Michaels Companies, Inc.
Form DEF 14A
April 23, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

THE MICHAELS COMPANIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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8000 Bent Branch Dr.
Irving, TX 75063
April 23, 2015

Dear Stockholder:

We cordially invite you to attend our 2015 Annual Meeting of Stockholders on Wednesday, June 3, 2015, at 9:30 a.m. (local time), to be held at 8000 Bent Branch Dr., Irving, TX 75063

The Michaels Companies, Inc. has elected to deliver our proxy materials to our stockholders over the Internet under the Securities and Exchange Commission rules that allow companies to furnish proxy materials to stockholders over the Internet. This delivery process allows us to provide stockholders with the information they need, while at the same time conserving natural resources and lowering the cost of delivery. On April 23, 2015, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our proxy statement for our 2015 Annual Meeting of Stockholders and our 2014 Annual Report. The Notice also provides instructions on how to vote online or by telephone and includes instructions on how to receive a paper copy of the proxy materials by mail.

The Notice will serve as an admission ticket for one stockholder to attend the 2015 Annual Meeting of Stockholders. If you received a paper copy of the proxy materials in the mail, the proxy card includes an admission ticket for one stockholder to attend the Annual Meeting of Stockholders. **All stockholders must also present a valid form of government-issued picture identification in order to attend.**

The proxy statement accompanying this letter describes the business we will consider at the meeting. Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting, we encourage you to consider the matters presented in the proxy statement and vote as soon as possible.

We hope that you will be able to join us on June 3rd.

Sincerely,

Carl S. Rubin
Chairman and Chief Executive Officer

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The Michaels Companies, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 3, 2015

The Annual Meeting of Stockholders of The Michaels Companies, Inc. (the "Company" or "Michaels") will be held at the Company's Support Center, 8000 Bent Branch Drive, Irving, TX 75063 on Wednesday, June 3, 2015 at 9:30 a.m. (local time) for the following purposes as further described in the proxy statement accompanying this notice:

To elect the directors standing for election as specifically named in the proxy statement.

To approve, on an advisory basis, the compensation paid by the Company to its named executive officers (the "say-on-pay vote").

To approve, on an advisory basis, the frequency of the say-on-pay vote in the future.

To approve our 2014 Omnibus Long-Term Incentive Plan to comply with § 162(m) of the Internal Revenue Code.

To ratify the appointment of Ernst & Young, LLP as the independent registered public accounting firm of the Company for the current fiscal year.

Any other business properly brought before the meeting.

Stockholders of record at the close of business on April 17, 2015 are entitled to notice of, and entitled to vote at, the Annual Meeting and any adjournments or postponements thereof.

To attend the Annual Meeting, you must demonstrate that you were a Michaels stockholder as of the close of business on April 17, 2015, or hold a valid proxy for the Annual Meeting from such a stockholder. If you received a Notice of Internet Availability of Proxy Materials, the Notice will serve as an admission ticket for one stockholder to attend the 2015 Annual Meeting of Stockholders. If you received a paper copy of the proxy materials in the mail, the proxy card includes an admission ticket for one stockholder to attend the Annual Meeting of Stockholders. You may alternatively present a brokerage statement showing proof of your ownership of Michaels stock as of April 17, 2015. **All stockholders must also present a valid form of government-issued picture identification in order to attend.** Please allow additional time for these procedures.

By Order of the Board of Directors

Michael J. Veitenheimer
Secretary

Irving, Texas
April 23, 2015

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The Michaels Companies, Inc.

ANNUAL MEETING OF STOCKHOLDERS

June 3, 2015

PROXY STATEMENT

The Board of Directors of The Michaels Companies, Inc. is soliciting your proxy for the 2015 Annual Meeting. Attendance in person or by proxy of a majority of the shares outstanding and entitled to vote at the meeting is required for a quorum for the meeting.

You may vote on the Internet, using the procedures and instructions described on the Notice of Internet Availability of Proxy Materials (the "Notice") that you received. If you received a paper copy of these proxy materials, included with such copy is a proxy card or a voting instruction card from your bank, broker or other nominee for the Annual Meeting. You may vote by telephone using the toll-free telephone number contained on the Notice, proxy card, or voting instruction card. Both Internet and telephone voting provide easy-to-follow instructions and have procedures designed to authenticate your identity and permit you to confirm that your voting instructions are accurately reflected.

You may revoke your proxy at any time before it is voted by voting later by telephone or Internet, returning a later-dated proxy card, or delivering a written revocation to the Secretary of Michaels.

Stockholders of record at the close of business on April 17, 2015 are entitled to vote at the meeting. Each of the 207,231,642 shares of Common Stock outstanding on the record date is entitled to one vote.

This proxy statement, the proxy card and the Annual Report to Stockholders for our fiscal year ended January 31, 2015 (fiscal 2014) are being first mailed or made available to stockholders on or about the date of the notice of meeting. Our address is 8000 Bent Branch Drive, Irving, TX 75063.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting To Be Held on June 3, 2015: Our proxy statement is attached. Financial and other information concerning Michaels is contained in our annual report to stockholders for the fiscal year ended January 31, 2015. The proxy statement and our fiscal 2014 annual report to stockholders are available on our website at http://investors.michaels.com. Additionally, you may access our proxy materials at www.proxyvote.com, a site that does not have "cookies" that identify visitors to the site.

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PROPOSAL 1

ELECTION OF DIRECTORS

Our Charter provides for no fewer than three and no more than fifteen Directors, with the exact number to be fixed by our Board of Directors. Our Board currently consists of twelve Directors. The current term of all of our Directors expires at the Annual Meeting.

All of our current Directors, except for Todd M. Cook and Jill A. Greenthal, who have decided not to stand for election, are standing for election at the Annual Meeting. The Board wishes to thank Mr. Cook and Ms. Greenthal for their service and numerous contributions to the Company. With Mr. Cook's and Ms. Greenthal's impending departure, the Board has elected to reduce the number of Directors that constitutes the entire Board from twelve persons to ten, effective as of the date of the Annual Meeting.

The ten nominees for Director have been recommended for nomination by our Nominating Committee and nominated by our Board for election at the Annual Meeting. In connection with our initial public offering, we entered into an investor agreement with the affiliates of or funds advised by two investment firms, Bain Capital Partners, LLC ("Bain") and The Blackstone Group L.P. ("Blackstone", and, collectively, together with their applicable affiliates, the "Sponsors"). The investor agreement granted each of the Sponsors the right, subject to certain conditions, to name representatives to our Board and committees of our Board. Each Sponsor currently has the right to designate up to three nominees for election to our Board. The sponsor nominees are Joshua Bekenstein, Lewis S. Klessel and Matthew S. Levin as designees of Bain, and Nadim El Gabbani and Peter F. Wallace as designees of Blackstone.

In making its recommendations for nominees not named by our Sponsors, the Nominating Committee seeks nominees with established strong professional reputations, sophistication and experience in the retail and consumer industries. We also seek nominees with experience in substantive areas that are important to our business such as marketing and brand management: sales, buying and distribution; accounting, finance and capital structure; strategic planning and leadership of complex organizations; technology and social and digital media; human resources and development practices; and strategy and innovation. Our nominees hold or have held senior executive positions in large, complex organizations or in businesses related to important substantive areas, and in these positions have also gained experience in core management skills and substantive areas relevant to our business. Our nominees also have experience serving on boards of directors and board committees of other public companies, and each of our nominees has an understanding of corporate governance practices and trends.

In addition, with the exception of Ms. Kaplan, who was appointed to the Board on April 8, 2015, all of our nominees have prior service on our Board, which has provided them with significant exposure to both our business and the industry in which we compete. We believe that all our nominees possess the professional and personal qualifications necessary for board service, and we have highlighted particularly noteworthy attributes for each director in the individual biographies below. The Board believes that each of the nominees listed brings strong skills and experience to the Board, giving the Board as a group the appropriate skills to exercise its responsibilities.

Each nominee has consented to be named as a nominee for election as a Director and has agreed to serve if elected. Except as otherwise described below, if any of the nominees is not available for election at the time of the Annual Meeting, discretionary authority will be exercised to vote for substitutes designated by our Board of Directors, unless the Board chooses to reduce further the number of Directors. Management is not aware of any circumstances that would render any nominee unavailable. At the Annual Meeting, Directors will be elected to hold office until the 2016 Annual Meeting or until their successors are elected and qualified, as provided in our by-laws.

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Members of the Board are elected by a plurality of the votes cast at the Annual Meeting. This means that the director nominees with the most votes will be elected. Shares voting "Abstain" or broker non-votes will have no effect on the election of Directors. Brokers, banks and other nominees have no discretionary voting power in respect of this item. See, "Voting Requirements and Proxies."

Your Board of Directors unanimously recommends that you vote FOR the election of each of the nominees as director.

Set forth below is information concerning each of our incumbent directors standing for election, including their ages as of April 17, 2015, present principal occupations, other business experiences during at least the last five years, membership on committees of the Board, public company directorships held during the last five years and certain other directorships. Effective September 23, 2014, the Board appointed Ms. Raff to fill a vacancy on the Board and effective April 8, 2015, the Board appointed Ms. Kaplan to fill a vacancy on the Board. Outside director search firms were engaged to initially identify Ms. Raff as a candidate for our Board. Ms. Kaplan's candidacy was identified by Mr. Mahoney, who suggested Ms. Kaplan to the Nominating Committee based on her advertising and media experience, including in the consumer and retail sectors.

Name	Age	Director Since	Committee Membership
Josh Bekenstein	56	October 31, 2006	
Nadim El Gabbani	33	June 6, 2014	
Karen Kaplan	54	April 8, 2015	Audit Committee
Lewis S. Klessel	47	October 31, 2006	
Matthew S. Levin	48	October 31, 2006	Compensation Committee; Nominating Committee
John J. Mahoney	63	September 18, 2013	Audit Committee; Nominating Committee
James A. Quella	65	October 31, 2006	
Beryl B. Raff	63	September 23, 2014	Audit Committee
Carl S. Rubin	55	March 18, 2013	Nominating Committee
Peter F. Wallace	39	March 11, 2009	Compensation Committee; Nominating Committee

Mr. Bekenstein is a managing director at Bain. Prior to joining Bain in 1984, Mr. Bekenstein spent several years at Bain & Company, where he was involved with companies in a variety of industries. Mr. Bekenstein received an M.B.A. from Harvard Business School and a B.A. from Yale University. Mr. Bekenstein serves as a director of Bombardier Recreational Products Inc., Dollarama Capital Corporation, Toys "R" Us, Inc., Burlington Coat Factory Warehouse Corporation, Bright Horizons Family Solutions Inc., The Gymboree Corporation and Waters Corporation. Mr. Bekenstein's many years of experience both as a senior executive of a large investment firm and as a director of companies in various business sectors make him highly qualified to serve on our Board.

Mr. El Gabbani is a managing director at Blackstone. Prior to joining Blackstone in 2008, Mr. El Gabbani worked at Citadel Capital, where he was involved in the evaluation and execution of private equity transactions in North America and the Middle East. Mr. El Gabbani holds a B.A. in Physics from Columbia College and received an M.B.A. from the Harvard Business School, where he was named a Baker Scholar. He serves as a director of Exeter Finance Corp., Lendmark Financial Services, and Service King Collision Repair. Mr. El Gabbani's strong financial background combined with his experiences at Blackstone and as director of other companies put him in a position to provide important contributions to our Board.

Ms. Kaplan has served as Chairman and Chief Executive Officer of Hill Holliday, Inc., one of the nation's largest advertising agencies, since 2013, and has served in various roles for Hill Holliday since 1982. Ms. Kaplan is a Trustee of Fidelity Investments, a multinational financial services corporation, where she serves on the Audit Committee and Governance and Nominating Committee, and a member of the board of directors of Vera Bradley, Inc., a design company, where she serves on the Compensation Committee. Ms. Kaplan served as a director of Tweeter Home Entertainment

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Group, Inc. (a specialty consumer electronics retailer) from April 2006 to July 2007. On June 11, 2007, Tweeter and each of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware in Wilmington, Delaware. Ms. Kaplan holds a B.A. from the University of Massachusetts. Ms. Kaplan's significant marketing and branding experience, as well as a strong tactical and financial background, will allow her to provide valuable insight and make important contributions to our Board.

Mr. Klessel is a managing director at Bain. Prior to becoming a managing director in December 2011, Mr. Klessel served in various capacities at Bain, most recently as an operating partner from December 2007 to December 2011. Prior to joining Bain in October 2005, Mr. Klessel held a variety of operating and strategy leadership positions from 1997 to 2005 at The Home Depot, Inc., including President of HD Supply's Facilities Maintenance business, Divisional Merchandise Manager and head of Home Depot's Strategic Business Development function. Prior to 1997, Mr. Klessel was a strategy consultant with McKinsey & Company and a senior auditor with Ernst & Young. Mr. Klessel received an M.B.A. from Harvard Business School and a B.S. from the Wharton School at the University of Pennsylvania. Mr. Klessel serves as a director of Guitar Center, Inc. and The Gymboree Corporation. As a result of these and other professional experiences, Mr. Klessel brings to our Board extensive experience in operating and managing complex organizations, particularly in the retail industry, which strengthen the collective qualifications, skills and experience of our Board.

Mr. Levin joined Bain in 1992. He has been a managing director of the firm since 2000. Prior to joining Bain, Mr. Levin was a consultant at Bain & Company where he consulted in the consumer products and manufacturing industries. Mr. Levin received an M.B.A. from Harvard Business School where he was a Baker Scholar. Mr. Levin received a B.S. from the University of California at Berkeley. Mr. Levin serves as a board member of several corporations, including Edcon Holdings Pty Ltd., Guitar Center, Inc., and Toys "R" Us, Inc. Mr. Levin previously served as a Director of Veritiv Corporation (f/k/a Unisource World Wide, Inc.), Dollarama Corporation, Bombardier Recreational Products, Inc. and Jupiter Shop Channel. Mr. Levin's significant experience in and knowledge of corporate finance and managing companies put him in a position to provide important contributions to our Board.

Mr. Mahoney retired as Vice Chairman of Staples, Inc. in July 2012, having served as Vice Chairman since January 2006. Mr. Mahoney also served as Chief Financial Officer for Staples, Inc. from 1996 through January 2012. Prior to 1996, Mr. Mahoney was a partner at Ernst & Young, LLP. He currently serves on the Board of Directors of Bloomin' Brands, Inc., Burlington Stores, Inc. and Chico's FAS, Inc. Previously, Mr. Mahoney served on the Board of Directors of Advo, Inc. from 2001 to 2007, Tweeter Home Entertainment Group, Inc. from 2004 to 2007 and Zipcar, Inc. from 2010 to 2012. On June 11, 2007, Tweeter and each of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware in Wilmington, Delaware. Mr. Mahoney holds an M.B.A. from Northeastern University, as well as an undergraduate degree from the College of the Holy Cross. Mr. Mahoney's strong financial background and experience as a Vice Chairman and former Chief Financial Officer of a Fortune 500 retail company, enables him to provide valuable counsel to our management and Board.

Mr. Quella has been a senior advisor at Blackstone in the Private Equity Group since July 2013. Prior to his role as senior advisor, Mr. Quella was a senior managing director, operating partner and co-head of the Portfolio Operations Group at Blackstone in the Private Equity Group from 2004 to 2013. Prior to joining Blackstone, Mr. Quella was a managing director and senior operating partner with DLJ Merchant Banking Partners CSFB Private Equity from 2000 to 2004. Prior to that, Mr. Quella worked at Mercer Management Consulting and Strategic Planning Associates and served as Vice- Chairman and co-head of the firm. Mr. Quella received a B.A. in International Studies from the University of Chicago/University of Wisconsin- Madison and an M.B.A. with Dean's Honors from the University of Chicago Graduate School of Business. Mr. Quella serves as a director of Catalent Pharma Solutions, Inc., DJO Global, Inc., and Freescale Semiconductor, Inc. Mr. Quella was formerly a director of Allied Waste, Columbia House, Celanese Corporation, Graham Packaging Company, L.P., Houghton-Mifflin Harcourt Company, Intelenet Global Services, The Nielsen Company and Vanguard Health Systems, Inc. Due to contributions that Mr. Quella can provide to our Board resulting from his financial expertise, as well as his significant experience in working with companies controlled by private equity sponsors, he is qualified to be on and is an asset to our Board.

Ms. Raff has been Chief Executive Officer and Chairman of Helzberg Diamond Shops, Inc., a wholly owned subsidiary of Berkshire Hathaway Inc., since April 2009. Prior to joining Helzberg, Ms. Raff served in various management positions at J. C. Penney Company, Inc. since 2001, most recently as Executive Vice President and General Merchandising Manager since September 2005. Prior to joining J.C. Penney, Ms. Raff served as Chairman and CEO of Zale Corporation. In addition to her board service at Helzberg, Ms. Raff is a director of Helen of Troy, Ltd. Ms. Raff was previously a director of Group 1 Automotive, Inc., Jo-Ann Stores, Inc. and Zale Corporation. Ms. Raff received her B.B.A. from Boston University and her M.B.A. from Drexel University. Ms. Raff will add value to our Board through her extensive experience in operating and managing large retail companies, as well as her prior public board service.

Mr. Rubin was named our Chief Executive Officer in March 2013 and Chairman in April 2015. Prior to joining us, Mr. Rubin served as President and Chief Executive Officer of Ulta Salon, Cosmetics & Fragrance, Inc. since September 2010, and served as Chief Operating Officer from April 2010 to September 2010. Prior to joining Ulta, he served as President of the North American Retail division of Office Depot, Inc. beginning in January 2006 and as Executive Vice President, Chief Marketing Officer and Chief Merchandising Officer of Office Depot from 2004 to January 2006. Prior to joining Office Depot, Mr. Rubin spent six years at Accenture Consulting in senior leadership roles including Partner, where he advised clients and led engagements across retail formats and e-commerce businesses. Prior to that, Mr. Rubin held a number of senior merchandising and general management positions in the specialty retail and department store industry including with Federated Department Stores. He was a member of the executive committee of the board of directors of The National Retail Federation from January 2007 to April 2010. Mr. Rubin holds a B.A. degree from Brandeis University. As a result of these experiences, along with Mr. Rubin's service as our current Chief Executive Officer, he is in position to provide invaluable insight and important contributions to our Board.

Mr. Wallace is a senior managing director at Blackstone in the private equity group, which he joined in 1997. Mr. Wallace received a B.A. in Government from Harvard College. Mr. Wallace serves on the board of directors of Outerstuff, Ltd., AlliedBarton Security Services, GCA Services Group, SeaWorld Parks & Entertainment, Service King Collision Repair, Vivint, Inc., Vivint Solar and The Weather Channel Companies. Mr. Wallace was formerly a director of Crestwood Midstream Partners, New Skies Satellites and Pelmorex Media. These experiences and knowledge, along with his service on public company boards, enhance Mr. Wallace's contributions and value to our Board.

BOARD STRUCTURE AND BOARD COMMITTEES

Board Committees

We have an Audit Committee, a Compensation Committee and a Nominating Committee, which have the composition and responsibilities described below. Each committee operates under a charter that has been approved by our Board. A copy of each charter can be found by clicking on "Corporate Governance" in the Investor Relations section of our website *www.michaels.com*. The members of each committee are appointed by the Board and each member serves until his or her successor is elected and qualified, unless he or she is earlier removed or resigns. In addition, from time to time, special committees may be established under the direction of the Board when necessary to address specific issues.

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Compensation Committee

The purpose of the Compensation Committee is to assist the Board in fulfilling responsibilities relating to oversight of the compensation of our directors, executive officers and other employees and the Company's incentive and equity-based compensation programs. The Compensation Committee reviews and recommends to our Board compensation plans, policies and programs and approves specific compensation levels for all executive officers. In fiscal 2014, the Compensation Committee met three times. The Compensation Committee consists of Messrs. Levin and Wallace. A copy of the amended and restated Compensation Committee charter, which satisfies the applicable standards of the SEC and The NASDAQ Stock Market, is available on our website.

Audit Committee

The purpose of the Audit Committee is set forth in the amended and restated Audit Committee charter. The Audit Committee's primary duties and responsibilities are to:

- appoint, compensate, retain and oversee the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services and review and appraise the audit efforts of our independent accountants;

- establish procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and (ii) confidential and anonymous submissions by our employees of concerns regarding questionable accounting or auditing matters;

- engage independent counsel and other advisers, as necessary;

- determine funding of various services provided by accountants or advisers retained by the committee;

- review our financial reporting processes and internal controls;

- review and approve related-party transactions or recommend related-party transactions for review by independent members of our Board; and

- provide an open avenue of communication among the independent accountants, financial and senior management and the Board.

The Audit Committee consists of Ms. Kaplan, Mr. Mahoney and Ms. Raff, each of whom has been determined to be an independent director by our Board. Mr. Mahoney is also an "audit committee financial expert" within the meaning of Item 407 of Regulation S-K. A copy of the amended and restated Audit Committee charter, which satisfies the applicable standards of the SEC and The NASDAQ Stock Market, is available on our website.

Nominating Committee

The purpose of the Nominating Committee is to identify individuals qualified to become members of the Board and to recommend to the Board director nominees for its annual meeting of stockholders. The Nominating Committee's primary duties and responsibilities will be to receive nominations for such qualified individuals and review recommendations put forward by the Chief Executive Officer, and make recommendations to the Board, taking into account each candidate's ability, judgment and experience and the overall diversity and composition of the Board; establish a policy under which stockholders of the Company may recommend a candidate to the Nominating Committee for consideration for nomination as a director; and recommend to the Board qualified individuals to serve as committee members on the various Board committees. A copy of the Nominating Committee charter, which satisfies the applicable standards of The NASDAQ Stock Market, is available on our website.

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The Nominating Committee consists of Messrs. Levin, Mahoney, Rubin and Wallace. The Nominating Committee was formed in December 2014 and did not hold any meetings in fiscal 2014.

Compensation of Directors

Director Compensation Program

Our Board adopted a director compensation program effective upon the completion of our initial public offering. Pursuant to this program, each member of our Board who is an independent director receives compensation for his or her service as a director as follows: annual retainer of $50,000 for Board services, $10,000, if applicable, for Audit Committee services, $10,000, if applicable, for Compensation Committee services, and $7,500, if applicable, for Nominating Committee services. The chair of the Audit Committee receives an additional annual retainer of $10,000, the chair of the Compensation Committee receives an additional annual retainer of $10,000, and the chair of the Nominating Committee receives an additional annual retainer of $7,500. Each independent director will also receive $1,500 and $750 for in person and telephonic attendance, respectively, at Board and committee meetings in excess of ten aggregate meetings in a fiscal year. Additionally each independent director receives an annual restricted stock grant valued at $100,000 on the date of grant, to be fully vested on the one year anniversary of the date of grant. While we are a "controlled company" for purposes of rules of The NASDAQ Stock Market, none of the directors affiliated with the Sponsors will be compensated for Board service.

Director Compensation for Fiscal 2014

The following table sets forth information concerning the compensation earned by our directors during our fiscal year 2014. Non-independent directors are not paid any fees by the Company for services as directors, and do not receive reimbursement for their expenses from the Company. Mr. Rubin is not compensated for his services on the Board and his compensation is included with that of our other named executive officers below in "Executive Compensation."

Name	Fees earned or Paid in Cash(1)	Stock Awards(2)	All Other Compensation	Total
Jill A. Greenthal	$ 1,500	$ 99,992		$ 101,492
Karen Kaplan(3)				
John J. Mahoney	$ 64,167	$ 99,992		$ 164,159
James A. Quella	$ 1,250	$ 99,992		$ 101,242
Beryl B. Raff	$ 6,500	$ 99,992		$ 106,492

(1) All cash retainer payments are made quarterly in arrears.

(2) The amounts in this column represent the aggregate grant date fair value of restricted stock awards calculated in accordance with ASC 718, based on the assumptions set forth in Note 8 to the Consolidated Financial Statements in our Annual Report on Form 10-K. The grant date fair value of each award received was calculated by multiplying the number of shares underlying the restricted stock award granted to the director by the closing price of our Common Stock on the date of grant. These grants represent the value of the annual equity value we granted to our independent directors in accordance with our director compensation program described above, and reflect rounding down in the number of restricted stock units granted to avoid the grant of fractional shares. As of April 17, 2015, our independent directors held the following aggregate numbers of restricted stock awards: Ms. Greenthal (5,479), Mr. Mahoney (12,255), Mr. Quella (5,479) and Ms. Raff (5,479).

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(3) Ms. Kaplan was appointed to the Board on April 8, 2015, and therefore did not receive any compensation for Board service in fiscal 2014.

Director Ownership Guidelines

Under our director ownership guidelines, each independent director is expected to own shares of our Common Stock in an amount equal to three times the director's annual cash retainer. Each director is expected to reach this ownership level within five years of first becoming a director or first being designated as an independent director. "Ownership" for this purpose includes shares held outright, unvested restricted shares, the in-the-money value of vested stock options, shares held by family members and shares held in trusts.

CORPORATE GOVERNANCE

Our Board is responsible for governing company business and affairs. Highlights of our corporate governance practices are described below.

Board Independence. Because we are utilizing the "controlled company" exception under the rules of The NASDAQ Stock Market, our Compensation Committee is not composed entirely of independent directors as defined under the rules of The NASDAQ Stock Market. Our Corporate Governance Guidelines provide that after we are no longer a controlled company and complete any phase-in period permitted under NASDAQ Marketplace Rules, our Board of Directors will consist of such number of directors who are independent as is required and determined in accordance with applicable laws and regulations and requirements of NASDAQ. The Board evaluates any relationships of each director and nominee and makes an affirmative determination whether or not such director or nominee is independent. Under our Corporate Governance Guidelines, an "independent" director is one who meets the qualification requirements for being an independent under applicable laws and the corporate governance listing standards of NASDAQ. Our Board reviews any transactions and relationships between each non-management director or any member of his or her immediate family and the Company. The purpose of this review is to determine whether there were any such relationships or transactions and if so, whether they were inconsistent with a determination that the director was independent. Currently Mses. Greenthal, Kaplan and Raff and Messrs. Mahoney and Quella qualify as independent directors as defined under the rules of The NASDAQ Stock Market, and the Board has determined each to be independent with respect to his or her service on the Board.

Board Expertise and Diversity. Our Corporate Governance Guidelines provides that the Board shall be committed to a diversified membership, in terms of both the individuals involved as well as their various experiences and areas of expertise. We also seek a Board that reflects a range of talents, ages, skills, viewpoints, professional experience, educational background and expertise to provide sound and prudent guidance with respect to our operations and interests. All of our directors are financially literate, and at least one member of our Audit Committee is an audit committee financial expert.

Board Annual Performance Reviews. Our Corporate Governance Guidelines provides that the Board shall be responsible for periodically, and at least annually, conducting a self-evaluation of the Board as a whole. In addition, the written charters of the Audit Committee, Nominating Committee and the Compensation Committee provide that such committee shall evaluate its performance on an annual basis using criteria that it has developed and shall report to the Board on its findings.

Board Nominees. Prior to the formation of our Nominating Committee, our entire Board of Directors was responsible for nominating candidates for election to the Board at the Company's annual meeting of stockholders and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Corporate Governance Guidelines provide that nominees for director shall be selected on the basis of their character, wisdom, judgment, ability to make independent analytical

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inquiries, business experiences, understanding of the Company's industry and business environment, time commitment and acumen. Board members are expected to become and remain informed about the Company, its business and its industry and rigorously prepare for, attend and participate in all Board and applicable committee meetings. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of our business and represent stockholder interests through the exercise of sound judgment using its diversity of experience. In addition, the Board considers, in light of our business, each director nominee's experience, qualifications, attributes and skills that are identified in the biographical information contained under "Proposal 1 Election of Directors." Our Board of Directors has determined that while we are a controlled company, it was appropriate not to have a policy with regard to the consideration of director candidates recommended by stockholders. Once we are no longer a controlled company, the Nominating Committee intends to develop such a policy, including the procedures to be followed by stockholders in submitting such recommendations.

Board Leadership Structure. Under our Corporate Governance Guidelines, our Board may select a Chairman of the Board of Directors at any time, who may also be an executive officer of the Company. The Company's Chief Executive Officer currently also serves as the Chairman of the Board. Mr. Mahoney chairs the executive sessions of the Board that are attended only by our independent directors. The Board currently believes that the combination of the Chairman and Chief Executive Officer roles provides both for strong Board oversight and a very effective link between the Board and management.

Policies Relating to Board Service. It is our policy that no director shall be nominated who has attained the age of 73 prior to or on the date of his or her election or re-election. We expect each of our directors to attend the Annual Meeting of Stockholders. Under our Audit Committee Charter, members of the Audit Committee should serve on no more than three separate public company audit committees simultaneously without prior review and determination by the Board that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

Attendance. Our Board of Directors held eight meetings in fiscal 2014. During fiscal 2014, each director, except for Mr. Bekenstein, attended at least 75% of the Board meetings and the total meetings held by all of the committees on which he or she served during the periods that he or she served. Beginning in fiscal year 2015, our first full fiscal year following our initial public offering, our independent directors will also meet separately in executive session for at least two of our regularly scheduled Board meetings during the year.

Code of Business Ethics and Conduct. We have adopted a written Code of Business Ethics and Conduct (the "Code") that applies to our directors, officers and employees, including our executive officers, and is designed to ensure that our business is conducted with integrity. The Code covers professional conduct, conflicts of interest, the protection of confidential information, as well as adherence to laws and regulations applicable to the conduct of our business. A copy of the code is posted on our website, at *www.michaels.com*. We intend to disclose any future amendments to, or waivers from, the Code for Michaels' executive officers within four business days of the waiver or amendment through a website posting or by filing a Current Report on Form 8-K with the Securities and Exchange Commission, or "SEC".

Environmental Sustainability. As part of our continued commitment to corporate responsibility, Michaels has long pursued initiatives that are good for the environment as well as our profitability. We believe in the value of environmentally sound business practices throughout our operations, including energy and water conservation as well as recycling and waste reduction efforts.

Communications with Directors. Security holders and other interested parties may communicate directly with the Board, the non-management directors or the independent directors as a group, or

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specified individual directors by writing to such individual or group c/o Office of the Corporate Secretary, The Michaels Companies, Inc., 8000 Bent Branch Drive, Irving, TX 75063. The Secretary will forward such communications to the relevant group or individual at or prior to the next meeting of the Board.

Online Availability of Information. The current versions of our Certificate of Incorporation, by-laws, Corporate Governance Guidelines, Code of Business Conduct and Ethics, and charters for our Audit, Compensation and Nominating Committees are available on our website at *www.michaels.com.*

Compensation Committee interlocks and insider participation

None of our executive officers serves as a member of the board of directors or compensation committee of any other entity (other than a subsidiary) that has one or more executive officers who serve on our Board or Compensation Committee.

Our Board's role in risk oversight

It is management's responsibility to manage risk and bring to the Board's attention risks that are material to Michaels. The Board has oversight responsibility for the systems established to report and monitor the most significant risks applicable to Michaels. The Board administers its risk oversight role directly and through its committee structure and the committees' regular reports to the Board at Board meetings. The Board reviews strategic, financial and execution risks and exposures associated with the annual plan and multi-year plans, major litigation and other matters that may present material risk to the Company's operations, plans, prospects or reputation, acquisitions and divestitures and senior management succession planning. The Audit Committee reviews risks associated with financial and accounting matters, including financial reporting, accounting, disclosure, internal controls over financial reporting, ethics and compliance programs and data security. The Compensation Committee reviews risks related to executive compensation and the design of compensation programs, plans and arrangements.

Related person transactions policy

In accordance with the amended and restated charter of our Audit Committee and our policy with respect to related person transactions, our Audit Committee is be responsible for reviewing and approving related person transactions.

The policy with respect to related person transactions applies to transactions, arrangements and relationships (or any series of similar transactions, arrangements or relationships) where the aggregate amount involved will, or may be expected to, exceed $120,000 in any calendar year, and where we (or our subsidiaries) are a participant and in which a related person has or will have a direct or indirect material interest. A related person is: (1) any person who is, or at any time since the beginning of our fiscal year was, a director or executive officer of the Company, or a nominee for director or executive officer of the Company; (2) any person who is known to be the beneficial owner of more than 5% of any class of our voting securities; (3) any immediate family member of the foregoing persons and (4) any firm, corporation or other entity in which any of the foregoing persons has a position or relationship, or in which such person, together with his or her immediate family members, has a 10% or greater beneficial ownership.

In the course of its review and approval of related person transactions, our Audit Committee will consider the relevant facts and circumstances to decide whether to approve such transactions. In particular, our policy with respect to related person transactions will require our Audit Committee to consider, among other factors it deems appropriate:

- the benefits to the Company;

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- the impact on a director's independence in the event the related person is a director, an immediate family member of a director or an entity in which a director has a position or relationship;
- the availability of other sources for comparable products or services;
- the terms of the transaction; and
- the terms available to unrelated third parties or to employees generally.

The Audit Committee may only approve those transactions that are in, or are not inconsistent with, our best interests and those of our stockholders, as the Audit Committee determines in good faith.

Investor agreement

In connection with our initial public offering, we entered into an investor agreement with the Sponsors. The investor agreement granted each of the Sponsors the right, subject to certain conditions, to name representatives to our Board and committees of our Board. Each Sponsor has the right to designate up to three nominees for election to our Board until such time as that Sponsor owns less than 25% of our outstanding Common Stock, up to two nominees if that Sponsor's ownership level is 10% or more but less than 25% of our outstanding Common Stock and one nominee if that Sponsor's ownership level is 3% or more but less than 10% of our outstanding Common Stock. Subject to the terms of the investor agreement, each Sponsor agreed to vote its shares in favor of the election of the director nominees designated by the other Sponsors pursuant to the investor agreement. In addition, the investor agreement provides each of the Sponsors with certain indemnification rights.

Amended and restated registration rights agreement

In connection with our initial public offering, our existing registration rights agreement with the Sponsors and certain other stockholders was amended and restated. The amended and restated registration rights agreement provides the Sponsors with demand registration rights in respect of the shares of our Common Stock held by them. In addition, in the event that we register additional shares of Common Stock for sale to the public, we are required to give notice of such registration to the Sponsors and the other stockholders party to the agreement of our intention to effect such a registration, and, subject to certain limitations, the Sponsors and such holders have piggyback registration rights providing them with the right to require us to include shares of Common Stock held by them in such registration. We are required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of shares by the Sponsors or other holders described above. The amended and restated registration rights agreement also contains certain restrictions on the sale of shares by the Sponsors. The amended and restated registration rights agreement includes customary indemnification provisions.

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EXECUTIVE OFFICERS

Our current executive officers, their ages as of April 17, 2015, and their business experience during at least the past five years are set forth below.

Name	Age	Position
Carl S. Rubin	55	Chairman and Chief Executive Officer
Charles M. Sonsteby	61	Chief Administrative Officer and Chief Financial Officer
Theodore J. Bachmeier	52	Executive Vice President Store Operations
Stephen J. Carlotti	48	Executive Vice President Marketing
Thomas C. DeCaro	60	Executive Vice President Supply Chain
Philo T. Pappas	56	Executive Vice President Merchandising
Dennis A. Mullahy	50	Senior Vice President Growth Initiatives
Michael J. Veitenheimer	58	Senior Vice President General Counsel and Secretary
Lance A. Weibye	45	Senior Vice President Development

Mr. Sonsteby was named Chief Administrative Officer and Chief Financial Officer in October 2010. Prior to joining Michaels, Mr. Sonsteby served in various capacities at Brinker International, Inc. (which owns and operates casual dining restaurants) beginning in March 1990, including as Executive Vice President and Chief Financial Officer from 2001 until 2010, as Senior Vice President of Finance from 1997 to 2001 and as Vice President and Treasurer from 1994 to 1997. Mr. Sonsteby currently serves on the Board of Directors of Darden Restaurants, Inc. He was formerly a director of Zale Corporation.

Mr. Bachmeier was promoted to Executive Vice President Store Operations in September 2013. Prior to his promotion, he served as Zone Vice President of Stores for Michaels since January 2011, Vice President Aaron Brothers Store Operations from July 2008 to January 2011 and District Manager for Michaels from 1997 to July 2008.

Mr. Carlotti was named Executive Vice President Marketing of the Company, with an effective start date of June 17, 2014. Prior to joining Michaels, he served as Chief Executive Officer of The Cambridge Group (a growth strategy consultancy owned by The Nielsen Corporation, a global marketing research firm), beginning in October 2011 and as Executive Vice President, Global Practices and Consulting Services at Nielsen from June 2011 to October 2011. Prior to joining Nielsen, Mr. Carlotti served as Senior Partner at Prophet (a brand strategy consulting firm) from June 2010 to June 2011. Prior to joining Prophet, Mr. Carlotti served in various capacities at McKinsey & Company since 1990, including as Senior Partner from 2005 to June 2010. Mr. Carlotti is a board member of E&J Gallo Winery.

Mr. DeCaro was promoted to Executive Vice President Supply Chain in June 2005. Prior to his promotion, Mr. DeCaro served as Senior Vice President Inventory Management since August 2000 when he joined Michaels. From April 1998 until joining the Company, he was Vice President Merchandise for The Walt Disney Company (a multi-national media conglomerate, which also operates retail stores and theme parks). Prior to this, he held the position of Senior Vice President Merchandise Planning and Allocation for Kohl's Department Stores from February 1996 to April 1998. In addition, Mr. DeCaro has held various positions in Merchandise Planning and Allocation and Finance for The Disney Store, The Limited Stores, May Department Stores, and Sanger Harris Department Stores.

Mr. Pappas was named Executive Vice President Merchandising in February 2009. Prior to joining Michaels, he served as Chief Merchandising Officer at Tweeter Home Entertainment Group, Inc. (a specialty consumer electronics retailer) from April 2003 to October 2008. On June 11, 2007, Tweeter and each of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware in Wilmington, Delaware. Prior to joining Tweeter, Mr. Pappas served in various management positions at Staples, Inc. (an office supply store chain) from November 1994 to April 2003, most recently as Senior Vice President of Merchandising.

Mr. Mullahy was named Senior Vice President Growth Initiatives in November 2013. Prior to joining Michaels, he served as Senior Vice President Supply Chain at Ulta Salon, Cosmetics & Fragrance, Inc. from July 2011 to September 2013. Prior to joining Ulta, Mr. Mullahy served as Group Vice President Merchandising and Supply Chain Management at Meijer, Inc. from May 2005 to July 2011. In addition, Mr. Mullahy served in various capacities at Accenture, including as Partner from June 2000 to May 2005.

Mr. Veitenheimer was named Senior Vice President General Counsel and Secretary in January 2008. Prior to joining Michaels, Mr. Veitenheimer served as Senior Vice President of Law and Human Resources of The Bombay Company, Inc. (a specialty retailer focused on home accessories, wall decor and furniture) from June 2007 to December 2007 after having served as a Senior Vice President since February 2006, its Secretary since July 1985 and its General Counsel since November 1983. On September 20, 2007, The Bombay Company, Inc. and its U.S. wholly-owned subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court, Northern District of Texas, Fort Worth Division. Prior to joining The Bombay Company, Mr. Veitenheimer was in private practice of law in Fort Worth, Texas.

Mr. Weibye was promoted to Senior Vice President Development in January 2015. Prior to his promotion, Mr. Weibye served as Vice President Development since November 2012. He previously served as our Vice President Real Estate from June 2010 and Senior Director Real Estate since joining the Company in April 2008. Prior to joining Michaels, Mr. Weibye served as Senior Manager of Real Estate Development for Kohl's Corporation from July 2004 to April 2008.

STOCK OWNERSHIP INFORMATION

Beneficial Ownership

The following table sets forth information regarding the beneficial ownership of our common stock as of April 17, 2015 by (i) such persons known to us to be beneficial owners of more than 5% of our common stock, (ii) each director, director nominee and Named Executive Officer, and (iii) all directors, nominees and executive officers as a group. Unless otherwise indicated by footnote, the address for each listed director, officer and stockholder is c/o The Michaels Companies, Inc., 8000 Bent Branch Drive, Irving, Texas 75063 and each beneficial owner exercises sole voting and investment power over the shares noted below. The percentage of beneficial ownership for our directors and executive officers, both individually and as a group, and beneficial owners of 5% or more of Common Stock is calculated based on 207,231,642 shares of Common Stock outstanding as of April 17, 2015, and the number of unissued shares as to which such person or persons has the right to acquire voting and/or investment power within 60 days. The beneficial ownership information set forth below was provided by or on

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behalf of our executive officers, our directors, our Sponsors and the Company has not independently verified the accuracy or completeness of the information so provided.

Name and address of beneficial owner(1)	Number of Shares Owned	Percent
Beneficial Owners of 5% or More of Our Common Stock:		
Bain Capital Investors, LLC and related funds(2)	73,359,630	35.4%
Affiliates of The Blackstone Group L.P.(3)	70,332,830	33.9%
Price T. Rowe Associates Inc.(4)	12,460,260	6.0%
Directors and Named Executive Officers:		
Joshua Bekenstein(5)		
Todd M. Cook(6)		
Nadim El Gabbani(7)		
Jill A. Greenthal(7)(8)	5,479	*
Lewis S. Klessel(6)		
Karen Kaplan(9)	3,643	*
Matthew S. Levin(6)		
John J. Mahoney(10)	12,255	*
James A. Quella(7)(11)	5,479	*
Beryl B. Raff(12)	5,479	*
Peter F. Wallace(7)		
Carl S. Rubin(13)	1,040,307	*
Charles M. Sonsteby(14)	811,840	*
Stephen J. Carlotti(15)	105,278	*
Philo T. Pappas(16)	551,074	*
Dennis A. Mullahy(17)	51,522	*
All directors and executive officers as a group (20 persons)(18)	3,295,855	1.6%

* Less than one percent.

(1) Pursuant to Rule 13d-3 under the Exchange Act, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise has or shares voting power and/or investment power or as to which such person has the right to acquire such voting and/or investment power within 60 days. Percentage of beneficial ownership by a person as of a particular date is calculated by dividing the number of shares beneficially owned by such person by the sum of the number of shares outstanding as of such date and the number of unissued shares as to which such person has the right to acquire voting and/or investment power within 60 days. Unless otherwise indicated, the number of shares shown includes outstanding shares of Common Stock owned as of April 17, 2015 by the person indicated.

(2) The shares included in this table consist of: (i) 73,145,527 shares of Common Stock held by Bain Capital Integral Investors 2006, LLC ("Integral 06"), whose administrative member is Bain Capital Investors, LLC ("BCI"); and (ii) 214,103 shares of Common Stock held by BCIP TCV, LLC ("TCV"), whose administrative member is BCI. As a result of the relationships described above, BCI may be deemed to share beneficial ownership of the shares held by each of Integral 06 and TCV (collectively, the "Bain Capital Entities"). The governance, investment strategy and decision-making process with respect to investments held by the Bain Capital Entities is directed by BCI's Global Private Equity Board ("GPEB"), which is comprised of the following individuals: Steven Barnes, Joshua Bekenstein, John Connaughton, Paul Edgerley, Stephen Pagliuca, Michel Plantevin, Dwight Poler, Jonathan Zhu and Stephen Zide. By virtue of the relationships described in this footnote, GPEB may be deemed to exercise voting and dispositive power with respect to the shares held by the Bain Capital Entities. Each of the members of GPEB disclaims beneficial ownership of such shares to the extent attributed to such member solely by virtue of serving on GPEB. Certain

partners and other employees of the Bain Capital Entities may make a contribution of shares of common stock to one or more charities prior to this offering. In such case, a recipient charity, if it chooses to participate in this offering, will be the selling stockholder with respect to the donated shares. Each of the Bain Capital Entities has an address c/o Bain Capital Partners, LLC, John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts 02116.

(3)
Includes 53,135,912 shares of our Common Stock owned by Blackstone Capital Partners V L.P. ("BCP V"), 12,110,550 shares of our Common Stock owned by BCP V-S L.P. ("BCP V-S"), 760,558 shares of our Common Stock owned by Blackstone Family Investment Partnership V L.P. ("Family"), 161,435 shares of our Common Stock owned by Blackstone Participation Partnership V L.P. ("Participation"), 2,367,766 shares of our Common Stock owned by BCP V Co-Investors L.P. ("BCP Co-Investors") and 1,796,609 shares of our Common Stock owned by Blackstone Family Investment Partnership V-SMD L.P. ("Family-SMD") (collectively, "the "Blackstone Funds"). The general partner of BCP V, BCP V-S and BCP Co-Investors is Blackstone Management Associates V L.L.C. BMA V L.L.C. is the sole member of Blackstone Management Associates V L.L.C. BCP V Side-by-Side GP L.L.C. is the general partner of Family and Participation. Blackstone Holdings III L.P. is the managing member and majority in interest owner of BMA V L.L.C. and the sole member of BCP V Side-by-Side GP L.L.C. The general partner of Blackstone Holdings III L.P. is Blackstone Holdings III GP L.P. The general partner of Blackstone Holdings III G.P. is Blackstone Holdings III GP Management L.L.C. The sole member of Blackstone Holdings III GP Management L.L.C. is The Blackstone Group L.P. The general partner of The Blackstone Group L.P. is Blackstone Group Management L.L.C. Blackstone Group Management L.L.C. is wholly owned by Blackstone's senior managing directors and controlled by its founder, Stephen A. Schwarzman. The general partner of Family-SMD is Blackstone Family GP L.L.C., which is controlled by its founder Mr. Schwarzman. As a result of his control of Blackstone Group Management L.L.C. and Blackstone Family GP L.L.C., Mr. Schwarzman has voting and investment power with respect to the shares held by the Blackstone Funds. Each of such Blackstone entities and Mr. Schwarzman may be deemed to beneficially own the shares beneficially owned by the Blackstone Funds directly or indirectly controlled by it or him, but each (other than the Blackstone Funds to the extent of their direct holdings) disclaims beneficial ownership of such shares. The address for each of the Blackstone Funds, Blackstone Management Associates V L.L.C., BMA V L.L.C., BCP V Side-by-Side GP L.L.C., Blackstone Holdings III L.P., Blackstone Holdings III GP L.P., Blackstone Holdings III GP Management L.L.C., The Blackstone Group L.P., Blackstone Group Management L.L.C., Blackstone Family GP L.L.C. and Mr. Schwarzman is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.

(4)
The address of Price T. Rowe Associates Inc. is P.O. Box 89000, Baltimore, Maryland 21289.

(5)
Does not include shares indirectly held by the Bain Capital Entities. Mr. Bekenstein is a Managing Director of BCI and a member of GPEB and as a result, by virtue of the relationships described in footnote 2 above, may be deemed to share beneficial ownership of the common shares indirectly held by each of the Integral 06 and TCV. The address of Mr. Bekenstein is c/o Bain Capital Partners, LLC, John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts 02116.

(6)
Does not include shares indirectly held by the Bain Capital Entities. Each of Messrs. Cook, Klessel and Levin is a Managing Director of BCI and as a result, by virtue of the relationships described in footnote 2 above, may be deemed to share beneficial ownership of the common shares indirectly held by each of Integral 06 and TCV. The address of Messrs. Cook, Klessel and Levin is c/o Bain Capital Partners, LLC, John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts 02116.

(7)
Mr. El Gabbani and Mr. Wallace are each employees of, and Ms. Greenthal and Mr. Quella are each senior advisors to, affiliates of The Blackstone Group L.P., but each disclaims beneficial ownership of the shares beneficially owned by the Blackstone Funds. The addresses of Mr. El Gabbani, Ms. Greenthal, Mr. Quella and Mr. Wallace are c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.

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(8) Includes 5,479 shares of unvested restricted stock for which Ms. Greenthal holds voting rights.

(9) Includes 3,643 shares of unvested restricted stock for which Ms. Kaplan holds voting rights. The address of Ms. Kaplan is 53 State Street, Boston, Massachusetts 02109.

(10) Includes 5,479 shares of unvested restricted stock for which Mr. Mahoney holds voting rights. The address of Mr. Mahoney is 35 Draper Road, Dover, Massachusetts 02030.

(11) Includes 5,479 shares of unvested restricted stock for which Mr. Quella holds voting rights.

(12) Includes 5,479 shares of unvested restricted stock for which Ms. Raff holds voting rights. The address of Ms. Raff is 1825 Swift Avenue, North Kansas City, MO 64116.

(13) Includes 369,000 stock options that vested on March 18, 2014 and 369,000 stock options that vested on March 18, 2015. Includes 200,574 shares of unvested restricted stock for which Mr. Rubin holds voting rights.

(14) Includes 167,568 stock options that vested on October 4, 2011, 167,568 stock options that vested on October 4, 2012, 167,568 stock options that vested on October 4, 2013, 30,774 stock options that vested on July 3, 2014 and 167,568 stock options that vested on October 4, 2014. Includes 49,533 shares of unvested restricted stock for which Mr. Sonsteby holds voting rights.

(15) Includes 46,790 shares of unvested restricted stock for which Mr. Carlotti holds voting rights.

(16) Includes 18,624 stock options that vested on July 2, 2009, 130,349 stock options that vested on July 2, 2010, 130,351 stock options that vested on July 2, 2011, 130,351 stock options that vested on July 2, 2012, 130,351 stock options that vested on July 2, 2013, 130,360 stock options that vested on July 2, 2014 and 18,984 stock options that vested on July 3, 2014, of which an aggregate of 330,460 shares have been exercised and sold. Includes 146,484 shares of unvested restricted stock for which Mr. Pappas holds voting rights.

(17) Includes 26,789 stock options that vested on January 22, 2015. Includes 21,021 shares of unvested restricted stock for which Mr. Mullahy holds voting rights.

(18) Consistent with the disclaimers of beneficial ownership of Messrs. Bekenstein, Cook, El Gabbani, Klessel, Levin, Quella and Wallace and Ms. Greenthal contained in notes (2), (3), (5), (6) and (7) above, this number does not include the 143,692,460 shares of Common Stock that may be deemed to be beneficially owned by each of (a) Bain Capital Investors, LLC and related funds and (b) affiliates of The Blackstone Group L.P. The total includes 2,430,557 vested options or options that will vest within 60 days of April 17, 2015 held by executive officers of the Company, 540,556 shares of unvested restricted stock for which executive officers of the Company hold voting rights and 25,559 shares of unvested restricted stock for which our independent directors hold voting rights.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers to file reports of holdings and transactions in our common stock with the SEC and The NASDAQ Stock Market. To facilitate compliance, we have undertaken the responsibility to prepare and file these reports on behalf of our officers and our independent directors. Based on our records and other information, all reports were timely filed, except that on September 25, 2014 Jennifer Robinson and James Sullivan each filed a Form 4 relating to the grants of stock option and restricted awards on August 12, 2014, and on March 10, 2015 Dennis A. Mullahy filed a Form 4 relating to the forfeiture of shares in order to satisfy withholding tax obligations related to the vesting of a restricted stock award on January 22, 2015. The failure to report these transactions on time was inadvertent and each filing was corrected promptly upon discovery.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The following Compensation Discussion and Analysis relates to compensation paid to our executive officers named in the Summary Compensation Table for fiscal 2014.

These individuals, referred to as our "Named Executive Officers" are: Carl S. Rubin, Chairman and Chief Executive Officer; Charles M. Sonsteby, Chief Administrative Officer and Chief Financial Officer; Stephen J. Carlotti, Executive Vice President Marketing, Philo T. Pappas, Executive Vice President Merchandising, and Dennis A. Mullahy, Senior Vice President Growth Initiatives. This Compensation Discussion and Analysis and the executive compensation discussion and tables that immediately follow describe our compensation, objectives, the strategy and elements of our compensation program, and our compensation-setting process as applied to our Named Executive Officers.

Highlights of 2014 Performance

The highlights of our fiscal 2014 performance include the following:

- Net sales increased to $4,738 million, a 3.7% improvement over last year, primarily driven by comparable store sales growth and the opening of 31 additional stores (net of closures).

- Comparable store sales increased 1.7%, or 2.4% at constant exchange rates.

- We reported operating income of $627 million, an increase of 2.8% from the prior year. Operating income included a $32 million charge primarily associated with the termination of the management services agreement in connection with our initial public offering. Excluding the $32 million charge, operating income would have increased $49 million, or 8.0% from the prior year.

- Adjusted EBITDA, a non-GAAP measure that is a required calculation in our debt agreements, improved by 2.5%, from $792 million in fiscal 2013 to $812 million in fiscal 2014.

- We completed our initial public offering in which we issued and sold 27.8 million shares of our Common Stock at a price of $17.00 per share.

Throughout this Compensation Discussion and Analysis, we refer to our Adjusted EBITDA, a non-GAAP financial measure. A reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure is contained on page 38 of our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

Compensation Program

The principal objectives of our compensation program are:

- attracting and retaining highly qualified individuals whose contributions result in Michaels meeting or exceeding its financial and strategic goals;

- motivating officers to achieve exceptional levels of operating and financial performance; and

- aligning officer interests with the long-term goals of our stockholders.

Currently, the total compensation for our officers at the Vice President level and above, including our Named Executive Officers, consists of three main components: base salary, annual cash incentive bonuses and long-term equity-based incentive compensation awards. The strategy of the cash incentive compensation program is to provide higher annual cash incentive compensation for exceptional

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corporate and business financial performance. We also believe that by placing a significant equity opportunity in the hands of executives who are capable of driving and sustaining longer-term growth, our stockholders will benefit along with the executives who helped create stockholder value. The table, immediately below, includes the principal components of our pay-for-performance approach.

Component	Purpose	Form	Pay for Performance
Base Salary	Provide sufficient competitive pay to attract and retain experienced and successful executives; reward good performance and business results.	Cash	Adjustments to base salary are based on individual performance, contributions to the business, competitive practices and internal comparisons.
Annual Bonuses	Provide financial incentives to members of management who are in positions to make important contributions to Michaels' success.	Cash	The potential award amount varies with the degree to which we achieve our annual financial objectives, as well as the Named Executive Officer's individual job performance.
Long-Term Equity-Based Compensation	Encourage and reward building long-term stockholder value and employment retention; engage executives in innovation and align them with stockholder interests. We currently provide two equity award types to balance specific objectives.		
	Stock Options: Reward absolute stock price appreciation.	Stock Options	The potential appreciation in our stock price above the option exercise price motivates our Named Executive Officers to build stockholder value. Named Executive Officers may realize value only if our stock price appreciates over the option term.
	Restricted Stock Awards/Units: Create retention values even during periods of short-term market volatility.	Restricted Stock Awards/Units	Retain certain Named Executive Officers and align them with stockholders' interests by awarding a fixed number of common shares upon vesting, which creates retention value even during periods of short-term market volatility.

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Compensation Strategy: Policies and Procedures

Role of Compensation Committee and Chief Executive Officer in compensation decisions

The Compensation Committee reviews and recommends to the Board for approval the compensation for all executive officers at the level of Executive Vice President and above. The Board is ultimately responsible for determining the compensation of our executive officers at the level of Executive Vice President and above. Under our certificate of incorporation, equity-based plans must also be approved by a majority of our stockholders. Both the Compensation Committee and the Board receive recommendations with respect to compensation-related decisions regarding our executive officers, other than the Chief Executive Officer, by senior management, principally the Chief Executive Officer and the Senior Vice President Human Resources. In determining compensation levels for the executive officers, the Compensation Committee considers the scope of an individual's responsibilities, the competitive market salary at comparable companies, an individual's performance and prior experience, the performance of the Company and the attainment of planned financial and strategic initiatives. These factors are evaluated by the Compensation Committee and the Board, with the attainment of planned financial and strategic initiatives given greater weight with respect to executive bonuses. The Compensation Committee considers overall past compensation and incentives in determining the compensation of executive officers and seeks to assure that the executives have appropriate incentives to achieve high levels of Company performance. The Compensation Committee, through its members' involvement in other portfolio companies, has experience regarding compensation programs for executive officers. Approvals by the Compensation Committee and recommendations to the Board by the Compensation Committee are based on a number of factors, including a review of competitive market data (as described below) and executive performance (as described below), the experience of the members of the Compensation Committee and alignment of compensation with the overall strategic direction and goals of the Company.

Competitive market data and use of compensation consultants

As part of the compensation review process, management and our human resources department provide the Compensation Committee with market survey data on executive total compensation levels and general information regarding executive compensation practices in our industry, including information provided by The Hay Group, Inc., a compensation consulting firm engaged by the Company. The Hay Group's work in the first quarter of fiscal 2014 included a review of total compensation of our executive officers in light of amounts paid and compensation targets at comparable companies gathered from its internal sources as well as from published executive compensation surveys. During fiscal 2014, The Hay Group additionally evaluated our equity compensation program and made recommendations to the Compensation Committee and senior management. The Hay Group has developed, and our Compensation Committee has approved, the following companies as our peer group for fiscal 2014:

Advance Auto Parts Inc.	Dollar Tree, Inc.	PetSmart, Inc.
Ascena Retail group Inc.	DSW, Inc.	Pier 1 Imports, Inc.
AutoZone, Inc.	Dunkin Brands Group, Inc.	RadioShack Corporation
Bed Bath & Beyond Inc.	Family Dollar, Inc.	Ross Stores, Inc.
Big Lots, Inc.	Fossil Group, Inc.	Sally Beauty Holdings, Inc.
Chico's FAS, Inc.	General Nutrition Corporation	Tractor Supply Company, Inc.
Dick's Sporting Goods, Inc.	O' Reilly Automotive, Inc.	William-Sonoma, Inc.

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The Compensation Committee used our peer group to assess the appropriateness of the following key components of our Named Executive Officers' compensation: base salary, annual cash bonuses and long-term equity incentives. In connection with fiscal year 2014 base compensation and bonus targets for our Named Executive Officers, both of which were approved in March 2014, the Compensation Committee did not aim to set total compensation, or any compensation element, at a specified level as compared to our peer group or based on surveys and other data that it reviewed. Rather, it used such data, as well as information gathered through its members' involvement in other portfolio companies, as guidelines for the overall executive compensation program. The Compensation Committee may request that The Hay Group (or another compensation consultant) provide other periodic market data on our peer group of companies.

Compensation Elements

Base Salaries

Base salaries for our executive officers are established based on the scope of their responsibilities, individual performance and prior experience, Michaels' operating and financial performance and the attainment of planned financial and strategic initiatives, taking into account the knowledge of the members of the Compensation Committee regarding competitive market compensation paid by companies for similar positions. The Compensation Committee recommends, and the Board sets, base salaries for officers at the level of Executive Vice President and above at a level designed to attract and retain highly qualified individuals who make contributions that result in Michaels meeting its operating and financial goals. Base salaries are reviewed and adjusted annually as deemed appropriate by the Compensation Committee and the Board, as applicable, based on performance and business results, among other factors.

In March 2014, the Compensation Committee reviewed recommendations regarding 2014 annual base salary rates for the executive officer group based on the criteria set forth under "Compensation Strategy: Policy and Procedure" above. Merit guidelines for fiscal 2014 were determined by reviewing surveys of market data provided by our management and human resources department, as well as giving consideration to the Company's overall budget for associate compensation. Based upon this information, the Company applied an annual merit rate budget of 3.0%, which provided for median merit based increases at 3.0%, for fiscal 2014 for its corporate support center associates, including our Named Executive Officers, except as set forth below.

Effective June 6, 2014, Mr. Carlotti was named Executive Vice President Marketing of the Company. Pursuant to his offer letter, Mr. Carlotti's base salary was set at $525,000, subject to increase at the Board's discretion. In addition Mr. Carlotti received a sign on bonus of $20,000, payable within 30 days of his start date and grossed-up for taxes, and a one-time bonus of $250,000, payable in April 2015. In setting Mr. Carlotti's base salary and bonuses, the Compensation Committee considered Mr. Carlotti's compensation at his prior employer, and the level of compensation needed to recruit Mr. Carlotti to the Company. In the opinion of the members of the Compensation Committee, based on their experience with other companies, including other public companies, this salary level represented a competitive market level for the position.

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Annual base salary rates for the Named Executive Officers for fiscal 2014 and 2013, which reflect increases between the two fiscal years, are shown below.

Name	2013 Base Salary	2014 Base Salary
Carl S. Rubin(1)	$ 1,100,000	$ 1,133,000
Charles M. Sonsteby	$ 711,109	$ 732,442
Stephen J. Carlotti(2)		$ 525,000
Philo T. Pappas(3)	$ 431,897	$ 525,000
Dennis A. Mullahy(4)	$ 420,000	$ 420,000

(1) Pursuant to Mr. Rubin's employment agreement his base salary was set at $1,100,000, subject to increase at the Board's discretion.

(2) Pursuant to Mr. Carlotti's offer letter, his base salary was set at $525,000 for fiscal year 2014.

(3) Mr. Pappas received a one-time base salary adjustment increase of 21.6% in January 2014, in connection with a review of his total compensation at such time, and therefore did not receive an additional base salary adjustment in March 2014.

(4) Mr. Mullahy joined the Company as Senior Vice President Growth Initiatives in November 2013, and as a result did not receive a base salary adjustment in fiscal year 2014.

Annual Bonuses

In March 2014, the Compensation Committee recommended that the Board approve the Company's Bonus Plan for executive officers, including the Named Executive Officers, for fiscal 2014 (the "Bonus Plan") to provide financial incentives to these individuals and those other members of management who were in positions to make important contributions to Michaels' success. The Board subsequently approved the Bonus Plan. The structure of the Bonus Plan and the specific objectives relating to bonus payments were proposed by the Chief Executive Officer and the Senior Vice President Human Resources and were reviewed by the Compensation Committee. For each of the Named Executive Officers, the Bonus Plan tied 80% of bonus opportunity to Michaels' attainment of a financial objective (EBIT, less an inventory charge), and 20% to individual performance. Individual management business objectives for Mr. Rubin were reviewed with the members of the Compensation Committee in the early part of fiscal year 2014. Individual management business objectives for Messrs. Sonsteby, Pappas and Mullahy, were reviewed with and approved by the Chief Executive Officer. For Mr. Carlotti, these objectives were reviewed and approved by the Chief Executive Officer shortly after the commencement of his employment in June 2014.

Under the Bonus Plan, before any business unit or individual performance payout would be earned, the actual results of the financial objective (EBIT, less an inventory charge) was required to meet the threshold established by the Compensation Committee, which represented approximately 93% of target. Each participating Named Executive Officer was entitled to a bonus equal to a certain percentage of that executive officer's base salary, depending on the achievement of the threshold, target and maximum performance level. The Compensation Committee set threshold, target and maximum performance levels for all officers of the Company. The final award depended on the actual level of performance achieved; however, the Compensation Committee retained the right to make adjustments in its sole discretion. The target levels of performance for the bonus goals were set at levels that the Compensation Committee and the Board believed to be reasonably achievable in view of Michaels' historical annual performance. In the Compensation Committee's view, taking into account comparative data provided to the Committee by management and our human resources department, the

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compensation payable to the Named Executive Officers upon reaching target levels of performance, when added to their base salaries, creates a level of total cash compensation competitive with that paid by comparable companies for similar positions. Additional information regarding the targets and objectives is set forth below.

The target percentages set for fiscal 2014 and the threshold, target and maximum payments, for each of the Named Executive Officers for fiscal 2014 were as follows:

	Carl S. Rubin	**Charles M. Sonsteby**	**Stephen J. Carlotti(1)**	**Philo T. Pappas**	**Dennis A. Mullahy**
Percentage of Base Salary					
Target	100%	70%	65%	65%	40%
Threshold	18%	12.6%	11.7%	11.7%	7.2%
Maximum	200%	140%	130%	130%	80%
Bonus Element Weightings					
Overall Company Results	80%	80%	80%	80%	80%
Individual Performance	20%	20%	20%	20%	20%

(1) Mr. Carlotti joined the Company in June 2014, and his bonus payout for fiscal year 2014 was pro-rated for actual length of service during the fiscal year.

Company Financial Measures

In March 2015, the Compensation Committee reviewed the Company's financial results as applicable to the pre-established fiscal 2014 Bonus Plan objectives for the Named Executive Officers. As described previously, the financial objective of Company performance that was applicable to all the Named Executive Officers was EBIT, less an inventory charge. At the beginning of fiscal 2014, the Compensation Committee established, and the Board approved, the EBIT, less an inventory charge, goal for target-level bonuses at $532.7 million, with a maximum at $595.3 million and a threshold at $494.0 million. For the fiscal year, the Company achieved financial performance of $536.2 million, which was between target and maximum. As a result, bonuses above target, but below maximum, were earned for the Company performance element of the plan.

Individual Performance Measures

Since the financial objective threshold that is applicable to all Named Executive Officers was met, in March 2015 the Compensation Committee, based upon input and recommendations by Mr. Rubin, evaluated the individual performance of each of the Named Executive Officers for purposes of determining bonuses based on individual performance. The individual management business objectives are both quantitative and subjective, and are assessed in the aggregate to determine the individual's level of performance and bonus achieved. No specified weight is given to a single measure within the group of individual management business objectives, and the Compensation Committee's assessment of achievement reflects a generalized view of overall achievement of the group of measures. In addition, the individual management business objectives for all executives included an assessment of the executive's job knowledge and skills, communication skills, interpersonal skills, effectiveness of management, judgment and decision-making, drive and commitment, leadership and customer satisfaction.

For fiscal 2014, Mr. Rubin's group of individual management business objectives were focused primarily on EBIT, sales, cash flow, improving customer service on a Company-wide basis, solidifying the leadership team and succession plans and effective use of capital. The Compensation Committee determined that Mr. Rubin achieved his individual objectives at 200% of target. Mr. Sonsteby's group of individual management business objectives were focused primarily on EBIT, sales, cash flow, new store growth and performance, effective use of capital and cost-savings initiatives. The Compensation Committee determined that Mr. Sonsteby achieved his individual objectives at 200% of target. Mr. Carlotti's group of individual management business objectives focused primarily on EBIT, sales, development of a marketing cadence that leverages promotional pricing and event marketing, development of effective customer retention and loyalty programs, creating an effective balance of general and targeted customer communications, media relations and support of e-commerce. The Compensation Committee determined that Mr. Carlotti achieved his individual objectives at 100% of target. For Mr. Pappas, his group of individual management business objectives focused primarily on EBIT, sales, private brand sales and gross margin growth, promotional pricing, cost-savings initiatives, trend and exclusivity offerings and improvement of our store shopping environment. The Compensation Committee determined that Mr. Pappas achieved his individual objectives at 200% of target. Mr. Mullahy's group of individual management business objectives were primarily EBIT, sales, implementing a new IT co-source partner, effectively updating IT infrastructure leveraging new processes and team members, supporting the launch of the Aaron Brothers new-format custom frame stores and determining future e-commerce and IT growth opportunities. The Compensation Committee determined that Mr. Mullahy achieved his individual objectives at 100% of target.

Actual Payouts

Actual payouts for the Named Executive Officers, as a percentage of target level bonus, were as follows:

	Carl S. Rubin	**Charles M. Sonsteby**	**Stephen J. Carlotti(1)**	**Philo T. Pappas**	**Dennis A. Mullahy**
Percent of Target	124.5%	124.5%	104.5%	124.5%	104.5%

(1) Mr. Carlotti joined the Company in June 2014, and his bonus payout for fiscal year 2014 was pro-rated for actual length of service during the fiscal year.

Long-Term Equity-Based Compensation

Prior to our initial public offering, on May 20, 2014, our Board amended and restated our 2006 Equity Incentive Plan under the name The Michaels Companies, Inc. 2014 Omnibus Long-Term Incentive Plan (the "2014 Omnibus Plan") and following such adoption all equity-based awards, including to our Named Executive Officers, are granted under the 2014 Omnibus Plan. Awards under the 2014 Omnibus Plan are intended to align the long-term incentives of our executives and stockholders. Grants are typically awarded when an executive is hired and may be awarded for subsequent promotions.

The total long-term equity grant in a given year is based on a multiple calculated on an officer level basis (director, vice president-low, vice president-high, senior vice president, executive vice president, chief financial officer and chief executive officer), based on market data for comparable public companies provided by The Hay Group. The multiple is converted into an award grant based on a set stock price. Beginning in 2013, the Company began issuing a combination of annual option and restricted stock grants that will vest over four years, focusing on an award mix that contains a ratio for each officer of roughly five times the number of shares underlying a stock option grant as a restricted stock grant (5 shares per stock option award to 1 share per restricted stock award). Annual option and restricted stock grant amounts are generally awarded based on the midpoint of the range by officer level, with occasional exceptions based on an individual's performance. New hire grants and promotion-related grants are generally issued at a multiple of the range midpoint, on a case-by-case basis. All stock option grants made in fiscal 2014 were at exercise prices set at or above the grant date fair market value of the underlying stock as determined by our Board. Detail regarding option and restricted stock grants made to our Named Executive Officers in fiscal year 2014 and awards

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outstanding at the end of fiscal year 2014 is provided, respectively, in the Grants of Plan-Based Awards for Fiscal 2014 table and the Outstanding Equity Awards at Fiscal Year-End 2014 table that follow this Compensation Discussion and Analysis.

Stock Ownership Guidelines

Michaels adopted ownership guidelines in June 2013 applicable to all officers, including the Named Executive Officers. For those officers not already meeting the parameters outlined in the Guidelines, compliant ownership is to be achieved within five years of becoming subject to Guidelines, in order for the officer to remain eligible to receive the Company's annual option and restricted stock grants. Ownership includes shares held outright, unvested restricted shares, the in-the-money value of vested stock options, shares held by family members and shares held in trusts.

Other Benefits and Perquisites

Our Named Executive Officers also receive certain other benefits and perquisites. During fiscal 2014, these benefits included contributions to 401(k) accounts, the payment of life insurance premiums, relocation benefits, certain Company-paid medical benefits, car allowances, executive guest travel to Company events and, in some cases, tax gross-ups and reimbursement for income taxes on taxable benefits. Additionally, our Chief Executive Officer, Mr. Rubin, was also entitled to the use of a Company-owned or leased automobile. The Compensation Committee and the Board believe that these benefits and perquisites are reasonable and consistent with the nature of the executives' responsibilities, provide a competitive level of total compensation to our executives and serve as an important element in retaining those individuals. The cost to Michaels of these benefits to the Named Executive Officers is set forth in the Summary Compensation Table under the column "All Other Compensation" and detail about each element is set forth in the table presented in footnote 5 to the Summary Compensation Table.

Employment and Severance Agreements

We entered into an employment agreement with Mr. Rubin, which became effective on March 18, 2013, the date he commenced employment, which includes certain severance benefits in the event of termination other than for cause or by Mr. Rubin for good reason, as such terms are defined in the agreement. The specific terms of Mr. Rubin's employment agreement, are discussed in the section entitled "Rubin Employment Agreement" following the Grants of Plan-Based Awards Table and under "Executive Compensation Potential Payments Upon Termination or Change of Control".

In April 2008, the Board approved the Company's Officer Severance Pay Plan (the "OSPP"), which was amended in July 2008, May 2014 and December 2014. The OSPP was established by the Company to provide certain severance benefits, subject to the terms and conditions of the OSPP, to designated officers (those with a position of Vice President or above, or an equivalent title as approved by the Compensation Committee, and excluding the Chief Executive Officer) in the event that their employment is terminated as a result of a "Qualifying Termination" (as defined in the OSPP and described below). A more detailed description of the OSPP may be found under "Potential Payments Upon Termination or a Change of Control".

Tax and Accounting Considerations

Deductibility of Executive Compensation. While the Compensation Committee takes into account tax and accounting considerations in structuring the components of the Company's compensation program, these considerations are secondary to the primary objectives of the program. Section 162(m) of the Code ("Section 162(m)") disallows a U.S. federal income tax deduction to any publicly held corporation for compensation exceeding $1 million in any taxable year to any of the corporation's chief

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executive officer or other three most highly paid named executive officers other than its chief financial officer, except as to compensation that qualifies as performance-based or is otherwise exempt under Section 162(m). Following our initial public offering and for awards made under a plan established before our initial public offering concluded, the Company expects to be able to claim the benefit of a special exemption that applies to compensation paid (or compensation in respect of stock options or restricted stock granted) during a transition period that may extend until the Company's annual meeting of stockholders scheduled to be held