicable) participation in all employee benefit plans of the Company shall terminate in accordance with the terms of the applicable benefit plans as of the Termination Date, without regard to any continuation of base salary, Welfare Benefit Payments, or other payment to the Participant following termination.

B. Benefits payable to a Participant under Section VI(A) shall be reduced by all taxes and other amounts that are required to be withheld under applicable law. Severance pay under Section VI(A)(1), which shall be payable in the form of salary continuation, and Welfare Benefit Payments under Section VI(A)(3) shall be paid at the Company's regular payroll periods and in accordance with its regular payroll practices, commencing on the next regular payday which is at least five (5) business days following the effective date of the Agreement and Release, subject to Sections VI(C) and VII(A)(5), but the first payment shall be retroactive to the day immediately following the Termination Date. Any earned pro-rated annual bonus for which a Participant is eligible under Section VI(A)(2) shall be payable, subject to Sections VI(C) and VII(A)(5), on the later of the date annual bonuses are paid to all active bonus participants including active officers, in the bonus plan for the fiscal year in which Participant has a Qualified Termination or the next regular payday which is at least five (5) business days following the effective date of the Agreement and Release.

C. Notwithstanding the foregoing, if at the time of the Participant's separation from service, the Participant is a "specified employee," as hereinafter defined, any and all amounts payable under this Section VI in connection with such separation from service that constitute deferred compensation subject to Section 409A, as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six (6) months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months. For purposes of the preceding sentence, "separation from service" shall be determined in a manner consistent with subsection (a)(2)(A)(i) of Section 409A and the term "specified employee" shall mean an individual determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A.

VII. CONDITIONS OF RECEIVING PLAN BENEFITS

A. The Agreement and Release.

(1) A Participant who has been informed that he/she will be subject to a Qualifying Termination will be provided by the Company an Agreement and Release in the form of attached to this Plan as Exhibit A. In order to qualify for benefits under this Plan, the Participant must sign, date and return the Agreement and Release in a timely manner and it must become effective in accordance with its terms and this Plan. The Agreement and Release must be signed and returned no earlier than the day immediately following the Termination Date and no later than the twenty-first (21st) calendar day following the Termination Date, except in the event that a Participant who is age 40 or older has a Qualifying Termination that is part of a Termination Program, as provided in Section VII(A)(2), immediately below.

(2) In the event that a Participant who is age 40 or older is subject to a Qualifying Termination in conjunction with one or more other Participants as a result of a reorganization or a reduction in force or other involuntary termination program (a "Termination Program"), the Company will provide the Participant a memorandum containing information regarding the job titles and ages of those selected, and those not selected, for the Termination Program in accordance with the federal Older Workers Benefit Protection Act (the "OWBPA Memorandum"). Such a Participant will be entitled to consider the Agreement and Release for forty-five (45) calendar days following the later of the Participant's Termination Date or the date the Participant receives the OWBPA Memorandum. In order to qualify for benefits under this Plan, the Participant must sign and return the Agreement and Release after both the Participant's Termination Date and the Participant's receipt of the OWBPA Memorandum have occurred, but no later than the forty-fifth (45th) calendar day following his/her Termination Date or the date s/he receives the OWBPA Memorandum, whichever occurs second.

(3) A Participant who is age 40 or older on his/her Termination Date, regardless of whether the Participant is entitled to a twenty-one (21) calendar day consideration period under Section VII(A)(1) or a forty-five (45) calendar day consideration period under Section VII(A)(2), may revoke the Agreement and Release at any time during the seven calendar day period that immediately follows the date the Participant signs the Agreement and Release, provided that the Participant sends a written notice of revocation to the Senior Vice President, Human Resources during that seven (7) calendar day period. In the event the Participant revokes the Agreement and Release in writing in a timely manner, the Agreement and Release shall be void and of no force or effect and the Participant shall not be eligible to receive benefits of any kind under this Plan. If the Participant does not revoke the Agreement and Release, it will take effect on the eighth calendar day following the date of the Participant's signing.

(4) In the case of a Participant who is less than age 40 on his/her Termination Date, the Agreement and Release will take effect on the date the Participant signs and returns the Agreement and Release to the Company.

(5) Subject to the terms and conditions of this Plan, including, without limitation, Section VI(C) and this Section VII(A), any payments, including any provision or continued benefits, made under this Plan (whether such payments or benefits are paid or provided, in whole or in part, pursuant to this Plan or in conjunction with any other agreement, arrangement or policy) which the Company determines constitute nonqualified deferred compensation subject to Section 409A and that would otherwise be paid during the sixty (60) day period following a Participant's Qualifying Termination shall instead be accumulated and paid, if at all, subject to the Participant's having previously and timely signed, returned, and not revoked the Agreement and Release, on the next regular payday after the sixtieth (60th) day following the Participant's Qualifying Termination. For the avoidance of doubt, the required delay described in the immediately preceding sentence shall not apply to any amounts that are exempt from Section 409A (for example, but without limitation, by reason of the separation-pay-plan exemption at Section 1.409A-1(b)(9)(iii) of the Treasury Regulations under Section 409A).

(6) Please Note: The Agreement and Release contains legally binding obligations and the Company advises each Participant to consult an attorney before signing the Agreement and Release.

B. Post-Employment Restrictions.

(1) **Introduction**. In order to qualify for receipt of benefits under this Plan, in addition to other qualifications set forth in this Plan, the Participant must comply fully with all of the obligations set forth in this Section VII(B) (the "Post-Employment Restrictions") from and after the date the Participant is informed of the Company's decision to terminate his/her employment in a Qualifying Termination.

a) **Non-Compete.** Until the expiration of the later of (i) the period of severance pay provided to the Participant under this Plan; or (ii) twelve (12) months following the Termination Date (in the aggregate, the "Restricted Period"), with such Restricted Period to be tolled on a day-to-day basis for each day during which the Participant participates in any activity in violation of the restrictions set forth in this Section VII(B)(1)(a), the Participant will not, directly or indirectly, alone or in association with others, anywhere in the Territory, own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, investor, principal, joint venturer, shareholder, partner, director, consultant, agent or otherwise with, or have any financial interest (through stock or other equity ownership, investment of capital, the lending of money or otherwise) in, any business, venture or activity that directly or indirectly competes, or is in planning, or has undertaken any preparation, to compete, with the Business of the Company or any of its Immediate Affiliates (any Person who engages in any such business venture or activity, a "Competitor"), except that nothing contained in this Section VII(B)(1)(a) shall prevent the Participant's wholly passive ownership of two percent (2%) or less of the equity securities of any Competitor that is a publicly-traded company. For purposes of this Section VII(B)(1), "Business of the Company or any of its Immediate Affiliates" is that of arts and crafts, or framing specialty retailer or wholesaler providing materials, ideas and education for creative activities, or framing, as well as any other business that the Company or any of its Immediate Affiliates conducts or is actively planning to conduct at any time during the twelve (12) months immediately preceding the Termination Date; provided, that the term "Competitor" shall not include any business, venture or activity whose gross receipts derived from the retail or wholesale sale of arts and crafts, or framing products and services (aggregated with the gross receipts derived from the retail and wholesale sale of such products or any related business, venture or activity) are less than ten percent (10%) of the aggregate gross receipts of such businesses, ventures or activities. For purposes of this Section VII(B)(1)(a), the "Territory" is comprised of those states within the United States and those provinces of Canada, and any other geographic area in which the Company or any of its Immediate Affiliates was doing business or actively planning to do business at any time during the twelve (12) months immediately preceding the Termination Date.

b) **Non-Solicitation of Employees and Contractors** . The Participant must agree that during the Restricted Period, with such Restricted Period to be tolled on a

day-to-day basis for each day during which the Participant participates in any activity in violation of the restrictions set forth in this Section VII(B)(1)(b), the Participant shall not, and shall not assist any other Person to, (x) hire or solicit for hire any employee of the Company or any of its Immediate Affiliates or seek to persuade any employee of the Company or any of its Immediate Affiliates to discontinue employment or (y) solicit or encourage any independent contractor providing services to the Company or any of its Immediate Affiliates to terminate or diminish its relationship with them; provided, however, that these restrictions shall apply only with respect to employees of, and independent contractors providing services to, the Company or one of its Immediate Affiliates, who were doing such on the Termination Date or at any time during the nine (9) months immediately preceding the Termination Date.

c) **Non-Solicitation of Distributors and Vendors.** The Participant must agree that during the Restricted Period, with such Restricted Period shall be tolled on a day-to-day basis for each day during which the Participant participates in any activity in violation of the restrictions set forth in this Section VII(B)(1)(c), the Participant shall not directly or indirectly solicit or encourage any distributor or vendor to the Company or any of its Immediate Affiliates to terminate or diminish its relationship with the Company or any of its Immediate Affiliates; provided, however, that these restrictions shall apply only with respect to those distributors and vendors who are doing business with the Company or any of its Immediate Affiliates on the Termination Date or at any time during the twelve (12) months immediately preceding the Termination Date.

d) **Remedies. In the event of a breach or threatened breach by the Participant of any of the covenants contained in Sections VII(A)(1), (B)(1)(a) -(c) or the Company's confidential information (as further set forth in Exhibit A), in addition to any remedies available to the Company pursuant to any other agreement between the Participant and the Company, the Company shall be entitled to:**

(i) immediately terminate Participant's right to receive any further severance benefits under Section VI(A) above;

(ii) seek reimbursement for the severance benefits provided to Participant under Section VI, except for the first installment of severance pay pursuant to Section VI(A)(1); and

(iii) seek, in addition to other available remedies, a temporary or permanent injunction from a court of law or other equitable relief

against such breach or threatened breach, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

VIII. TERMINATION OF PLAN BENEFITS

Notwithstanding anything to the contrary contained in this Plan, benefits for which a Participant has qualified and is receiving under this Plan shall terminate under the following circumstances:

A. If the Participant accepts employment with the Company or one of its Affiliates, a Successor or a Purchaser after qualifying for benefits under this Plan, all such benefits shall cease as of the date the Participant commences such employment.

B. In the event that the Company determines that the Participant has breached the Agreement and Release or has violated any obligation under Section VII hereof or otherwise breached any material provision of any written agreement with the Company or any of its Affiliates. Further, in case of a breach, the Company may seek reimbursement for severance pay and the severance benefits already paid or provided to Participant, except for the first installment of severance pay. In addition, the Company may offset any such severance benefits already provided to Participant against any remuneration owed by the Company to the Participant.

C. As set forth in Section VII(B)(1)(d).

IX. GENERAL INFORMATION CONCERNING THE PLAN

A. The Company pays the full cost of benefits provided under this Plan from its general assets and the right of a Participant to receive any payment hereunder shall be an unsecured claim against the general assets of the Company. The Plan at all times shall be entirely unfunded.

B. Notwithstanding anything to the contrary contained herein, benefits to which a Participant is otherwise entitled under this Plan shall be reduced by any other payments or benefits to which the Participant is entitled under applicable law as a result of termination of his/her employment, including without limitation any federal, state or local law with respect to plant closings, mass layoffs or the like, but exclusive of any unemployment benefits to which the Participant is entitled under applicable law.

C. Benefits under this Plan are not assignable or subject to alienation. Likewise, benefits are not subject to attachments by creditors or through legal process against the Company or any employee or any person claiming through an employee.

D. Notwithstanding anything to the contrary contained herein, any and all payments to be provided hereunder to or on behalf of any Participant are subject to reduction to the extent required by applicable statutes, regulations, rules and directives of federal, state and other governmental and regulatory bodies having jurisdiction over the Company.

E. **This Plan does not constitute a contract of employment for a specific term or otherwise alter the at-will nature of the employment relationship between any employee and the Company or any of its Affiliates.**

X. DEFINITIONS

Words or phrases, which are initially capitalized or within quotation marks shall have the meanings provided in this Section X and as provided elsewhere in this Plan. For purposes of this Plan, the following definition applies:

A. An "Affiliate" means an individual, corporation and other entity directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, equity interest or otherwise.

B. "Cause" shall mean the following events or conditions, as determined by the Board of Directors of the Company in its reasonable judgment: (i) the Participant's refusal or failure to perform (other than by reason of disability), or material negligence in the performance of his or her duties and responsibilities to the Company or any of its Affiliates, or refusal or failure to follow or carry out any reasonable direction of the Board of Directors of the Company, and the continuance of such refusal, failure or negligence for a period of ten (10) calendar days after written notice delivered by the Company to the Participant that specifically identifies the manner in which the Participant has failed to perform his or her duties; (ii) the material breach by the Participant of any provision of any material agreement between the Participant and the Company or any of its Affiliates; (iii) fraud, embezzlement, theft or other dishonesty by the Participant with respect to the Company or any of its Affiliates; (iv) the conviction of, or a plea of guilty or *nolo contendere* by, the Participant to any felony or any other crime involving dishonesty or moral turpitude; (v) any other conduct that involves a breach of fiduciary duty to the Company on the part of the Participant; or (vi) Participant's violation of a Company policy, rule or code of conduct that could expose the Company to civil or criminal liability or pose a risk of damaging the Company's business or reputation.

C. "Disability" means a Participant's mental or physical impairment that has prevented the Participant from performing substantially all of the duties and responsibilities of his/her

position for at least 180 days in any 365 consecutive days, as a result of which employment is terminated by the Company.

D. "Immediate Affiliates" means those Affiliates which are one of the following: (i) a direct or indirect subsidiary of the Company, (ii) a direct or indirect parent of the Company or (iii) a direct or indirect subsidiary of such a parent.

E. "Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust and any other entity or organization, other than the Company or any of its Affiliates.

F. "Termination Date" means the date on which the Participant's employment with the Company terminates.

XI. ADMINISTRATION, CLAIMS PROCEDURE AND GENERAL INFORMATION

A. The Company reserves the right to amend, modify and terminate this Plan at any time by a written instrument signed by the Board or its designee. There are no vested benefits under this Plan. Also, the Company, as the Plan administrator within the meaning of ERISA, reserves full discretion to administer the Plan in all of its details, subject to the requirements of law. Company shall have such discretionary powers as are necessary to discharge its duties. Any interpretation or determination that the Company makes regarding this Plan, including without limitation determinations of eligibility, participation and benefits, will be final and conclusive, in the absence of clear and convincing evidence that the Company acted arbitrarily and capriciously.

B. Anyone who believes he/she is being denied any rights under this Plan may file a claim in writing with the Company, as Plan administrator, addressed to the attention of the Senior Vice President, Human Resources. If the claim is denied, in whole or in part, the Plan administrator will notify the claimant in writing, giving the specific reasons for the decision, including specific reference to the pertinent Plan provisions and a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary. The written notice will also advise the claimant of his/her right to request a review of the claim and the steps that need to be taken if the claimant wishes to submit the claim for review. If the Plan administrator does not notify the claimant of its decision within 90 calendar days after it had received the claim (or within 180 calendar days, if special circumstances exist requiring additional time, and if the claimant had been given a written explanation for the extension within the initial 90-calendar day period), the claimant should consider the claim to have been denied. At this time the claimant may request a review of the denial of his/her claim.

C. A request for review must be made in writing by the claimant or his/her duly authorized representative to the Company, as Plan administrator, within 60 calendar days after receipt of notice of denial. As part of the claimant's request, the claimant may submit written issues and comments to the Plan administrator, review pertinent documents, and

request a hearing. The Plan administrator's written decision will be made within 60 calendar days (or 120 calendar days if a hearing is held or if other special circumstances exist requiring more than 60 calendar days and written notice of the extension is provided to the claimant within the initial 60-calendar day period) after the claimant's request has been received. Again, the decision will include specific reasons, including references to pertinent Plan provisions.

Exhibit A

AGREEMENT AND RELEASE

SEVERANCE AGREEMENT AND RELEASE OF CLAIMS

I, _____, the undersigned, am entering into this Separation Agreement and Release of Claims (this "Agreement") with Michaels Stores, Inc. (the "Company").

WHEREAS, I was employed by the Company as _____ and, in that position, was a Participant, as defined in the Michaels Stores, Inc. Severance Pay Plan (the "Plan"); and

WHEREAS, the termination of my employment with the Company on _____ (the "Separation Date") is a Qualifying Termination for purpose of the Plan; and

WHEREAS, my acceptance of this Agreement in a timely and effective manner and my meeting of my obligations under it are conditions to my eligibility to receive severance benefits as defined in this Agreement and under the Plan, to which I would not otherwise be entitled; and

NOW, THEREFORE, in consideration of the foregoing premises and for the purpose of qualifying for severance benefits in accordance with this Agreement and under the Plan, I agree with the Company as follows:

1. **Definitions**. Capitalized terms used in this Agreement shall have the respective meanings set forth below or elsewhere in this Agreement. Any capitalized term not defined in this Agreement shall have the meaning ascribed to it in the Plan. Certain definitions from the Plan are reproduced below for the convenience of the parties.

(a) An "Affiliate" means an individual, corporation or other entity directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, equity interest or otherwise.

(b) "Confidential Information" means, without limitation, such information relating to (i) the development, research, testing, manufacturing, marketing and financial activities of the Company and its Affiliates, (ii) the products and services of the Company and its Affiliates, (iii) the costs, sources of supply, financial performance and strategic plans of the Company and its Affiliates, (iv) the identity and special needs of the customers of the Company and its Affiliates and (v) the people and organizations with whom the Company and its Affiliates have business relationships and those relationships. Confidential Information also includes any information that the Company or any of its Affiliates have received, or may receive hereafter, belonging to customers or others with any understanding, express or implied, that the information would not be disclosed. Confidential Information does not include information that has entered the public domain other than through my disclosure in violation of my obligations to the

Company or any of its Affiliates under this Agreement or otherwise or through a third party in violation of a duty of confidentiality owed to the Company or any of its Affiliates.

(c) "Immediate Affiliates" means those Affiliates which are one of the following: (i) a direct or indirect subsidiary of the Company, (ii) a direct or indirect parent to the Company or (iii) a direct or indirect subsidiary of such a parent.

(d) "Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust or any other entity or organization, other than the Company or any of its Affiliates.

2. **Severance Benefits under this Agreement and under the Plan** . Subject to the terms and conditions of this Agreement and pursuant to Section VI of the Plan, I will be eligible for (a) _____ (__) months of severance pay in the form of base salary continuation, payable in accordance with the Company's regular payroll practices and shall be reduced by all taxes and other amounts that are required to be withheld under applicable law or as provided for in the Plan, (b) a pro-rated annual bonus for fiscal year 20__, if earned based on actual performance for the full fiscal year, calculated for the period to the Separation Date, and calculated based upon the Company's lowest merit eligible rating, payable on the date annual bonuses are paid to participants including active officers, in the Company's Bonus Plan for fiscal year 20__, (c) outplacement services by the Company selected vendor, Right Management, for a pre-determined value approved by the Company; provided I initiate procuring such services no later than ninety (90) days after the Separation Date and such services are completed within one year following the Separation Date, and (d) payments ("Welfare Benefit Payments") during the Severance Pay Period equal to the Company-paid portion of the premium cost of my participation and that of my spouse and eligible beneficiaries, if any, in the group medical and dental plans of the Company, as pro-rated for each payroll period, multiplied by 130% (all of the foregoing, the "Severance Benefits"). Participation in all other benefits plans shall end as of the Separation Date. The period commencing on the Separation Date and continuing until the expiration of a number of months equal to the period of severance pay for which I may qualify under the Plan (as set forth in the immediately preceding sentence) is the "Severance Pay Period." I understand that my executing, and not revoking, this Agreement is the material inducement of, and condition to, the Company offering the Severance Benefits.

3. **Timing and Certain Conditions to Receipt of Severance Benefits:**

(a) **Commencement of Obligations under this Agreement.** It is expressly understood and agreed that my obligations under Section 7 and Section 8 of this Agreement shall commence on the earlier to occur of the Separation Date or the date I first receive this Agreement (the "Commencement Date"), although the Commencement Date shall be no earlier than the date I am first

informed of the termination of my employment. Without limiting the generality of the foregoing, I understand that I must comply with these obligations even before the effective date of this Agreement in order to be eligible to accept this Agreement and receive the Severance Benefits, and that I may only sign this Agreement on or after the Separation Date. If I fail to comply in full with any of my obligations under Section 7 or Section 8 of this Agreement at any time from the Commencement Date through the effective date of this Agreement, the offer and provision of the Severance Benefits shall automatically cease, and the Company shall be relieved of its obligations under Section 2 of this Agreement, except as provided for herein in this Section, and may, in addition to any other remedies available to it, seek reimbursement for Severance Benefits already paid. Nonetheless, I acknowledge that I shall be entitled to keep the first installment of severance payments described in Section 2(a) that are paid under the terms of this Agreement. Further, and in addition to seeking reimbursement as referenced in this Section 3(a), in the event of any such failure to comply with my obligations hereunder, the Company may offset any such Severance Benefits already provided to me against any benefits or amounts owed to me by the Company under the Surviving Agreements, as defined in Section 11(a) (excluding, for the avoidance of doubt, any final compensation described in Section 4(a) of this Agreement), to the extent (i) that such benefits or amounts are not otherwise fully vested thereunder and (ii) permitted by applicable law.

(b) **Obligations as a Condition of Receipt of Severance Benefits** . The obligation of the Company to make payments and provide benefits to me in accordance with this Agreement and under the Plan is expressly conditioned on my continued full performance of my obligations under this Agreement, including without limitation under Section 7 and Section 8 hereof.

4. **Acknowledgement of Full Payment**.

(a) I acknowledge that, except for (x) wages due to me through the Separation Date only as they relate to the pay period on which the Separation Date falls, and (y) the unpaid reimbursement of business expenses incurred by me prior to the Separation Date which are properly documented and submitted to the Company within five (5) days after Separation Date; each of which shall be paid according to the Company's standard payroll practices within six (6) days following the Separation Date (or with respect to (y), within thirty (30) days of my submission of such expenses and any necessary documentation and substantiation), I have been paid in full any and all compensation due me from the Company or any of its Affiliates, whether for services provided or otherwise, through the Separation Date and that, exclusive of any Severance Benefits for which I qualify in accordance with the terms and conditions of this Agreement and under the Plan, as set forth in Section 2 of this Agreement, nothing further is owed to me. Without limiting the generality of the foregoing acknowledgement, I specifically acknowledge, except as set forth in

this Section 4(a), that I have received (i) all wages due through the Separation Date, (ii) reimbursement for any business expenses I had incurred through the Separation Date that are eligible for reimbursement under applicable Company policies, and (iii) payment of all bonus or other incentive compensation due me, exclusive only of any pro-rated earned bonus for which I may be eligible under this Agreement or under the Plan for the year in which my employment with the Company terminated.

(b) I also represent and warrant that I am not entitled to any payments (in cash or equity) or any other benefits under any representation, agreement or understanding, whether oral or written, or any plan, program or arrangement of any kind, with the Company or any of its Affiliates as a result of the termination of my employment and I hereby waive irrevocably any such entitlement, should it exist, except as provided for in this Agreement.

5. **Reduction of Severance Benefits for Certain Statutory Payments**. I acknowledge that Severance Benefits to which I may otherwise be entitled under this Agreement or under Plan shall be reduced by any payments or benefits to which I may be entitled under applicable law as a result of termination of my employment, including without limitation any federal, state or local law with respect to plant closings, mass layoffs or group benefit plan continuation following termination or the like, but excluding any unemployment benefits to which I may be eligible under applicable law.

6. **Status of Employee Benefits, Paid Time Off and Stock Options**. Except for any right I may have provided under Section 2 of this Agreement or any right I may have under the federal law known as "COBRA" to continue my participation and that of my qualified beneficiaries in any Company plan to which COBRA is applicable (such as, by way of example only, a dental or vision plan, if made available by the Company) following the Separation Pay Period, my participation in all Company employee benefit plans will end as of the Separation Date, in accordance with the terms of those plans. I also acknowledge that I will not earn paid time off or other similar benefits after the Separation Date. My rights and obligations with respect to any equity granted to me by the Company or any of its Immediate Affiliates which had vested as of the Separation Date, if any, shall be governed by any applicable equity participation plans and any agreements and other requirements and limitations applicable to such equity or to Company employees who have been granted equity in connection with their employment. All equity granted to me by the Company which remained unvested as of the Separation Date shall have been cancelled and shall have terminated as of that date.

7. **Ancillary Covenants**. The covenants set forth below are ancillary to this Agreement with the Company, which concerns the termination of my employment and my qualification for the Severance Benefits. My acceptance of these covenants and my complying with my obligations under them are a condition to my eligibility to receive the Severance Benefits.

(a) **Acknowledgement of the Company's Interest and the Adequacy of the Consideration for the Covenants**. I acknowledge the importance to the Company and its Immediate Affiliates of protecting their legitimate business interests, including without limitation the valuable Confidential Information (as defined in Section 1 above) and goodwill that they have developed or acquired at considerable expense. I acknowledge that, in my employment with the Company, the Company has granted me access to Confidential Information that, if it were disclosed, would assist in competition against the Company and its Affiliates, including without limitation proprietary customer information, and that I also have generated goodwill for the Company and its Affiliates in the course of my employment. I further acknowledge and I agree that the restrictions on my activities set forth below are necessary to protect the goodwill, Confidential Information and other legitimate interests of the Company and its Affiliates and that my acceptance of these restrictions is a condition of my receipt of the Severance Benefits, to which I would not otherwise be entitled, and such Severance Benefits, together with the access to Confidential Information granted to me by the Company and other good and valuable consideration, are good and sufficient consideration to support my agreement to and compliance with these covenants.

(i) **Non-Compete**. From the Commencement Date until the expiration of the later of (i) the Severance Pay Period; or (ii) twelve (12) months following the Separation Date (in the aggregate, the "Restricted Period"), with such Restricted Period to be tolled on a day-to-day basis for each day during which I participate in any activity in violation of the restrictions set forth in herein, I will not, directly or indirectly, alone or in association with others, anywhere in the Territory, own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, investor, principal, joint venturer, shareholder, partner, director, consultant, agent or otherwise with, or have any financial interest (through stock or other equity ownership, investment of capital, the lending of money or otherwise) in, any business, venture or activity that directly or indirectly competes, or is in planning, or has undertaken any preparation, to compete, with the Business of the Company or any of its Immediate Affiliates (any Person who engages in any such business venture or activity, a "Competitor"), except that nothing contained in this Section 7(a)(i) shall prevent my wholly passive ownership of two percent (2%) or less of the equity securities of any Competitor that is a publicly-traded company. For purposes of this Section 7(a)(i), "Business of the Company or any of its Immediate Affiliates" is that of arts and crafts, or framing specialty retailer or wholesaler providing materials, ideas and education for creative activities, or framing, as well as any other business that the Company or any of its Immediate Affiliates conducts or is actively planning to

conduct at any time during the twelve (12) months immediately preceding the Separation Date; provided, that the term "Competitor" shall not include any business, venture or activity whose gross receipts derived from the retail or wholesale sale of arts and crafts, or framing products and services (aggregated with the gross receipts derived from the retail and wholesale sale of such products or any related business, venture or activity) are less than ten percent (10%) of the aggregate gross receipts of such businesses, ventures or activities. For purposes of this Section 7(a)(i), the "Territory" is comprised of those states within the United States, those provinces of Canada, and any other geographic area in which the Company or any of its Immediate Affiliates was doing business or actively planning to do business at any time during the twelve (12) months immediately preceding the Separation Date.

(ii) **Non-Solicitation of Employees and Contractors** . During the Restricted Period, with such Restricted Period to be tolled on a day-to-day basis for each day during which I participate in any activity in violation of the restrictions set forth in this Section 7(a)(ii), I shall not, and shall not assist any other Person to, (x) hire or solicit for hire any employee of the Company or any of its Immediate Affiliates or seek to persuade any employee of the Company or any of its Immediate Affiliates to discontinue employment or (y) solicit or encourage any independent contractor providing services to the Company or any of its Immediate Affiliates to terminate or diminish its relationship with them; provided, however, that these restrictions shall apply only with respect to employees of, and independent contractors providing services to, the Company or one of its Immediate Affiliates, who were doing such on the Separation Date or at any time during the nine (9) months immediately preceding the Separation Date.

(iii) **Non-Solicitation of Distributors and Vendors** . During the Restricted Period, with such Restricted Period to be tolled on a day-to-day basis for each day during which I participate in any activity in violation of the restrictions set forth in this Section 7(a)(iii), I shall not directly or indirectly solicit or encourage any distributor or vendor to the Company or any of its Immediate Affiliates to terminate or diminish its relationship with the Company or any of its Immediate Affiliates; provided, however, that these restrictions shall apply only with respect to those distributors and vendors who are doing business with the Company or any of its Immediate Affiliates on the Separation Date or at any time during the twelve (12) months immediately preceding the Separation Date.

(b) **Notification Requirement**. I agree that, during the Restricted Period, I will provide the Company notice in writing of any change in my address and of each new job or other business activity in which I plan to engage if it is related

to the Business of the Company and its Immediate Affiliates. I further agree to provide such notice at least fifteen (15) business days prior to beginning any such job or activity. Such notice shall state the name and address of the Person to whom I propose to provide services and the nature of my position with that Person. I agree to provide the Company with such other pertinent information concerning such new job or other business activity as the Company may reasonably request in order to determine my continued compliance with my obligations under this Agreement. I further agree to notify any Person to whom I intend to provide services, as an employee, independent contractor or otherwise, of my obligations under this Agreement and hereby consent to notification by the Company or its agents to any such Persons about my obligations under this Agreement.

8. **Other Obligations**.

(a) **Agreement Not to Use or Disclose Confidential Information** . I agree that I shall not at any time disclose to any Person or use any Confidential Information that I obtained incident to my service to, or any other association with, the Company or any of its Affiliates or any of their predecessors or successors, other than as required by applicable law or legal process (*e.g.*, a subpoena or court order) after notice to the Company and a reasonable opportunity for the Company to seek protection of the Confidential Information prior to any such disclosure.

(b) **Agreement of No Public Comment and Non-Disparagement** . I agree that I will not make any public statement or comment concerning the Company or any of its Affiliates, their direct or indirect investors, their management, their products and services or their businesses and agree that this restriction applies whether communication is oral or in writing, whether made directly or indirectly, and includes without limitation communication to or through the media (print, electronic or otherwise). I further agree that I will not disparage or criticize the Company or any of its Affiliates, their direct or indirect investors, management, products and services or businesses, not only through public statement or comment, but also to any of the employees of the Company or any of its Affiliates, or to any Person with whom the Company or any of its Affiliates is doing, or is planning to do, business. I agree to keep the negotiations leading to, as well as the terms of, this Agreement confidential. I further agree that I have not disclosed and will not disclose such terms to any third party other than my attorneys, accountants, and members of my immediate family, and then only on condition that they agree not to further disclose this Agreement or any of its terms to others. Notwithstanding the foregoing, I may reveal the terms of this Agreement if I am required to disclose them by a court order.

(c) **Return of Company Property** . I represent and warrant that I have returned to the Company any and all documents, materials and information (whether in

hardcopy, on electronic media or otherwise) related to the business (present or otherwise) of the Company or any of its Affiliates and all other property of the Company or any of its Affiliates in my possession or control, including without limitation keys, access cards, credit cards, computer, telephone and other office equipment. Further, I represent and warrant that I have not retained any copy of any document, material or information of the Company or any of its Affiliates (other than documentation provided expressly for my personal use and retention, such as, by way of example and not limitation, documentation concerning my participation in Company benefit plans). I also agree that I will not, for any purpose, attempt to access or use any computer or computer network or system of the Company or any of its Affiliates after the Separation Date, unless expressly requested to do so by an authorized representative of the Company. Further, I represent and warrant that I have disclosed to the Company all passwords necessary or desirable to obtain access to, or that would assist in obtaining access to, any information which I have password-protected on any of the computer equipment or computer network or system of the Company or any of its Affiliates.

(d) **Employee Cooperation**. I agree that, during the Severance Pay Period, and without additional compensation, I will provide to the Company, promptly on its request, advice and consultation with respect to my former duties and responsibilities. I also agree, during the Severance Pay Period and thereafter, to cooperate with the Company with respect to all matters arising during or related to my employment, including without limitation matters in connection with any governmental investigation, litigation or regulatory or other proceeding which may have arisen or which may arise following the signing of this Agreement. I understand that the Company will make reasonable efforts not to materially interfere with the timing of any employment or other business obligations I may have. While it is agreed that I will not be entitled to compensation for any such cooperation during the Severance Pay Period, the Company will reimburse my out-of-pocket expenses incurred in complying with the Company's requests hereunder, provided such expenses are authorized by the Company in advance and the Company will pay me a reasonable hourly or per diem rate for any such cooperation requested by the Company after the Severance Pay Period ends, exclusive of any time spent in testifying as a fact witness in any legal proceeding.

9. **Enforcement**. I acknowledge that I have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on me pursuant to Sections 7 and 8 of this Agreement. I agree that those restraints are necessary for the reasonable and proper protection of the Company and its Affiliates and that each and every one of the restraints is reasonable with respect to subject matter, length of time and geographic area. I further acknowledge that, were I to breach any of the covenants contained in Section 7 or Section 8 of this Agreement, the damage to the Company and its Affiliates would be irreparable. Further, I freely acknowledge that the restrictions contained in Sections 7 and 8 will not, individually or in the aggregate, prevent me from earning a livelihood while they are in effect. I

therefore agree that the Company, in addition to any other remedies available to it under this Agreement, pursuant to any other agreement between me and the Company, or at law, shall be entitled to preliminary and permanent injunctive relief against any breach or threatened breach by me of any of the obligations set forth in Section 7 or Section 8 of this Agreement, without having to post bond, together with an award of its reasonable attorney's fees incurred in enforcing its rights hereunder. I further agree with the Company that, in the event that any provision of Section 7 or Section 8 of this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. I also agree that each of the Affiliates shall have the right to enforce all of my obligations to the Affiliate under this Agreement. No claimed breach of this Agreement or other violation of law attributed to the Company shall operate to excuse me from the performance of my obligations under Section 7 or Section 8 of this Agreement.

10. **Release of Claims**. For and in consideration of the Severance Benefits to be provided to me in connection with my separation from employment with the Company as set forth in this Agreement and in the Plan, to which I would not otherwise be entitled, and as a condition of my receipt of those Severance Benefits, I, on my own behalf and on behalf of my heirs, beneficiaries, executors, administrators, assigns and representatives, and all others connected with or claiming through me, hereby release and forever discharge the Company and its Affiliates and all of the respective past, present and future shareholders, officers, directors, general and limited partners, members, managers, employees, agents, predecessors, successors and assigns of the foregoing, and all others connected with any of them, and any and all benefit plans maintained by the Company and its Affiliates and all present and former representatives, agents, trustees, fiduciaries and administrators of such plans, all of the foregoing, both individually and in their official capacities, from any and all causes of action, rights, claims and liabilities of any nature whatsoever, whether known or unknown, which I had in the past, now have or might now have, through the Separation Date, in any way related to, connected with or arising out of my employment with the Company, the cessation thereof or my other association with the Company or any of its Affiliates, or based on any federal, state or local law, regulation or other requirement. Without limiting the foregoing, this general release of claims includes any claims I may have through the Separation Date pursuant to the federal Age Discrimination in Employment Act, 29 U.S.C. Section 621 et seq., Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Fair Credit Reporting Act and/or state equivalent law, and/or the wage and hour and wage payment and fair employment practices laws and statutes of the state or states in which I have provided services to the Company. **I acknowledge that signing this Agreement does not limit or otherwise interfere with my right to file a charge or participate in or to cooperate with an investigation or proceeding initiated with or conducted by the EEOC or other appropriate federal, state or local government agency enforcing federal, state or local laws, guidance, ordinances or regulations. I understand, however, that I am releasing the right to any monetary recovery or other individual relief should the EEOC or any other agency or party pursue claims on my behalf. I acknowledge that signing this Agreement does not limit or otherwise interfere with my right to file a charge or participate in or to cooperate with an investigation or proceeding initiated with or conducted by the EEOC or other appropriate federal, state or local government agency**

enforcing federal, state or local laws, guidance, ordinances or regulations. I understand, however, that I am releasing the right to any monetary recover or other individual relief should the EEOC or any other agency or party pursue claims on my behalf. Additionally, I acknowledge that nothing in this Agreement prohibits me from, or otherwise affects my, communicating with or reporting possible violations of law or regulation to any governmental agency or entity (including any official or staff person thereof), including but not limited to the Department of Justice, to the Department of Labor, to the National Labor Relations Board, the Securities and Exchange Commission, the Congress, and/or any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. I do not need the prior authorization of the Company to engage in any such communications or make any such reports or disclosures and I am not required to notify the Company that I have engaged in such communications or made such reports or disclosures.

Excluded from the scope of this general release of claims are any rights I have to indemnification under the charter, by-laws or other governing documents of the Company or any of its Affiliates; any vested benefits I have under the Company's qualified retirement plan or other benefit plans as of the Separation Date, as defined below in Section 11(a); and any rights arising under this Agreement or the Plan following the effective date of this Agreement.

11. **Entire Agreement, Amendments, Waivers and Governing Law.**

(a) This Agreement constitutes the entire agreement between me and the Company, and supersedes all prior and contemporaneous agreements and understandings, written or oral, concerning my employment, its termination and all related matters, excluding only the Mutual Agreement to Resolve Issues and Arbitrate Claims (the "Arbitration Agreement"), [( )] and any obligations that I have to the Company or any of its Affiliates concerning protection of confidential information, assignment of rights to inventions or other intellectual property, or covenants against competition or solicitation of employees, independent contractors, customers, vendors, distributors or others, any outstanding loans or other financial obligations that I have to the Company or any of its Affiliates or under any benefit plan maintained by the Company or any of its Affiliates, my obligations under the Plan and my obligations, if any, with respect to the securities of the Company or any of its Immediate Affiliates all of which shall remain in full force and effect in accordance with their terms (together, the "Surviving Agreements"). With the exception of the Arbitration Agreement that survives this Agreement and remains in full force and effect, to the extent that this Agreement and the terms in the remaining Surviving Agreements conflict, the terms and provisions of this Agreement govern and shall be given their full force and effect. This Agreement cannot be changed except pursuant to a written agreement executed by the Parties.

(b) This Agreement may not be modified or amended and no breach shall be deemed to be waived unless in writing signed by me and an expressly

authorized representative of the Company. I understand and agree that the obligation of the Company to make payments and provide benefits to me under this Agreement or the Plan is expressly conditioned on my continued full performance of my obligations under this Agreement and under the Plan.

(c) If any provision or term of this Agreement is held to be illegal, invalid, or unenforceable, such provision or term shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of each such illegal, invalid, or unenforceable provision or term there shall be added automatically as a part of this Agreement another provision or term as similar to the illegal, invalid, or unenforceable provision as may be possible and that is legal, valid, and enforceable.

(d) One or more waivers of a breach of any covenant, term, or provision of this Agreement by me or the Company shall not be construed as a waiver of a subsequent breach of the same covenant, term, or provision, nor shall it be considered a waiver of any other then existing or subsequent breach of a different covenant, term, or provision.

(e) The captions and headings in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

(f) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without giving any effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction, except where preempted by Federal law. The Company and I agree to use arbitration in accordance with the Arbitration Agreement that exists between us to resolve any disputes arising from this Agreement and as otherwise provided for in the Arbitration Agreement; provided, however, that the Company or I may seek temporary or preliminary injunctive relief from a court of competent jurisdiction to temporarily enforce a restriction in this Agreement or to temporarily secure specific performance of an obligation created by this Agreement pending resolution of any matters of final relief through arbitration. Any such action shall not constitute a waiver of our agreement to arbitrate by myself or by the Company. The arbitrator shall also have the power to issue both preliminary and permanent injunctive relief to enforce this Agreement. In all other respects, the Arbitration Agreement between myself and the Company shall control.

(g) I warrant that I am not a Medicare beneficiary as of the date I sign this Agreement. I am not 65 years of age and have not received 24 months of SSDI benefits. I agree to indemnify, defend and hold the Company and any of its insurance carrier(s) from all claims, liens, Medicare conditional payments and rights to payment, known or unknown including any claim by a governmental entity.

12. **Acceptance of this Agreement and Related Matters** .

(a) This Agreement creates legally binding obligations and I am therefore advised by the Company to consult an attorney prior to signing this Agreement. I acknowledge that I also was so advised by the Company in the Plan.

(b) I acknowledge that I may not sign this Agreement prior to the Separation Date. I further acknowledge that I have had at least twenty-one (21) days from the later of the Separation Date or the date of my receipt of this Agreement to consider the terms of this Agreement. In signing this Agreement, I give the Company assurance that I have signed it voluntarily, without any coercion, undue influence or threat, and with a full understanding of its terms; that I have had full and sufficient opportunity, before signing this Agreement, to consider its terms and to consult with an attorney, if I wished to do so, or to consult with any other of persons of my choosing; and that, in signing this Agreement, I do not have any contractual right or claim to the benefit described herein except as stated in this Agreement; and I have not relied on any promises or representations, express or implied, that are not set forth expressly in this Agreement or the Plan.

(c) I understand that I may revoke this Agreement at any time within seven (7) days of the date of my signing by written notice to the General Counsel of the Company, and that this Agreement will take effect only upon the expiration of the seven-day revocation period and only if I have not timely revoked it.

13. **Code Section 409A and the Patient Protection and Affordable Care Act.**

The terms of this Agreement and any amounts paid hereunder are intended to be construed in such manner as to be exempt from Section 409A ("Section 409A") of the Internal Revenue Code of 1986, as amended (the "Code") and Treasury Regulations Sections 1.409A-1(b)(4) and (b)(9), as applicable. To the extent any portion of the payments made pursuant to this Agreement becomes subject to Section 409A and applicable guidance issued thereunder, the Agreement shall be construed, and benefits paid hereunder, as necessary to comply with such Code Section and/or guidance. Notwithstanding the foregoing, the Company shall not have any liability to me if any payment or benefit is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A where the conditions applicable thereunder are not satisfied. Further, in the event that the Company's payment of the Welfare Benefit Payments would subject it to any tax or penalty under the Patient Protection and Affordable Care Act, as amended from time to time, the "ACA") or Section 105(h) of the Code, or applicable regulations or guidance issued under the ACA or Section 105(h) of the Code, the Company and I will work together, in good faith, consistent with the requirements for compliance with, or exemption from, Section 409A, to restructure such benefit.

14. **Trade Secrets.** I understand that, notwithstanding anything contained in this Agreement, I will not be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, in each case solely for the purpose of reporting or investigating a suspected violation of law, or for disclosing a trade secret in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. I further understand that, notwithstanding anything contained in this Agreement, I may disclose a trade secret to my attorney in connection with filing a lawsuit for retaliation for reporting a suspected violation of law, and I may use such trade secret in that court proceeding, so long as any document containing such trade secret is filed under seal and I do not otherwise disclose such trade secret, except pursuant to court order.

[Signature page follows immediately.]

INTENDING TO BE LEGALLY BOUND, I have signed this Agreement under seal on the date indicated below. If I do not revoke this Agreement, then, on the eighth (8th) day following the date indicated below, this Agreement shall take effect as a legally binding agreement between me and the Company on the basis set forth above.

Signature: _____
Name (Printed): _____

Date of signing: _____

ACCEPTED AND AGREED:
MICHAELS STORES, INC.

By: _____

Name (Printed) _____

Title: _____

Date of signing: _____

Name:	[●]
Number of Shares of Stock Subject to Option:	[●]
Price Per Share:	$[●]
Date of Grant:	[●]

The Michaels Companies, Inc.
2014 Omnibus Long-Term Incentive Plan

Non-statutory Stock Option Agreement

This agreement (this "Agreement") evidences a stock option granted by The Michaels Companies, Inc. (the "Company") to the individual named above (the "Optionee") pursuant to and subject to the terms of The Michaels Companies, Inc. 2014 Omnibus Long-Term Incentive Plan (as amended from time to time, the "Plan"), which is incorporated herein by reference.

1. Grant of Stock Option. On the date of grant set forth above (the "Date of Grant") the Company granted to the Optionee an option (the " Stock Option") to purchase, on the terms provided herein and in the Plan, up to the number of shares of Stock set forth above (each, a "Share," and collectively, the "Shares") at the exercise price per Share set forth above, in each case subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof.

The Stock Option evidenced by this Agreement is a non-statutory option (that is, an option that is not to be treated as a stock option described in subsection (b) of Section 422 of the Code). The Optionee is an employee of the Company and/or of one or more subsidiaries of the Company with respect to which the Company has a "controlling interest" as described in Treas. Regs. §1.409A-1(b)(5)(iii)(E)(1).

2. Meaning of Certain Terms. Each initially capitalized term used but not separately defined herein has the meaning assigned to such term in the Plan. The following terms have the following meanings:

(a) "Change of Control" means the occurrence of any of the following: (i) any consolidation or merger of the Company with or into any other corporation or other Person, or any other corporate reorganization or transaction (including the acquisition of capital stock of the Company), whether or not the Company is a party thereto, in which the stockholders of the Company immediately prior to such consolidation, merger, reorganization or transaction, own capital stock either (A) representing directly, or indirectly through one or more entities, less than fifty percent (50%) of the economic interests in or voting power of the Company or other surviving entity immediately after such consolidation, merger, reorganization or transaction or (B) that does

not directly, or indirectly through one or more entities, have the power to elect a majority of the entire board of directors of the Company or other surviving entity immediately after such consolidation, merger, reorganization or transaction; (ii) any stock sale or other transaction or series of related transactions, whether or not the Company is a party thereto, after giving effect to which in excess of fifty percent (50%) of the Company's voting power is owned directly, or indirectly through one or more entities, by any Person and its "affiliates" or "associates" (as such terms are defined in the rules adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect from time to time), other than the Investors and their respective affiliated funds, excluding, in any case referred to in clause (i) or (ii) an initial public offering or any bona fide primary or secondary public offering following the occurrence of an initial public offering; or (iii) a sale, lease or other disposition of all or substantially all of the assets of the Company.

(b) "Investors" means Bain Capital Partners, LLC and The Blackstone Group L.P.

(c) "Person" means any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof.

(d) "Qualifying Retirement" means the Optionee's termination of Employment, for any reason other than a termination of employment for Cause, so long as the Optionee is (i) at or above age 65 or (b) at or above age 55 with five (5) years of service to the Company.

3. Vesting; Method of Exercise. Unless earlier terminated, forfeited, relinquished or expired, the Stock Option shall vest as follows, provided in each case that the Optionee has remained in continuous Employment from the Date of Grant through the applicable vesting date:

(a) Twenty-five percent (25%) of the Stock Option shall vest on each anniversary of the Date of Grant.

(b) In the event (i) the Stock Option (or any portion thereof) is outstanding as of immediately prior to a Change of Control and the Administrator provides for the assumption or continuation of, or the substitution of a substantially equivalent award for, the Stock Option (or any portion thereof) in accordance with Section 7(a)(i) of the Plan (the "Rollover Award") and (ii) the Optionee's Employment is terminated by the Company (or its successor) without Cause within the twelve (12) months following the Change of Control, the Rollover Award to the

extent still outstanding will vest in full on the date of the Optionee's termination of Employment.

(c) Notwithstanding Sections 6(a)(4)(A), (B) or (C) of the Plan, but subject to Section 6(a)(4)(D) of the Plan, in the event the Optionee's Employment ceases by reason of a Qualifying Retirement, the portion of the Stock Option that is then exercisable will remain exercisable until the earlier of the second anniversary of such Qualifying Retirement and the Final Exercise Date (as defined below).

No portion of the Stock Option may be exercised until it vests. Each election to exercise must comply with such rules as the Administrator prescribes from time to time and must be accompanied by payment in full of the exercise price in the form of (i) cash or a check acceptable to the Administrator, (ii) to the extent permitted by the Administrator, payment by means of a broker-assisted cashless exercise program, (iii) such other form of payment, if any, as may be acceptable to the Administrator, or (iv) any combination of the foregoing. The latest date on which the Stock Option or any portion thereof may be exercised will be the 10th anniversary of the Date of Grant (the "Final Exercise Date"); provided, however, if at such time the Optionee or other person (if any) authorized to exercise the Stock Option is prohibited by applicable law or written Company policy applicable to the Optionee (or such other person, as applicable) and similarly situated persons from engaging in any open-market sales of Stock, the Final Exercise Date will be automatically extended to thirty (30) days following the date the Optionee or such other person, as the case may be, is no longer prohibited from engaging in such open-market sales. Any portion of the Stock Option that remains outstanding and has not been exercised by the Final Exercise Date will thereupon immediately terminate. Upon any earlier termination of Employment, subject to Sections 3(b) and (c) above, the provisions of Section 6(a)(4)(A)-(D) of the Plan shall apply.

4. Forfeiture; Recovery of Compensation . By accepting the Stock Option the Optionee expressly acknowledges and agrees that his or her rights, and those of any permitted transferee, under the Stock Option or to any Stock acquired under the Stock Option or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision) and Section 5 of this Agreement. Nothing in the preceding sentence shall be construed as limiting the general application of Section 9 of this Agreement.

5. Non-Competition/Non-Solicitation. The Optionee hereby acknowledges that the Company and its Affiliates have invested and continue to invest considerable resources in developing Company Information (as defined below) and trade secrets, and in establishing and maintaining relationships with customers, employees, and vendors. The Optionee hereby further acknowledges that the Award is being furnished to the Optionee as good and valuable consideration, among other consideration, in exchange for the below covenants, which are necessary to protect the Company Information, trade secrets, and goodwill of the Company and its Affiliates:

(a) Non-Competition. The Optionee covenants and agrees that during the Optionee's Employment and for a period of twelve (12) months (and such period shall be tolled on a day-to-day basis for each day during which the Optionee participates in any activity in violation of the restrictions set forth in this Section 5(a)) following the Optionee's termination of Employment, whether such termination occurs at the insistence of the Company or its Affiliates or the Optionee (for whatever reason), the Optionee will not, directly or indirectly, alone or in association with others, anywhere in the Territory (as defined below), own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, investor, principal, joint venturer, shareholder, partner, director, consultant, agent or otherwise with, or have any financial interest (through stock or other equity ownership, investment of capital, the lending of money or otherwise) in, any business, venture or activity that directly or indirectly competes, or is in planning, or has undertaken any preparation, to compete, with the Business of the Company or any of its Immediate Affiliates (any Person who engages in any such business venture or activity, a "Competitor"), except that nothing contained in this Section 5(a) shall prevent the Optionee's wholly passive ownership of two percent (2%) or less of the equity securities of any Competitor that is a publicly-traded company. For purposes of this Section 5(a), the "Business of the Company or any of its Immediate Affiliates" is that of arts and crafts, or framing specialty retailer or wholesaler providing materials, ideas and education for creative activities, or framing, as well as any other business that the Company or any of its Immediate Affiliates conducts or is actively planning to conduct at any time during the Optionee's Employment, or with respect to the Optionee's obligations following his or her termination of Employment the twelve (12) months immediately preceding the Optionee's termination of Employment; provided, that the term "Competitor" shall not include any business, venture or activity whose gross receipts derived from the retail or wholesale sale of arts and crafts, or framing products and services (aggregated with the gross receipts derived from the retail and wholesale sale of such products or any related business, venture or activity) are less than ten percent (10%) of the aggregate gross receipts of such businesses, ventures or activities. For purposes of this Section 5(a), the "Territory" is comprised of those states within the United States, those provinces of Canada, and any other geographic area in which the Company or any of its Immediate Affiliates was doing business or actively planning to do business at any time during the Optionee's Employment, or with respect to the Optionee's obligations following his or her termination of Employment the twelve (12) months immediately preceding the Optionee's termination of Employment. For purposes of this Section, "Immediate Affiliates" means those Affiliates which are one of the

following: (i) a direct or indirect subsidiary of the Company, (ii) a parent to the Company or (iii) a direct or indirect subsidiary of such a parent.

(b) Non-Solicitation. The Optionee covenants and agrees that during the Optionee's Employment and for a period of twelve (12) months (and such period shall be tolled on a day-to-day basis for each day during which the Optionee participates in any activity in violation of the restrictions set forth in this Section 5(b)) after the termination of the Optionee's Employment, whether such termination occurs at the insistence of the Company or the Optionee (for whatever reason), the Optionee shall not, and shall not assist any other Person to, (i) hire or solicit for hire any employee of the Company or any of its Immediate Affiliates or seek to persuade any employee of the Company or any of its Immediate Affiliates to discontinue employment or (ii) solicit or encourage any independent contractor providing services to the Company or any of its Immediate Affiliates to terminate or diminish its relationship with them; provided, however, that after termination of the Optionee's Employment, these restrictions shall apply only with respect to employees of, and independent contractors providing services to, the Company or one of its Immediate Affiliates who were such on the date that the Optionee's Employment terminated or at any time during the nine (9) months immediately preceding such termination date.

(c) Goodwill and Company Information. The Optionee acknowledges the importance to the Company and its Affiliates of protecting their legitimate business interests, including without limitation the valuable Company Information and goodwill that they have developed or acquired at considerable expense. The Optionee acknowledges and agrees that in the course of the Optionee's Employment, the Optionee has acquired: (i) confidential information including without limitation information received by the Company (or any of its Affiliates) from third parties, under confidential conditions, (ii) other technical, product, business, financial or development information from the Company (or any of its Affiliates), the use or disclosure of which reasonably might be construed to be contrary to the interest of the Company (or any of its Affiliates), or (iii) any other proprietary information or data, including but not limited to identities, responsibilities, contact information, performance and/or compensation levels of employees, costs and methods of doing business, systems, processes, computer hardware and software, compilations of information, third-party IT service providers and other Company or its Affiliates' vendors, records, sales reports, sales procedures, financial information, customer requirements and confidential negotiated terms, pricing techniques, customer lists, price lists, information about past, present, pending and/or planned Company or its Affiliates' transactions not publically disclosed and other confidential information which the Optionee may have acquired during

the Optionee's Employment (hereafter collectively referred to as "Company Information") which are owned by the Company or its Affiliates and regularly used in the operation of its business, and as to which precautions are taken to prevent dissemination to persons other than certain directors, officers and employees and if disclosed, would assist in competition against the Company or any of its Affiliates. The Optionee understands and agrees that such Company Information was and will be disclosed to the Optionee in confidence and for use only in performing work for the Company or its Affiliates. The Optionee understands and agrees that the Optionee: (x) will keep such Company Information confidential at all times, (y) will not disclose or communicate Company Information to any third party, and (z) will not make use of Company Information on the Optionee's own behalf, or on behalf of any third party. In view of the nature of the Optionee's Employment and the nature of Company Information the Optionee receives during the course of the Optionee's Employment, the Optionee agrees that any unauthorized disclosure to third parties of Company Information would cause irreparable damage to the confidential or trade secret status of Company Information. The Optionee further acknowledges and agrees that the restrictions on the Optionee's activities set forth above are necessary to protect the goodwill, Company Information and other legitimate interests of the Company and its Affiliates and that the Optionee's acceptance of these restrictions is a condition of receipt of the Award, to which the Optionee would not otherwise be entitled, and the Award is good and sufficient consideration to support the Optionee's agreement to and compliance with these covenants.

(d) Remedies. In the event of a breach or threatened breach by the Optionee of any of the covenants contained in Section 5(a), 5(b) or 5(c):

(i) the Optionee hereby consents and agrees that (x) any vested portion of the Stock Option that is unexercised and (y) all shares of Stock issued upon exercise of the Stock Option shall be forfeited effective as of the date of such breach or threatened breach, unless sooner terminated by operation of another term or condition of this Agreement or the Plan;

(ii) the Optionee hereby consents and agrees that if the Optionee has sold any shares of Stock upon or following the exercise of the Stock Option within twelve (12) months prior to the date of such breach or threatened breach, the Optionee shall pay to the Company the gross proceeds realized by the Optionee in connection with such sale; and

(iii) the Optionee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

(e) General. The Optionee agrees that the above restrictive covenants are completely severable and independent agreements supported by good and valuable consideration and, as such, shall survive the termination of this Agreement for whatever reason. The Company and the Optionee agree that any invalidity or unenforceability of any one or more of such restrictions on competition shall not render invalid or unenforceable any remaining restrictive covenants. Should a court of competent jurisdiction determine that the scope of any provision of this Section 5 is too broad to be enforced as written, the Company and the Optionee intend that the court reform the provision to such narrower scope as it determines to be reasonable and enforceable.

6. Transfer of Stock Option. The Stock Option may not be transferred except at death in accordance with Section 6(a)(3) of the Plan.

7. Form S-8 Prospectus. The Optionee acknowledges that he or she has received and reviewed a copy of the prospectus required by Part I of Form S-8 relating to shares of Stock that may be issued pursuant to the exercise of the Stock Option under the Plan.

8. Governing Law. Notwithstanding anything to the contrary in the Plan, Section 5 of this Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction, except where preempted by federal law. Both parties hereby consent and submit to the jurisdiction of the state and federal courts in Dallas County, Texas in all questions and controversies arising out of this Agreement.

9. Acknowledgments. By accepting the Stock Option, the Optionee agrees to be bound by, and agrees that the Stock Option is subject in all respects to, the terms of the Plan. The Optionee further acknowledges and agrees that (i) the signature to this Agreement on behalf of the Company is an electronic signature that will be treated as an original signature for all purposes hereunder and (ii) such electronic signature will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Optionee.

[The remainder of this page is intentionally left blank]

Executed as of the ___ day of [●], [●].

Company: THE MICHAELS COMPANIES, INC.

By: _____

Name:

Title:

Optionee: _____

Name:

Address:

Name:	**[●]**
Number of Restricted Stock Units:	**[●]**
Date of Grant:	**[●]**

THE MICHAELS COMPANIES, INC.

2014 OMNIBUS LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

This agreement (this "Agreement") evidences the grant of restricted stock units (the "Restricted Stock Units") by The Michaels Companies, Inc. (the "Company") to the individual named above (the "Grantee"), pursuant to and subject to the terms of The Michaels Companies, Inc. 2014 Omnibus Long-Term Incentive Plan (as amended from time to time, the "Plan"), which is incorporated herein by reference.

1. Grant of Restricted Stock Units. The Company hereby grants to the Grantee on the date of grant set forth above (the "Date of Grant") an award (the "Award") consisting of the right to receive, on the terms provided herein and in the Plan, one share of Stock with respect to each Restricted Stock Unit forming part of the Award, in each case, subject to adjustment pursuant to Section 7(b) of the Plan in respect of transactions occurring after the date hereof.

2. Meaning of Certain Terms. Each initially capitalized term used but not separately defined herein has the meaning assigned to such term in the Plan. The following terms have the following meanings:

(a) "Change of Control" means the occurrence of any of the following: (i) any consolidation or merger of the Company with or into any other corporation or other Person, or any other corporate reorganization or transaction (including the acquisition of capital stock of the Company), whether or not the Company is a party thereto, in which the stockholders of the Company immediately prior to such consolidation, merger, reorganization or transaction, own capital stock either (A) representing directly, or indirectly through one or more entities, less than fifty percent (50%) of the economic interests in or voting power of the Company or other surviving entity immediately after such consolidation, merger, reorganization or transaction or (B) that does not directly, or indirectly through one or more entities, have the power to elect a majority of the entire board of directors of the Company or other surviving entity immediately after such consolidation, merger, reorganization or transaction; (ii) any stock sale or other transaction or series of related transactions, whether or not the Company is a party thereto, after giving effect to which in excess of fifty percent (50%) of the Company's voting power is owned directly, or indirectly through one or more entities, by any Person and its "affiliates" or "associates" (as such terms are defined in the rules adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in

effect from time to time), other than the Investors and their respective affiliated funds, excluding, in any case referred to in clause (i) or (ii) an initial public offering or any bona fide primary or secondary public offering following the occurrence of an initial public offering; or (iii) a sale, lease or other disposition of all or substantially all of the assets of the Company.

(b) "Investors" means Bain Capital Partners, LLC and The Blackstone Group L.P.

(c) "Person" means any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof.

3. Vesting. The term "vest" as used herein with respect to any Restricted Stock Unit means the lapsing of the restrictions described herein with respect to such Restricted Stock Unit. Unless earlier terminated, forfeited, relinquished or expired, the Award shall vest as follows, provided in each case that the Grantee has remained in continuous Employment from the Date of Grant through the applicable vesting date:

(a) Twenty-five percent (25%) of the Award shall vest on each anniversary of the Date of Grant.

(b) In the event (i) the Restricted Stock Units (or any portion thereof) are outstanding as of immediately prior to a Change of Control and the Administrator provides for the assumption or continuation of, or the substitution of a substantially equivalent award for, the Restricted Stock Units (or any portion thereof) in accordance with Section 7(a)(i) of the Plan (the "Rollover Award") and (ii) the Grantee's Employment is terminated by the Company (or its successor) without Cause within the twelve (12) months following the Change of Control, the Rollover Award to the extent still outstanding will vest in full on the date of the termination of the Grantee's Employment. For the avoidance of doubt, if the Administrator does not provide for such assumption, continuation, or substitution in connection with a Change of Control, then the treatment of the Restricted Stock Units in such Change of Control will be as provided for by the Administrator in its sole discretion pursuant to Section 7(a)(2) through Section 7(a)(5) of the Plan.

4. Forfeiture Risk. If the Grantee's Employment ceases for any reason, including death, any then outstanding and unvested Restricted Stock Units acquired by the Grantee hereunder shall be automatically and immediately forfeited, subject to Section 3(b) above.

5. Delivery of Stock. The Company shall deliver to the Grantee as soon as practicable upon the vesting of the Restricted Stock Units (or any portion thereof), but in all events no later than thirty (30) days following the date on which such Restricted Stock

Units vest, one share of Stock with respect to each such vested Restricted Stock Unit, subject to the terms of the Plan and this Agreement.

6. Dividends, etc. The Grantee shall have the rights of a shareholder with respect to a share of Stock subject to the Award only at such time, if any, as such share is actually delivered under the Award. Without limiting the generality of the foregoing and for the avoidance of doubt, the Grantee shall not be entitled to vote any share of Stock subject to the Award or to receive or be credited with any dividend or other distribution declared and payable on any such share unless such share has been actually delivered hereunder and is held by the Grantee on the record date for such vote or dividend (or other distribution), as the case may be.

7. Nontransferability. Neither the Award nor the Restricted Stock Units may be transferred.

8. Certain Tax Matters.

(a) Notwithstanding anything else contained herein, the Grantee shall be responsible for the payment of all applicable federal, state, provincial, local or foreign taxes ("Withholding Taxes") payable in connection with the vesting of the Restricted Stock Units and none of the Company, its subsidiaries and their respective officers, directors, employees and agents shall bear any liability in connection with the payment of such Withholding Taxes.

(b) No shares of Stock will be required to be transferred pursuant to the vesting of the Restricted Stock Units (or any portion thereof) unless and until the Grantee or the person then holding the Award has remitted to the Company an amount in cash sufficient to satisfy the Withholding Taxes or has made other arrangements satisfactory to the Administrator with respect to such taxes. The Grantee also authorizes the Company and its subsidiaries to withhold such amounts from any amounts otherwise owed to the Grantee, but nothing in this sentence shall be construed as relieving the Grantee of any liability for satisfying his or her obligations under the preceding provisions of this Section.

(c) The Grantee expressly acknowledges that because the Award consists of an unfunded and unsecured promise by the Company to deliver Stock in the future, subject to the terms hereof, it is not possible to make a so-called "83(b) election" with respect to the Award.

9. Forfeiture/Recovery of Compensation. By accepting the Award the Grantee expressly acknowledges and agrees that his or her rights, and those of any permitted transferee, under the Award or to any Stock received following the vesting of the Award or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision) and Section 10 of this Agreement. Nothing in the preceding sentence shall be construed as limiting the general application of Section 13 of this Agreement.

10. Non-Competition/Non-Solicitation. The Grantee hereby acknowledges that the Company and its Affiliates have invested and continue to invest considerable resources in developing Company Information (as defined below) and trade secrets, and in establishing and maintaining relationships with customers, employees, and vendors. The Grantee hereby further acknowledges that the Award is being furnished to the Grantee as good and valuable consideration, among other consideration, in exchange for the below covenants, which are necessary to protect the Company Information, trade secrets, and goodwill of the Company and its Affiliates:

(a) Non-Competition. The Grantee covenants and agrees that during the Grantee's Employment and for a period of twelve (12) months (and such period shall be tolled on a day-to-day basis for each day during which the Grantee participates in any activity in violation of the restrictions set forth in this Section 10(a)) following the termination of the Grantee's Employment, whether such termination occurs at the insistence of the Company or its Affiliates or the Grantee (for whatever reason), the Grantee will not, directly or indirectly, alone or in association with others, anywhere in the Territory (as defined below), own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, investor, principal, joint venturer, shareholder, partner, director, consultant, agent or otherwise with, or have any financial interest (through stock or other equity ownership, investment of capital, the lending of money or otherwise) in, any business, venture or activity that directly or indirectly competes, or is in planning, or has undertaken any preparation, to compete, with the Business of the Company or any of its Immediate Affiliates (any Person who engages in any such business venture or activity, a "Competitor"), except that nothing contained in this Section 10(a) shall prevent the Grantee's wholly passive ownership of two percent (2%) or less of the equity securities of any Competitor that is a publicly-traded company. For purposes of this Section 10(a), the "Business of the Company or any of its Immediate Affiliates" is that of arts and crafts, or framing specialty retailer or wholesaler providing materials, ideas and education for creative activities, or framing, as well as any other business that the Company or any of its Immediate Affiliates conducts or is actively planning to conduct at any time during the Grantee's Employment, or with respect to the Grantee's obligations following the termination of the Grantee's Employment the twelve (12) months immediately preceding the termination of the Grantee's Employment; provided, that the term "Competitor" shall not include any business, venture or activity whose gross receipts derived from the retail or wholesale sale of arts and crafts, or framing products and services (aggregated with the gross receipts derived from the retail and wholesale sale of such products or any related business, venture or activity) are less than ten percent (10%) of the aggregate gross receipts of such businesses, ventures or activities. For purposes of this Section 10(a), the "Territory" is comprised of those states within the United States, those provinces of Canada, and any other geographic area in which the Company or any of its Immediate Affiliates was doing business or actively planning to do business at any time during the Grantee's Employment, or with respect to the Grantee's obligations following his or her termination of Employment the twelve (12) months immediately preceding the

termination of the Grantee's Employment. For purposes of this Section, "Immediate Affiliates" means those Affiliates which are one of the following: (i) a direct or indirect subsidiary of the Company, (ii) a parent to the Company or (iii) a direct or indirect subsidiary of such a parent.

(b) Non-Solicitation. The Grantee covenants and agrees that during the Grantee's Employment and for a period of twelve (12) months (and such period shall be tolled on a day-to-day basis for each day during which the Grantee participates in any activity in violation of the restrictions set forth in this Section 10(b)) after the termination of the Grantee's Employment, whether such termination occurs at the insistence of the Company or the Grantee (for whatever reason), the Grantee shall not, and shall not assist any other Person to, (i) hire or solicit for hire any employee of the Company or any of its Immediate Affiliates or seek to persuade any employee of the Company or any of its Immediate Affiliates to discontinue employment or (ii) solicit or encourage any independent contractor providing services to the Company or any of its Immediate Affiliates to terminate or diminish its relationship with them; provided, however, that after termination of the Grantee's Employment, these restrictions shall apply only with respect to employees of, and independent contractors providing services to, the Company or any of its Immediate Affiliates who were such on the date that the Grantee's Employment terminated or at any time during the nine (9) months immediately preceding such termination date.

(c) Goodwill and Company Information. The Grantee acknowledges the importance to the Company and its Affiliates of protecting their legitimate business interests, including without limitation the valuable Company Information and goodwill that they have developed or acquired at considerable expense. The Grantee acknowledges and agrees that in the course of the Grantee's Employment, the Grantee has acquired: (i) confidential information including without limitation information received by the Company (or any of its Affiliates) from third parties, under confidential conditions, (ii) other technical, product, business, financial or development information from the Company (or any of its Affiliates), the use or disclosure of which reasonably might be construed to be contrary to the interest of the Company (or any of its Affiliates), or (iii) any other proprietary information or data, including but not limited to identities, responsibilities, contact information, performance and/or compensation levels of employees, costs and methods of doing business, systems, processes, computer hardware and software, compilations of information, third-party IT service providers and other Company or its Affiliates' vendors, records, sales reports, sales procedures, financial information, customer requirements and confidential negotiated terms, pricing techniques, customer lists, price lists, information about past, present, pending and/or planned Company or its Affiliates' transactions not publically disclosed and other confidential information which the Grantee may have acquired during the Grantee's Employment (hereafter collectively referred to as "Company Information") which are owned by the Company or its Affiliates and regularly used in the operation of its business, and as to which precautions are taken to prevent dissemination to persons other

than certain directors, officers and employees and if disclosed, would assist in competition against the Company or any of its Affiliates. The Grantee understands and agrees that such Company Information was and will be disclosed to the Grantee in confidence and for use only in performing work for the Company or its Affiliates. The Grantee understands and agrees that the Grantee: (x) will keep such Company Information confidential at all times, (y) will not disclose or communicate Company Information to any third party, and (z) will not make use of Company Information on the Grantee's own behalf, or on behalf of any third party. In view of the nature of the Grantee's Employment and the nature of Company Information the Grantee receives during the course of the Grantee's Employment, the Grantee agrees that any unauthorized disclosure to third parties of Company Information would cause irreparable damage to the confidential or trade secret status of Company Information. The Grantee further acknowledges and agrees that the restrictions on his or her activities set forth above are necessary to protect the goodwill, Company Information and other legitimate interests of the Company and its Affiliates and that the Grantee's acceptance of these restrictions is a condition of receipt of the Award, to which the Grantee would not otherwise be entitled, and the Award is good and sufficient consideration to support the Grantee's agreement to and compliance with these covenants.

(d) Remedies. In the event of a breach or threatened breach by the Grantee of any of the covenants contained in Section 10(a), 10(b) or 10(c):

(i) the Grantee hereby consents and agrees that (x) any unvested Restricted Stock Units and (y) all shares of Stock held by the Grantee following the vesting of the Restricted Stock Units shall be forfeited effective as of the date of such breach or threatened breach, unless sooner terminated by operation of another term or condition of this Agreement or the Plan;

(ii) the Grantee hereby consents and agrees that if the Grantee has sold any shares of Stock upon or following the vesting of the Restricted Stock Units within twelve (12) months prior to the date of such breach or threatened breach, the Grantee shall pay to the Company the gross proceeds realized by the Grantee in connection with such sale; and

(iii) the Grantee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

(e) General. The Grantee agrees that the above restrictive covenants are completely severable and independent agreements supported by good and valuable

consideration and, as such, shall survive the termination of this Agreement for whatever reason. The Company and the Grantee agree that any invalidity or unenforceability of any one or more of such restrictions on competition shall not render invalid or unenforceable any remaining restrictive covenants. Should a court of competent jurisdiction determine that the scope of any provision of this Section 10 is too broad to be enforced as written, the Company and the Grantee intend that the court reform the provision to such narrower scope as it determines to be reasonable and enforceable.

11. Form S-8 Prospectus. The Grantee acknowledges having received and reviewed a copy of the prospectus required by Part I of Form S-8 relating to shares of Stock that may be issued under the Plan.

12. Governing Law. Notwithstanding anything to the contrary in the Plan, Section 10 of this Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction, except where preempted by federal law. Both parties hereby consent and submit to the jurisdiction of the state and federal courts in Dallas County, Texas in all questions and controversies arising out of this Agreement.

13. Acknowledgments. By accepting the Award, the Grantee agrees to be bound by, and agrees that the Award is, and the Restricted Stock Units are, subject in all respects to, the terms of the Plan. The Grantee further acknowledges and agrees that (a) the signature to this Agreement on behalf of the Company is an electronic signature that will be treated as an original signature for all purposes hereunder, and (b) such electronic signature will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Grantee.

[The remainder of this page is intentionally left blank]

Executed as of the ___ day of [●], [●].

Company: THE MICHAELS COMPANIES, INC.

By: _____

Name:

Title:

Grantee: _____

Name:

Address:

Exhibit 31.1

CERTIFICATIONS

I, Carl S. Rubin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Michaels Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2017

/s/ Carl S. Rubin
Carl S. Rubin
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Denise A. Paulonis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Michaels Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2017

/s/ Denise A. Paulonis
Denise A. Paulonis
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Quarterly Report on Form 10-Q of The Michaels Companies, Inc., a Delaware corporation (the "Company"), for the period ended April 29, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 6, 2017

/s/ Carl S. Rubin
Carl S. Rubin
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Denise A. Paulonis
Denise A. Paulonis
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.