

Michaels Companies, Inc.  
Form DEF 14A  
May 02, 2018  
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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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

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):

No fee required.

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(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):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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8000 Bent Branch Drive

Irving, Texas 75063

May 2, 2018

Dear Stockholder:

We cordially invite you to attend our 2018 Annual Meeting of Stockholders on Wednesday, June 13, 2018, at 9:30 a.m. (local time), to be held at 8000 Bent Branch Drive, Irving, Texas 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 May 2, 2018, 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 2018 Annual Meeting of Stockholders and our 2017 Annual Report to Stockholders. 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 (or proxyholder) to attend the 2018 Annual Meeting of Stockholders. If you request and receive a paper copy of the proxy materials in the mail, the proxy card includes an admission ticket for one stockholder (or proxyholder) to attend the Annual Meeting of Stockholders. All stockholders and proxyholders 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 13th.

Sincerely,

Carl S. Rubin

Chairman and Chief Executive Officer

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The Michaels Companies, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 13, 2018

The 2018 Annual Meeting of Stockholders (the “Annual Meeting”) of The Michaels Companies, Inc. (the “Company” or “Michaels”) will be held at the Company’s Support Center, 8000 Bent Branch Drive, Irving, Texas 75063 on Wednesday, June 13, 2018 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 ratify the appointment of Ernst & Young, LLP as the independent registered public accounting firm of the Company for the current fiscal year; and
- any other business properly brought before the meeting.

Stockholders of record at the close of business on April 18, 2018 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 18, 2018, 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 2018 Annual Meeting of Stockholders. If you request and receive 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 18, 2018. 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

May 2, 2018

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The Michaels Companies, Inc.

ANNUAL MEETING OF STOCKHOLDERS

June 13, 2018

PROXY STATEMENT

The Board of Directors of The Michaels Companies, Inc. is soliciting your proxy for the 2018 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 request and receive 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 18, 2018 are entitled to vote at the meeting. Each of the 182,051,262 shares of Common Stock outstanding on the record date is entitled to one vote.

This proxy statement, the proxy card and the 2017 Annual Report to Stockholders for our fiscal year ended February 3, 2018 (fiscal 2017) 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, Texas 75063.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on June 13, 2018: Our proxy statement is attached. Financial and other information concerning Michaels is contained in our 2017



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Annual Report to Stockholders for the fiscal year ended February 3, 2018. The proxy statement and our 2017 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](http://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 Second Amended and Restated Certificate of Incorporation (the “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 ten Directors. The current term of all of our Directors expires at the Annual Meeting.

All of our current Directors are standing for election at the Annual Meeting and have been recommended for nomination by our Nominating and Governance Committee and nominated by our Board for election at the Annual Meeting.

In making its recommendations for nominees, the Nominating and Governance 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, 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 each of our nominees possesses 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.

In connection with our initial public offering, we entered into an investor agreement with our significant stockholders, affiliates of or funds advised by Bain Capital Private Equity, L.P. (“Bain”) and The Blackstone Group L.P. (“Blackstone”), granting each of Bain and Blackstone the right, subject to certain conditions, to name representatives to our Board. Bain currently has the right to designate up to three nominees for election to our Board, and has designated Joshua Bekenstein and Ryan Cotton. Blackstone currently has the right to designate two nominees for election to our

Board, and has designated Peter F. Wallace. Among other factors, the Nominating and Governance Committee and the Board reviewed and considered the investor agreement when determining the independence of directors designated as nominees by Bain and Blackstone. For more information, see “–Election of Directors–Corporate Governance–Investor Agreement”.

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 2019 Annual Meeting or until their successors are elected and qualified, as provided in our bylaws.

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.”

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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 the incumbent directors standing for election, including their ages as of April 18, 2018, 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.

Name	Age	Director Since	Committee Membership
Josh Bekenstein	59	October 31, 2006	—
Ryan Cotton	39	December 8, 2017	—
Monte E. Ford	58	September 10, 2015	Audit Committee; Nominating and Governance Committee
Karen Kaplan	58	April 8, 2015	Audit Committee; Nominating and Governance Committee
Matthew S. Levin	52	October 31, 2006	Compensation Committee
John J. Mahoney	66	September 18, 2013	Audit Committee; Nominating and Governance Committee
James A. Quella	68	October 31, 2006	Compensation Committee
Beryl B. Raff	67	September 23, 2014	Compensation Committee
Peter F. Wallace	43	March 11, 2009	Compensation Committee
Carl S. Rubin	58	March 18, 2013	—

Mr. Bekenstein is a Managing Director and Co-Chairman of Bain, having joined Bain at its inception in 1984. Prior to joining Bain, Mr. Bekenstein spent two years at Bain & Company as a consultant, where he was involved with companies in a variety of industries. Mr. Bekenstein serves as a director of Bright Horizons Family Solutions and Canada Goose Holdings Inc. Mr. Bekenstein received an M.B.A. from Harvard Business School and a B.A. from Yale University. Mr. Bekenstein possesses valuable financial expertise, including extensive experience with capital markets transactions and investments in both public and private companies. 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. Cotton joined Bain in 2003, and has served as a Managing Director in the North American Private Equity - Consumer, Retail & Dining Vertical since 2015. Prior to joining Bain, Mr. Cotton was a consultant at Bain & Company, and worked in baseball operations at the Boston Red Sox. He is currently a member of the Board of Directors of Canada Goose Holdings Inc., the boards of private companies, including Blue Nile Inc., Daymon Worldwide Inc., TOMS Shoes, and Virgin Voyages. Mr. Cotton received an M.B.A. from The Stanford Graduate School of Business where he was a Siebel Scholar, an Arjay Miller Scholar, and the winner of the Alexander A. Robichek Award for Outstanding Achievement in Finance. He received an A.B. in Philosophy from Princeton University. Mr. Cotton adds value to our Board through his extensive retail experience and prior public and private board service.

Mr. Ford is currently the Principal Partner at the CIO Strategy Exchange, an organization of the top 50 sitting Chief Information Officers in business. He also serves as a Network Partner to Brightwood Capital Advisors, which provides growth capital to growing middle-market businesses. From February 2012 until September 2013, he was the Chief Executive Officer of Aptean Software Corporation, a provider of enterprise application software. Prior to joining Aptean, he served as Senior Vice President and Chief Information Officer of American Airlines, Inc. from December 2000 through December 2011. Mr. Ford is a member of the board of directors of Akamai Technologies, Inc., a leading internet network and security company, where he serves on the Compensation and Nominating and Corporate Governance Committees. He is also a member of the board of directors of Health Care Service Corporation, where he serves on the Audit and Nominating and Governance Committees. Mr. Ford's diverse leadership experience as well as extensive background in Information Technology make him a valuable contributor 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 and Compliance Committee and Nominating and Governance Committee. Ms. Kaplan was previously a member of the board of directors of each of Vera Bradley, Inc. and DSM USA Insurance Company, Inc. 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, allows her to provide valuable insight and make important contributions to our Board.

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Mr. Levin serves as a Senior Advisor for Bain in the private equity business. From 2001 through 2015, Mr. Levin was a Managing Director of Bain and leader within the North America consumer products and retail industry vertical. Prior to joining Bain in 1992, 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, and a B.S. from the University of California Berkeley. 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. In addition to serving on the Audit Committees of each of Bloomin' Brands, Inc. and Chico's FAS, Inc., Mr. Mahoney also serves on the Nominating and Governance Committee of Bloomin' Brands, Inc. and the Compensation Committees each of Burlington Stores, Inc. and Chico's FAS, Inc. Previously, Mr. Mahoney served on the Board of Directors of Advo, Inc. and Zipcar, Inc. 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 retired as a Senior Managing Director, Senior Operating Partner and co head of the Portfolio Operations Group at Blackstone in the Private Equity Group in June 2014, having served in these roles since 2003. 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 DJO Global, Inc. and FGL Holdings, and serves on the Compensation Committees of both companies and the Nominating and Corporate Governance Committee of FGL Holdings. Mr. Quella was formerly a director of Allied Waste, Catalent Pharma Solutions, Inc., Columbia House, Celanese Corporation, Freescale Semiconductor, Inc., Graham Packaging Company, L.P., Houghton Mifflin Harcourt Company, Intelenet Global Services, Lionbridge Technologies, Inc., 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 transitioning from control 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. From 2001 to 2009, and prior to joining Helzberg, Ms. Raff served in various management positions at J. C. Penney Company, Inc., 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. Ms. Raff is a director of Helen of Troy, Ltd. and Larry H. Miller Company, and serves on the Audit Committee of Helen of Troy, Ltd. and the Compensation Committee and Nominating and Governance Committee of Larry H. Miller Company. Ms. Raff was previously a director of Group 1 Automotive, Inc., Jo Ann Stores, Inc., The Make-A-Wish Foundation and Zale Corporation. Ms. Raff received her B.B.A. from Boston University and her M.B.A. from Drexel University. Ms. Raff adds value to our Board through her extensive experience in operating and managing large retail companies, as well as her prior public board service.

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., Service King Collision Repair, Vivint, Inc., Vivint Solar and The Weather Group. Mr. Wallace was formerly a director of AlliedBarton Security Services, GCA Services Group and SeaWorld Parks & Entertainment. These experiences and knowledge, along with his service on public company boards, enhance Mr. Wallace's contributions and value to our Board.

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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. Since December 2015, he has served as a member of the board of directors and of the Audit and Compensation Committees of Ascena Retail Group, Inc., a leading women's clothing and accessories specialty retailer. 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.

**BOARD STRUCTURE AND BOARD COMMITTEES**

Board Committees

We have an Audit Committee, a Compensation Committee and a Nominating and Governance 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](http://www.michaels.com). The members of each committee are appointed by the Nominating and Governance Committee 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.

Compensation Committee

The purpose of the Compensation Committee is to assist the Board in fulfilling responsibilities relating to oversight of the Company's incentive and equity based compensation programs as well as the compensation of our directors, executive officers and other employees. The Compensation Committee reviews and provides recommendations and guidance to our Board with respect to compensation plans, policies and programs and approves specific compensation levels for all executive officers. In fiscal 2017, the Compensation Committee met eight times. The Compensation Committee consists of Ms. Raff and Messrs. Levin, Quella and Wallace, each of whom has been determined to be an independent director by our Board. A copy of the Compensation Committee charter is available on our website.

Audit Committee



The purpose of the Audit Committee is to assist the Board in fulfilling the Board's oversight responsibilities with various aspect of the Company's business, including but not limited to the integrity of the Company's financial statements and the Company's compliance with legal and regulatory requirements. 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;
- determine funding of various services provided by accountants or advisers retained by the committee;
- review our financial reporting processes and internal controls;

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- 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 Mr. Ford, Ms. Kaplan and Mr. Mahoney, 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 Audit Committee charter is available on our website. The Audit Committee met eight times in fiscal 2017.

Nominating and Governance Committee

The purpose of the Nominating and Governance Committee is to oversee the director nomination process and maintain the Company’s corporate governance guidelines. The Nominating and Governance Committee’s primary duties and responsibilities are to review recommendations and nominations for individuals to serve as directors, recommend a slate of director nominees to the Board, taking into account each candidate’s ability, judgment and experience and the overall diversity and composition of the Board, determine and recommend for Board approval independence of our directors and manage the Board and committee evaluation process. The committee is also responsible for recommending to the Board qualified individuals to serve as committee members on the various Board committees, annually reviewing the Company’s corporate governance guidelines and identifying best practices. A copy of the Nominating and Governance Committee charter is available on our website.

The Nominating and Governance Committee consists of Mr. Ford, Ms. Kaplan and Mr. Mahoney, each of whom has been determined to be an independent director by our Board. In fiscal 2017, the Nominating and Governance Committee met three times.

CORPORATE GOVERNANCE

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

**Board Independence.** 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 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 transactions or relationships and if so, whether they were inconsistent with a determination that the director was independent. The Board has determined that each of Messrs. Bekenstein, Cotton, Ford, Levin, Mahoney, Quella and Wallace and Ms. Kaplan and Raff is independent under our Corporate Governance Guidelines and NASDAQ listing standards.

**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 personal backgrounds, 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 and Nominating and Governance Committee charter provide that the Nominating and Governance Committee shall be responsible for periodically, and at least annually, conducting an evaluation of the Board as a whole, as well as each of the committees’ performance, on an annual basis using criteria that it has developed and shall report to the Board on its findings.

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**Board Nominees.** Our Nominating and Governance Committee is responsible for recommending for Board approval the candidates for election to the Board at the Company's annual meeting of stockholders and for recommending individuals to fill vacancies on the Board that may occur between annual meetings of stockholders. It is the policy of the Nominating and Governance Committee to consider recommendations for director nominees from all sources, including stockholders, and to evaluate all recommendations under the same standards and criteria. Stockholders may recommend a director candidate for the consideration of the Nominating and Governance Committee, by submitting the candidate's name and biography c/o Office of the Corporate Secretary, The Michaels Companies, Inc., 8000 Bent Branch Drive, Irving, Texas 75063. 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 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 Nominating and Governance Committee 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 Nominating and Governance Committee considers, in light of our business, each director nominee's experience, qualifications, attributes and skills. See "Proposal 1 – Election of Directors" for the biographical information of the director nominees. Stockholders may also nominate director candidates for election at an annual meeting of stockholders, according to the procedures set forth in our bylaws, which are posted on our website, [www.michaels.com](http://www.michaels.com). See also "Stockholder Proposals and Director Nominations".

**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. The Company does not currently have a lead independent director. 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 Audit Committee.

**Attendance.** Our Board of Directors held six meetings in fiscal 2017. During fiscal 2017, each director attended at least 75% of the Board and committee meetings on which he or she served during the periods that he or she served. Our independent directors also met separately in executive session at each of our regularly scheduled Board meetings during the year. Nine of our directors attended the 2017 Annual Meeting of Stockholders.

**Code of Business Ethics and Conduct.** We have adopted a written Code of Business Ethics and Conduct (the "Code of Ethics") 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 of Ethics 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 of Ethics is posted on our website, at [www.michaels.com](http://www.michaels.com). We intend to disclose any future amendments to, or waivers from, the Code of Ethics for our 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 the 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.** Stockholders and other interested parties may communicate directly with the Board, the non-management directors or the independent directors as a group, or specified individual directors by writing to such individual or group c/o Office of the Corporate Secretary, The Michaels Companies, Inc., 8000 Bent

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Branch Drive, Irving, Texas 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 Charter, bylaws, Corporate Governance Guidelines, Code of Ethics, and charters for our Audit, Compensation and Nominating and Governance Committees are available on our website at [www.michaels.com](http://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 of the Company) that has one or more executive officers who serve on our Board or Compensation Committee.

Our Board's Role in Risk Oversight

The Board has oversight responsibility for the systems established to report and regularly 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, data security and cybersecurity. The Compensation Committee reviews risks related to executive compensation and the design of compensation programs, plans and arrangements. The Nominating and Governance Committee reviews risks and best practices with respect to corporate governance guidelines.

It is also management's responsibility to manage risk and bring to the Board's attention risks that are material to Michaels, including risks related to cybersecurity. The Company's management provides quarterly reports to the Audit Committee on cybersecurity updates and preventive measures being taken to avoid attacks. As the Company reviews and updates its cybersecurity plans and policies, it plans to continue to take the steps it believes are necessary to ensure effective Board oversight of this area.

Related Person Transactions Policy

In accordance with the charter of our Audit Committee and our Related Person Transaction Policy, our Audit Committee is 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;
- 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;

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- 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.

Our Related Person Transaction Policy is available on our website [www.michaels.com](http://www.michaels.com).

Investor Agreement

As described above, we entered into an investor agreement with Bain and Blackstone that grants each of them the right, subject to certain conditions, to name representatives to our Board. Each of Bain and Blackstone has the right to designate up to three nominees for election to our Board until such time as it owns less than 25% of our outstanding Common Stock, up to two nominees if its ownership level is 10% or more but less than 25% of our outstanding Common Stock and one nominee if its ownership level is 3% or more but less than 10% of our outstanding Common Stock. Subject to the terms of the investor agreement, each of Bain and Blackstone agreed to vote its shares in favor of the election of the director nominees designated by each other pursuant to the investor agreement. In addition, the investor agreement provides each of Bain and Blackstone with certain indemnification rights. As of April 18, 2018, Bain and Blackstone owned 29.0% and 11.2%, respectively, of our outstanding Common Stock.

Amended and Restated Registration Rights Agreement

In connection with our initial public offering, our existing registration rights agreement with Bain, Blackstone and certain other stockholders was amended and restated. The amended and restated registration rights agreement provides Bain and Blackstone demand registration rights in respect of their shares of our Common Stock. 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 each of Bain and Blackstone and the other stockholders party to the agreement of our intention to effect such a registration, and, subject to certain limitations, Bain, Blackstone 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 Bain, Blackstone or other holders described above. The amended and restated registration rights agreement also contains certain restrictions on the sale of shares by each of Bain and Blackstone. 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 18, 2018, and their business experience during at least the past five years are set forth below.

Name	Age	Position
Carl S. Rubin	58	Chairman and Chief Executive Officer
Denise A. Paulonis	46	Executive Vice President – Chief Financial Officer
Stephen J. Carlotti	51	Executive Vice President – Marketing
Dennis A. Mullahy	53	Executive Vice President – Supply Chain and Information Technology

See “Proposal 1 – Election of Directors” for a description of Mr. Rubin’s business experience.

Ms. Paulonis was appointed Executive Vice President – Chief Financial Officer in August 2016. Prior to becoming Chief Financial Officer, Ms. Paulonis served as Senior Vice President – Finance of the Company from November 2015 to August 2016 and Vice President – Investor Relations, Treasury and Corporate Finance from September 2014 to November 2015. Prior to joining the Company, she served in various capacities at PepsiCo, Inc. since 2009, including Vice President, Financial Planning & Analysis, Frito Lay from August 2013 to September 2014 and Vice President, Finance & Strategy, PepsiCo U.S. Sales from January 2011 to July 2013.

Mr. Carlotti was named Executive Vice President – Marketing of the Company, effective June 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. Mullahy was named Executive Vice President – Supply Chain and Information Technology in September 2015. He previously served as Senior Vice President – Growth Initiatives since 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 Consulting, including as Partner from June 2000 to May 2005.



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## STOCK OWNERSHIP INFORMATION

## Beneficial Ownership

The following table sets forth information regarding the beneficial ownership of our Common Stock as of April 18, 2018 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 (as defined in “Executive Compensation – Compensation Discussion and Analysis” below) , 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 182,051,262 shares of Common Stock outstanding as of April 18, 2018, 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 or disclosed by or on behalf of our executive officers, our directors, and our beneficial owners of 5% or more of our Common Stock. As such, 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)	52,798,929	29.0	%
Affiliates of The Blackstone Group L.P. (3)	20,393,531	11.2	%
T. Rowe Price Associates Inc. (4)	13,482,347	7.4	%
Highfields Capital Management LP and related funds (5)	10,857,859	6.0	%
BlackRock, Inc. and affiliates (6)	9,089,170	5.0	%

Directors and Named Executive Officers: