

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 <div style="text-align: center; font-size: 1.5em; font-weight: bold;">2010</div> This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>015</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>06/01/1971</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>015</u>	1c Effective date of plan <u>06/01/1971</u>	
1b Three-digit plan number (PN) ▶	<u>015</u>				
1c Effective date of plan <u>06/01/1971</u>					
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>MICHAELS STORES, INC.</u> <u>8000 BENT BRANCH DRIVE</u> <u>IRVING, TX 75063-9566</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>75-1943604</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>972-409-1300</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>451120</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>75-1943604</u>	2c Sponsor's telephone number <u>972-409-1300</u>	2d Business code (see instructions) <u>451120</u>	
2b Employer Identification Number (EIN) <u>75-1943604</u>					
2c Sponsor's telephone number <u>972-409-1300</u>					
2d Business code (see instructions) <u>451120</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	08/02/2011	YVONNE FREEMAN
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") MICHAELS STORES, INC. 8000 BENT BRANCH DRIVE IRVING, TX 75063-9566	3b Administrator's EIN 75-1943604 3c Administrator's telephone number 972-409-1300
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	370
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	23
b Retired or separated participants receiving benefits.....	6b	136
c Other retired or separated participants entitled to future benefits.....	6c	196
d Subtotal. Add lines 6a , 6b , and 6c	6d	355
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	5
f Total. Add lines 6d and 6e	6f	360
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	0

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 1B 1G 1I

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1) ☒ **R** (Retirement Plan Information)
 (2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
 (3) ☒ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1) ☒ **H** (Financial Information)
 (2) ☐ **I** (Financial Information – Small Plan)
 (3) ☐ **A** (Insurance Information)
 (4) ☒ **C** (Service Provider Information)
 (5) ☐ **D** (DFE/Participating Plan Information)
 (6) ☐ **G** (Financial Transaction Schedules)

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES</u>	B Three-digit plan number (PN) ▶ <u>015</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>MICHAELS STORES, INC.</u>	D Employer Identification Number (EIN) <u>75-1943604</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☒ 101-500 ☐ More than 500

Part I	Basic Information
1	Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2010</u>
2	Assets:
a	Market value 2a <u>1626749</u>
b	Actuarial value 2b <u>1633883</u>
3	Funding target/participant count breakdown
	(1) Number of participants (2) Funding Target
a	For retired participants and beneficiaries receiving payment 3a <u>149</u> <u>1126900</u>
b	For terminated vested participants 3b <u>193</u> <u>786894</u>
c	For active participants:
(1)	Non-vested benefits 3c(1) <u>0</u>
(2)	Vested benefits 3c(2) <u>74684</u>
(3)	Total active 3c(3) <u>28</u> <u>74684</u>
d	Total 3d <u>370</u> <u>1988478</u>
4	If the plan is at-risk, check the box and complete items (a) and (b) ☐
a	Funding target disregarding prescribed at-risk assumptions 4a
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor 4b
5	Effective interest rate 5 <u>6.44</u> %
6	Target normal cost 6 <u>50000</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>07/15/2011</u>
Signature of actuary	Date
<u>CHARLES E DEAN, FSA</u>	<u>11-01249</u>
Type or print name of actuary	Most recent enrollment number
<u>DEAN ACTUARIES, LLC</u>	<u>214-891-0990</u>
Firm name	Telephone number (including area code)
<u>5646 MILTON STREET, SUITE 210</u> <u>DALLAS, TX 75206</u>	
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2010
v.092308.1

Part II	Beginning of year carryover and prefunding balances	(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8	Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9	Amount remaining (Item 7 minus item 8).....	0	0
10	Interest on item 9 using prior year's actual return of _____ %		
11	Prior year's excess contributions to be added to prefunding balance:		
a	Excess contributions (Item 38 from prior year)		1237
b	Interest on (a) using prior year's effective rate of <u>6.38</u> %		79
c	Total available at beginning of current plan year to add to prefunding balance		1316
d	Portion of (c) to be added to prefunding balance.....		0
12	Reduction in balances due to elections or deemed elections.....		
13	Balance at beginning of current year (item 9 + item 10 + item 11d – item 12).....	0	0

Part III	Funding percentages		
14	Funding target attainment percentage.....	14	82.16 %
15	Adjusted funding target attainment percentage.....	15	82.16 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	70.90 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV	Contributions and liquidity shortfalls		
18	Contributions made to the plan for the plan year by employer(s) and employees:		
	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
	04/14/2010	25909	
	07/15/2010	25909	
	10/15/2010	25909	
	01/14/2011	25909	
	06/22/2011	21374	
	Totals ►	18(b)	125010
		18(c)	0

19	Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
a	Contributions allocated toward unpaid minimum required contribution from prior years.....	19a	0
b	Contributions made to avoid restrictions adjusted to valuation date	19b	0
c	Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c	118927
20	Quarterly contributions and liquidity shortfalls:		
a	Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No	
b	If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No	
c	If 20a is "Yes," see instructions and complete the following table as applicable:		

Liquidity shortfall as of end of Quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 4.60 %	2nd segment: 6.65 %	3rd segment: 6.76 %	☐ N/A, full yield curve used
b Applicable month (enter code)	21b			0
22 Weighted average retirement age	22			65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions).....	31	50000
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	354595	68648
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33).....	34	118648
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	0	0
36 Additional cash requirement (item 34 minus item 35).....	36	118648
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c).....	37	118927
38 Interest-adjusted excess contributions for current year (see instructions).....	38	279
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37).....	39	0
40 Unpaid minimum required contribution for all years	40	0

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES	B Three-digit plan number (PN) ▶	015
C Plan sponsor's name as shown on line 2a of Form 5500 MICHAELS STORES, INC.	D Employer Identification Number (EIN) 75-1943604	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
MERRLL LYNCH, PIERCE, FENNER SMITH
13-5674085

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

DEAN ACTUARIES, LLC

75-2548006

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
11	ACTUARY	21693	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

MERRILL LYNCH TRUST COMPANY

94-0687665

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
24	TRUSTEE	9802	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III	Termination Information on Accountants and Enrolled Actuaries (see instructions) (complete as many entries as needed)
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a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES	B Three-digit plan number (PN) ►	015
C Plan sponsor's name as shown on line 2a of Form 5500 MICHAELS STORES, INC.	D Employer Identification Number (EIN) 75-1943604	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	115223	47283
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	13018	13767
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	1502228	1674544
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	1630469	1735594

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	1630469	1735594
---	-----------	---------	---------

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	125010	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		125010
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	27294	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		27294
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	210571	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	224344	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		-13773

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	146471	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		146471
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		285002

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	132173	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		132173
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)	21693	
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	9803	
(4) Other	2i(4)	16208	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		47704
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		179877

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		105125
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: ERNST & YOUNG

(2) EIN: 34-6565596

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		1000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....	X		
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)

5b(3) PN(s)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan <u>LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES</u>	B Three-digit plan number (PN) ▶ <u>015</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>MICHAELS STORES, INC.</u>	D Employer Identification Number (EIN) <u>75-1943604</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>22-3513863</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	<u>1</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2010
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

Leewards Pension Plan for Hourly Employees
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP



Leewards Pension Plan for Hourly Employees
Financial Statements and Supplemental Schedules
Years Ended December 31, 2010 and 2009

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Report of Independent Auditors

Pension Committee
Leewards Pension Plan for Hourly Employees

We were engaged to audit the accompanying statements of net assets available for benefits of the Leewards Pension Plan for Hourly Employees as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedules of assets (held at end of year) as of December 31, 2010, and reportable transactions for the year then ended. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 6, which was certified by Bank of America (MLTC), the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that Bank of America (MLTC) holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of December 31, 2010 and 2009, and for the years then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Ernst & Young LLP

August 1, 2011

Leewards Pension Plan for Hourly Employees

Statements of Net Assets Available for Benefits

	December 31	
	2010	2009
Assets		
Investments:		
Registered investment companies	\$ 1,674,544	\$ 1,502,228
Money market fund	13,767	13,018
	1,688,311	1,515,246
Employer contribution receivable	47,283	115,223
Total assets	1,735,594	1,630,469
Liabilities		
Accrued administrative fees	26,421	24,039
Net assets available for benefits	\$ 1,709,173	\$ 1,606,430

See accompanying notes.

Leewards Pension Plan for Hourly Employees

Statements of Changes in Net Assets Available for Benefits

	December 31	
	2010	2009
Additions		
Net appreciation in fair value of investments in registered investment companies	\$ 132,698	\$ 225,591
Employer contributions	125,010	115,223
Dividends and interest income	27,294	29,507
Total additions	<u>285,002</u>	<u>370,321</u>
Deductions		
Benefits paid to participants	132,173	152,448
Administrative expenses	50,086	48,739
Total deductions	<u>182,259</u>	<u>201,187</u>
Net increase	102,743	169,134
Net assets available for benefits at beginning of year	1,606,430	1,437,296
Net assets available for benefits at end of year	<u><u>\$ 1,709,173</u></u>	<u><u>\$ 1,606,430</u></u>

See accompanying notes.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements

December 31, 2010 and 2009

1. Description of Plan

The following description of the Leewards Pension Plan for Hourly Employees (the Plan) provides only general information. Readers should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a noncontributory defined benefit plan for substantially all hourly employees of Leewards Creative Crafts, Inc. (the Company). In July 1994, Michaels Stores, Inc. (the Plan Sponsor) acquired Leewards Creative Crafts, Inc. and, as a result of the acquisition, became the sponsor of the Plan. The Plan is administered by the Pension Committee selected by the Board of Directors of the Plan Sponsor. Bank of America (MLTC) is the custodian and Trustee of the Plan (the Trustee). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

In April 1992, as part of a series of cost reductions, the Company altered the terms of the Plan whereby no new participants will be added to the Plan nor will additional benefits accrue to current participants beyond those earned as of the date the Plan was frozen.

Pension Benefits

Hourly employees with one year of eligible service at the Company, as defined by the Plan, and attainment of age 21 prior to May 5, 1992, were eligible to participate in the Plan. Hourly employees with five years of eligible service were eligible for pension benefits upon retirement, disability, death, or termination as follows:

Normal Retirement

The Plan provides for normal retirement benefits upon reaching the age of 65. The basic monthly benefit is computed as follows:

- For participants terminating on or after June 1, 1984, \$7.00 multiplied by the total years of eligible service, payable for life.
- For participants terminating on or after January 1, 1982, but prior to June 1, 1984, \$5.00 multiplied by the total years of eligible service, payable for life.
- For participants terminating prior to January 1, 1982, \$4.50 multiplied by the total years of eligible service, payable for life.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Early Retirement

Participants with 10 or more years of eligible service and who have reached the age of 55 may elect an early retirement benefit. The monthly benefit is computed the same as for normal retirement reduced by 0.17% for each month during the first three years and 0.33% for each full month thereafter (not to exceed a total of 120 months) that the early retirement benefit payments commence prior to the normal retirement date.

Late Retirement

Eligible participants who retire after the age of 65 are entitled to a late retirement benefit. The amount of the monthly benefit is computed the same as for normal retirement, with years of benefit service computed through May 5, 1992.

Disability

Participants who have been deemed eligible for disability under the provisions of the Social Security Act, as amended, are entitled to disability benefits, computed on the same basis as normal retirement, with benefit service projected to age 65. Benefit payments cease upon recovery from the disability.

Death

Benefits are generally payable to surviving spouses of eligible participants, calculated as 50% of the amount computed under the joint and survivor provisions of the Plan.

Termination

In the event of termination at any age after completion of five years of eligible service, a participant is entitled to benefit payments computed the same as for normal retirement, with years of benefit service computed to the date of termination. If payment commences prior to the normal retirement date, the amount is reduced by 6% for each of the first five years and 4% for each year thereafter that the benefit payments commence prior to the normal retirement date.

Benefits are paid in the form of a life annuity or a joint and survivor annuity.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Plan are presented on the accrual basis of accounting. Benefits paid to participants are recorded upon distribution. Subsequent events have been evaluated through August 1, 2011, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amended Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures*, to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each “class” of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 is effective for reporting periods beginning after December 15, 2009. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not affect the Plan’s net assets available for benefits or its changes in net assets available for benefits.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 amended ASC 820, to converge the fair value measurement guidance in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan’s financial statements.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investment Valuation

Investments are valued at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 3 for further discussion of fair value measurements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Plan Sponsor to make estimates and assumptions that affect the amounts reported in the financial statements, accompanying notes, and supplemental schedules. Actual results could differ from those estimates and assumptions.

Administrative Expenses

All fees associated with the administration and maintenance of the Plan and its records may be paid by the Plan or by the Plan Sponsor at the discretion of the Plan Sponsor. The Plan Sponsor paid \$31,328 and \$25,328 of administrative expenses on behalf of the Plan in 2010 and 2009, respectively. The Plan Sponsor also furnishes the Plan with administrative and clerical services and use of office space and supplies at no charge.

Related-Party Transactions

Michaels Stores, Inc., the Plan Sponsor, paid certain administrative fees on behalf of the Plan for the years ended December 31, 2010 and 2009. Additionally, Merrill Lynch & Co, Inc., a wholly owned subsidiary of Bank of America Corporate, has an economic interest in BlackRock, Inc. The Plan has an investment in a BlackRock, Inc. index fund. These transactions are exempt from the prohibited transaction rules.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

3. Fair Value Measurements

ASC 820 establishes a three-level valuation hierarchy for fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy prescribed by ASC 820 is as follows:

Level 1 – Quoted prices for *identical* instruments in active markets;

Level 2 – Quoted prices for *similar* instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose significant inputs are observable; and

Level 3 – Instruments whose significant inputs are *unobservable*.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation methodology used for investments in registered investment companies measured at fair value is based on published prices, which represent the net asset values of shares held by the Plan on the last business day of the Plan year. The money market fund is valued at cost, which approximates fair value.

The table below sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Registered investment companies:				
Fixed income	\$ 657,065	\$ —	\$ —	\$ 657,065
Domestic large company equity	508,198	—	—	508,198
International growth	509,282	—	—	509,282
Money market fund	13,766	—	—	13,766
	<u>\$ 1,688,311</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,688,311</u>

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

The table below sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Registered investment companies:				
Fixed income	\$ 564,754	\$ —	\$ —	\$ 564,754
Domestic large company equity	475,206	—	—	475,206
International growth	462,268	—	—	462,268
Money market fund	13,018	—	—	13,018
	<u>\$ 1,515,246</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,515,246</u>

4. Funding Policy

Contributions to provide benefits under the Plan are made solely by the Plan Sponsor. The Plan Sponsor's funding policy is to make contributions to the Plan in amounts computed by the Plan's actuary that are designed to provide sufficient funds to pay benefits as they become payable under the Plan. The Plan Sponsor met the minimum funding requirements of ERISA in 2010 and 2009.

5. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future benefit payments pursuant to the Plan's provisions that are attributable to service that employees have rendered. The actuarial present value of accumulated plan benefits has been determined by an independent actuary, and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the benefit information date and the expected payment dates.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

5. Actuarial Present Value of Accumulated Plan Benefits (continued)

The significant actuarial assumptions used in determining accumulated plan benefits as of December 31, 2009, are summarized below:

Interest rate	7% per year
Average retirement age	62
Mortality	RP2000p

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits is reported based on certain assumptions, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

The actuarial present value of accumulated plan benefits is as follows:

	December 31 2009
Actuarial present value of accumulated plan benefits:	
Vested benefits:	
Participants currently receiving payments	\$ 1,080,361
Other participants	823,265
	<u>1,903,626</u>
Nonvested benefits	—
Total actuarial present value of accumulated plan benefits	<u><u>\$ 1,903,626</u></u>

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

5. Actuarial Present Value of Accumulated Plan Benefits (continued)

The changes in actuarial present value of accumulated plan benefits between December 31, 2008 and 2009, were as follows:

Actuarial present value of plan benefits, December 31, 2008	\$ 1,848,561
Benefits paid	(152,448)
Interest due to decrease in discount period	147,885
Benefits accruals	(75,867)
Change in assumption	135,495
Actuarial present value of plan benefits, December 31, 2009	<u>\$ 1,903,626</u>

The change in assumption reflects a change in the interest rate from 8% at December 31, 2008 to 7% at December 31, 2009.

6. Investments

All investment information disclosed in the accompanying financial statements, accompanying notes, and supplemental schedules, including investments held at December 31, 2010 and 2009, and net appreciation in the fair value of investments and dividend and interest income for the years then ended, were obtained or derived from information supplied to the plan administrator and certified as complete and accurate by the Trustee.

The Plan provides for investments in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

The Plan's investments that exceeded 5% of net assets available for benefits as of December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Intermediate Bond Fund of America	\$ 657,065	\$ 564,754
New Perspective Fund	509,282	462,268
BlackRock S&P 500 Index Fund	508,198	475,206

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

7. Plan Termination

The Plan Sponsor has the right under the provisions of the Plan to amend or terminate the Plan at any time. In the event the Plan is terminated, each participant's accrued benefit will be fully vested and nonforfeitable to the extent funded. Net assets will be allocated for payment of plan benefits to the participant in an order of priority determined in accordance with ERISA, applicable regulations thereunder, and the Plan document.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) in the event the Plan is terminated. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivors' pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Whether all participants receive their benefits in the event the Plan is terminated at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide those benefits, the priority of those benefits to be paid, and the level and type of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the then-existing assets and the PBGC guarantee, while other benefits may not be provided for at all.

8. Tax Status

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated October 20, 2010, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (IRC) and that the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualified status. The Pension Committee believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes the Plan is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States require Plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

8. Tax Status (continued)

penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

9. Reconciliation to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500.

	December 31	
	2010	2009
Net assets available for benefits per the financial statements	\$ 1,709,173	\$ 1,606,430
Add: Accrued administrative fees	26,421	24,039
Net assets available for benefits per the Form 5500	<u>\$ 1,735,594</u>	<u>\$ 1,630,469</u>

The following is a reconciliation of the net increase per the financial statements to the Form 5500:

	December 31 2010
Net increase per the financial statements	\$ 102,743
Add: Accrued administrative fees at December 31, 2010	26,421
Less: Accrued administrative fees at December 31, 2009	(24,039)
Net increase per the Form 5500	<u>\$ 105,125</u>

The accompanying financial statements present administrative expenses on an accrual basis, whereas the Form 5500 presents administrative expenses on a cash basis.

Supplemental Schedules

Leewards Pension Plan for Hourly Employees

EIN: 75-1943604 Plan: 015

Schedule H; Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2010

(a)	(b) Identity of Issuer, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
	American Funds	Intermediate Bond Fund of America	\$ 652,035	\$ 657,065
*	BlackRock Index Funds	BlackRock S&P 500 Index Fund	513,252	508,198
	American Funds	New Perspective Fund	516,949	509,282
*	Merrill Lynch	CMA Money Fund	13,766	13,766
			<u>\$ 1,696,002</u>	<u>\$ 1,688,311</u>

*Party-in-interest

Leewards Pension Plan for Hourly Employees

EIN: 75-1943604 Plan: 015

Schedule H; Line 4j – Schedule of Reportable Transactions

Year Ended December 31, 2010

(a) Identify of Party Involved	(b) Description of Investment	(c) Purchase Price	(d) Selling Price	(g) Cost	(h) Current Value of Assets on Transaction Date	(i) Net Gain or (Loss)
<u>Category (i) – Individual transactions in excess of 5% of beginning Plan assets:</u>						
Merrill Lynch	CMA Money Fund	\$ 103,000	\$ –	\$ 103,000	\$ 103,000	\$ –
<u>Category (iii) – Series of transactions in excess of 5% of beginning Plan assets:</u>						
BlackRock Index Funds	BlackRock S&P 500 Index Fund	–	89,528	97,674	89,528	(8,146)
BlackRock Index Funds	BlackRock S&P 500 Index Fund	60,305	–	60,305	60,305	–
American Funds	Intermediate Bond Fund of America	–	46,611	46,099	46,611	512
American Funds	Intermediate Bond Fund of America	126,876	–	126,876	126,876	–
American Funds	New Perspective Funds	–	74,432	80,571	74,432	(6,139)
American Funds	New Perspective Funds	63,008	–	63,008	63,008	–
Merrill Lynch	CMA Money Fund	–	331,354	331,354	331,354	–
Merrill Lynch	CMA Money Fund	332,104	–	332,104	332,104	–

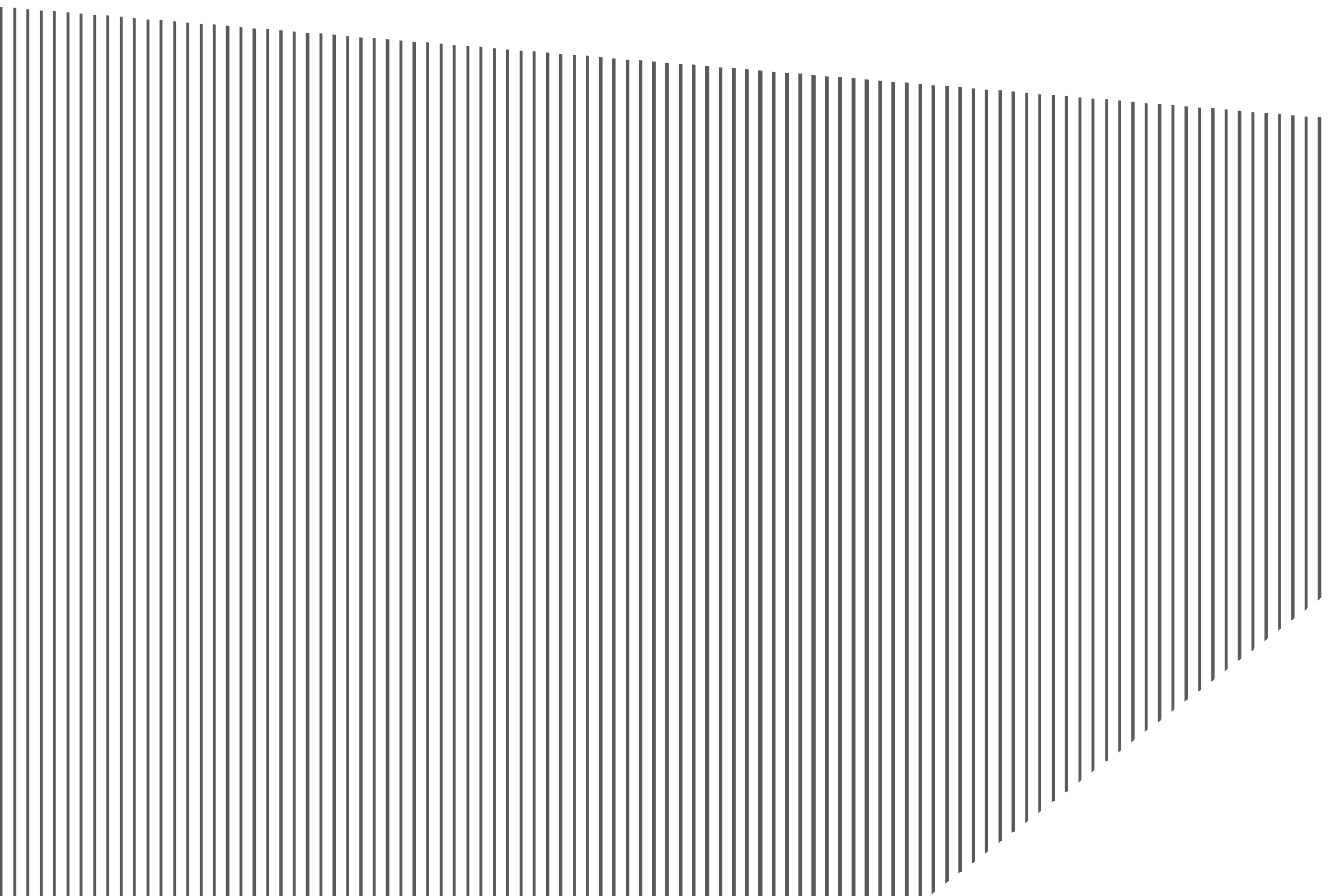
There were no Category (ii) or (iv) reportable transactions during the year ended December 31, 2010.
Columns (e) and (f) are not applicable.

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Schedule SB, line 22 – Description of Weighted Average Retirement Age

Age	Retirement Rate	Unretired	Retirements	Age x retmnt
		1		
55	0	1	0	0
56	0	1	0	0
57	0	1	0	0
58	0	1	0	0
59	0	1	0	0
60	0	1	0	0
61	0	1	0	0
62	0	1	0	0
63	0	1	0	0
64	0	1	0	0
65	1	0	1	65
Average retirement age				65.00

Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

This report assumes the plan will exist as an ongoing entity. All numbers presented are based on this ongoing plan concept.

Discounted Projected Accrued Benefit Cashflows

Under the Pension Protection Act of 2006, all costs are determined by projecting cashflows corresponding to the current accrued benefits, and these cashflows are discounted back to the valuation date using a series of discount rates. The accrued benefits are determined as of the valuation date, and the cashflow projection reflects the probability of each contingency available under the plan (such as turnover, mortality, retirement or disablement). Cashflows for current nonactive participants are similarly determined.

There are three exceptions to the general rule that only benefits accrued as of the valuation date are included in the cashflow projection:

- In determining the target normal cost, the incremental effect on cashflows of benefits expected to accrue during the plan year by active participants is projected.
- In determining the maximum deductible contribution, the incremental effect on cashflows of the effect on expected future pay increase by active participants is projected. For this projection, accrued service on the valuation date is fixed, but pay is projected to the different contingencies. In a final pay plan, this will result in larger “accrued benefits” in the cashflows.
- In determining the premium funding target for PBGC liability determinations, only vested accrued benefits are considered when projecting cashflows. PBGC regulations require the inclusion of the QPSA benefits corresponding to current vested benefits as also being vested for this determination.

None of the exceptions impact the cashflows to current nonactive participants.

Valuation of Liabilities

All active participants included in the valuation are assumed to earn one full year of credited service and one full year of vesting service for each future year while still employed. No liability is held for non-vested, inactive employees regardless of whether or not they have completed a one-year break-in-service. Costs for ancillary benefits provided by the Plan have been determined in the same manner and on the same basis as costs for normal retirement benefits. The Defined Benefit Plan limits of Section 415(b) have been reflected in the valuation.

Valuation of Assets

The actuarial value of assets is determined as the average of the fair market value on the valuation date, and the adjusted fair market value for the two previous determination dates. The two previous determination dates are the two previous valuation dates, and the resulting average must be within 10% of the fair market value on the determination date. The fair market value on any date includes the discounted value of any contributions receivable for the prior plan year that were contributed on a timely basis. The discount is based on the effective interest rate for the year to which the contribution was made, with no discount applied to receivable contributions for the 2007 plan year.

Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Interest Rates		Age	Rates per Thousand					
			Mortality		Turnover	Disability		Retirement
			Male	Female		Male	Female	
Purpose	Rate							
Funding Target		20	0.345	0.191	255.00	0.60	0.90	0
short-term rate	4.60%	21	0.357	0.192	252.00	0.60	0.90	0
mid-term rate	6.65%	22	0.366	0.194	248.00	0.60	0.90	0
long-term rate	6.76%	23	0.373	0.197	245.00	0.60	0.90	0
		24	0.376	0.201	241.00	0.60	0.90	0
Premium Funding Target		25	0.376	0.207	238.00	0.60	0.90	0
short-term rate	4.60%	26	0.378	0.214	229.00	0.60	0.90	0
mid-term rate	6.65%	27	0.382	0.223	220.00	0.60	0.90	0
long-term rate	6.76%	28	0.393	0.235	211.00	0.60	0.90	0
		29	0.412	0.248	202.00	0.60	0.90	0
Mortality Tables		30	0.444	0.264	193.00	0.60	0.90	0
Not in pay status	RP2000p employee	31	0.499	0.307	185.20	0.62	1.04	0
Healthy annuitants	RP2000p annuitant	32	0.562	0.350	177.40	0.64	1.18	0
Disabled annuitants	RP2000p disabled	33	0.631	0.394	169.60	0.66	1.32	0
Mortality rates are cohort projected.		34	0.702	0.435	161.80	0.68	1.46	0
		35	0.773	0.475	154.00	0.70	1.60	0
Pay Increase Assumption		36	0.841	0.514	147.60	0.76	1.80	0
Not applicable		37	0.904	0.554	141.20	0.82	2.00	0
		38	0.964	0.598	134.80	0.88	2.20	0
Turnover		39	1.021	0.648	128.40	0.94	2.40	0
Age-related rates as shown		40	1.079	0.706	122.00	1.00	2.60	0
		41	1.142	0.774	116.40	1.20	2.88	0
Retirement Age		42	1.215	0.852	110.80	1.40	3.16	0
Rates of retirement as shown		43	1.299	0.937	105.20	1.60	3.44	0
		44	1.397	1.029	99.60	1.80	3.72	0
Rates are only applied if the employee is eligible to retire.		45	1.508	1.124	94.00	2.00	4.00	0
		46	1.616	1.223	89.20	2.42	4.36	0
		47	1.734	1.326	84.40	2.84	4.72	0
Form of payment		48	1.860	1.434	79.60	3.26	5.08	0
mandatory cashouts	Lump sum	49	1.995	1.550	74.80	3.68	5.44	0
other benefits - life only annuity		50	2.138	1.676	70.00	4.10	5.80	0
		51	2.288	1.814	65.00	4.66	6.20	0
Other Assumptions		52	2.448	1.967	60.00	5.22	6.60	0
Percent married	100%	53	2.621	2.135	55.00	5.78	7.00	0
Husband/wife age difference	3	54	2.812	2.321	50.00	6.34	7.40	0
		55	3.029	2.526	45.00	6.90	7.80	0
		56	3.306	2.756	45.00	7.46	8.20	0
		57	3.628	3.010	45.00	8.02	8.60	0
		58	3.997	3.291	45.00	8.58	9.00	0
		59	4.414	3.599	45.00	9.14	9.40	0
		60	4.878	3.931	45.00	11.80	11.50	0
		61	5.382	4.285	45.00	9.30	9.30	0
		62	5.918	4.656	45.00	9.30	9.30	0
		63	6.472	5.039	45.00	9.30	9.30	0
		64	7.028	5.429	45.00	9.30	9.30	0
		65	7.573	5.821	0.00	0.00	0.00	1000

Schedule SB, Part V – Summary of Plan Provisions**SUMMARY OF PLAN PROVISIONS**

Eligibility	Hourly employees became plan participants on the first day of the month following completion of 1 year of eligibility service and attainment of age 21. No new participant is allowed on or after May 5, 1992.
Contributions	The employer pays the full cost of the plan.
Service Considered	One year is credited for any plan year in which the employee has at least 1,000 hours of service.
Benefits	One year is credited for any plan year in which the employee has at least 1,800 hours of service. A fractional year of credit for service less than 1,800 hours but at least 1,000 hours of service. Benefit service credit was frozen as of May 5, 1992.
Retirement Ages	
Normal	Age 65
Early	Age 55 with at least 10 years of service
Vesting	5 years of vesting service
Death	5 years of vesting service with a surviving spouse
Disability	5 years of vesting service and total and permanent disability
Accrued Benefit Formula	Annual retirement income of \$84 for each year of benefit service payable at normal retirement age.
Normal and Late Retirement Benefits	The accrued benefit is payable for retirement on normal retirement age. Actuarial increases apply for late retirement.
Early Retirement Benefit	The accrued benefit reduced by 2% for each year during the first three years and 4% for each year thereafter (not to exceed 10 years) that commencement of payments precedes the participant's normal retirement date.
Vested Retirement Benefit	An accrued benefit payable at 65 or a reduced amount for early retirement. The reduction is 6% for each of the first five years and 4% for each year thereafter.
Pre-Retirement Death Benefit	If a participant dies in service or in deferred vested status with 5 or more years of vesting service, the surviving spouse, if any, receives an amount equal to 50% of the Joint & 50% Survivor option amount as of the date of death (or age 55, if later).

Optional Forms of Payments

The accrued benefit is expressed in the form of a life only annuity payable at normal retirement age. Other forms of payment are available on an actuarially equivalent basis:

life with 10 year certain period

joint and 50%, 100% (or other %) survivor annuity

lump sum payment (if the value is less than \$5,000)

A married participant must receive their benefit in the form of a qualified joint and 50% spouse's annuity (with actuarial reduction) unless the participant elects another form of payment and has their spouse's written consent.

Schedule SB, line 26 – Schedule of Active Participant Data

Age Group	Years of Service										All Service
	Under 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
25 - 29											
30 - 34											
35 - 39											
40 - 44											
45 - 49					1	3					4
50 - 54					1	4		1	1		7
55 - 59					1	3		1			5
60 - 64						7	1	1	1		10
65 - 69											
70 - 100					1			1			2
All Ages					4	17	1	4	2		28

Age is in completed years (age last birthday) on the census date

Service is completed years of vesting service on the census date

Schedule SB, line 32 - Schedule of Amortization Bases**Schedule of Amortization Bases as of January 1, 2010**

Type of Base (Shortfall or Waiver)	Present Value of Remaining Installments	Date Base Established	Years Remaining in Amortization Period	Amortization Installment
Shortfall	\$ (83,694)	January 1, 2010	7	\$ (13,987)
Shortfall	\$ 438,289	January 1, 2009	6	\$ 82,635
Shortfall	<u>0</u>	January 1, 2008	5	<u>0</u>
Total	\$ 354,595			\$ 68,648

Leewards Pension Plan for Hourly Employees

Schedule H; Line 4i – Schedule of Assets (Held at End of Year)

EIN: 75-1943604 Plan: 015

December 31, 2010

(a)	(b) Identity of Issuer, Borrower, Lessor, or Similar Party	(c) Description of Investment, including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
	American Funds	Intermediate Bond Fund of America	\$ 652,035	\$ 657,065
*	BlackRock Index Funds	BlackRock S&P 500 Index Fund	513,252	508,198
	American Funds	New Perspective Fund	516,949	509,282
*	Merrill Lynch	CMA Money Fund	13,766	13,766
			<u>\$ 1,696,002</u>	<u>\$ 1,688,311</u>

*Party-in-interest.

Leewards Pension Plan for Hourly Employees

Schedule H; Line 4j – Schedule of Reportable Transactions

EIN: 75-1943604 Plan: 015

Year Ended December 31, 2010

(a) Identity of Party Involved	(b) Description of Investment	(c) Purchase Price	(d) Selling Price	(g) Cost	(h) Current Value of Assets on Transaction Date	(i) Net Gain or (Loss)
<u>Category (i) - Individual transactions in excess of 5% of beginning Plan assets:</u>						
Merrill Lynch	CMA Money Fund	\$ 103,000	\$ -	\$ 103,000	\$ 103,000	\$ -
<u>Category (iii) - Series of transactions in excess of 5% of beginning Plan assets:</u>						
BlackRock Index Funds	BlackRock S&P 500 Index Fund	\$ -	\$ 89,528	\$ 97,674	\$ 89,528	\$ (8,146)
BlackRock Index Funds	BlackRock S&P 500 Index Fund	\$ 60,305	\$ -	\$ 60,305	\$ 60,305	\$ -
American Funds	Intermediate Bond Fund of America	\$ -	\$ 46,611	\$ 46,099	\$ 46,611	\$ 512
American Funds	Intermediate Bond Fund of America	\$ 126,876	\$ -	\$ 126,876	\$ 126,876	\$ -
American Funds	New Perspective Funds	\$ -	\$ 74,432	\$ 80,571	\$ 74,432	\$ (6,139)
American Funds	New Perspective Funds	\$ 63,008	\$ -	\$ 63,008	\$ 63,008	\$ -
Merrill Lynch	CMA Money Fund	\$ -	\$ 331,354	\$ 331,354	\$ 331,354	\$ -
Merrill Lynch	CMA Money Fund	\$ 332,104	\$ -	\$ 332,104	\$ 332,104	\$ -

There were no Category (ii) or (iv) reportable transactions during the year ended December 31, 2010.
Columns (e) and (f) are not applicable.

SCHEDULE SB (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

► **Round off amounts to nearest dollar.**

► **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan Leewards Pension Plan for Hourly Employees	B Three-digit plan number (PN) ►	015
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF Michaels Stores, Inc.	D Employer Identification Number (EIN) 75-1943604	
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B		
F Prior year plan size: ☐ 100 or fewer ☒ 101-500 ☐ More than 500		

Part I Basic Information			
1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2010</u>			
2 Assets:			
a Market value.....	2a	1,626,749	
b Actuarial value.....	2b	1,633,883	
3 Funding target/participant count breakdown			
	(1) Number of participants	(2) Funding Target	
a For retired participants and beneficiaries receiving payment	3a	149	1,126,900
b For terminated vested participants	3b	193	786,894
c For active participants:			
(1) Non-vested benefits.....	3c(1)		0
(2) Vested benefits.....	3c(2)		74,684
(3) Total active	3c(3)	28	74,684
d Total.....	3d	370	1,988,478
4 If the plan is at-risk, check the box and complete items (a) and (b) ☐			
a Funding target disregarding prescribed at-risk assumptions	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor.....	4b		
5 Effective interest rate.....	5	6.44 %	
6 Target normal cost.....	6	50,000	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	 Signature of actuary	<u>07/15/2011</u> Date <u>11-01249</u> Most recent enrollment number <u>(214) 891-0990</u> Telephone number (including area code)
<u>Charles E Dean, FSA</u> Type or print name of actuary <u>Dean Actuaries, LLC</u> Firm name <u>5646 Milton Street, Suite 210</u> Address of the firm <u>Dallas TX 75206</u>		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

Part II	Beginning of year carryover and prefunding balances	
	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9 Amount remaining (Item 7 minus item 8).....	0	0
10 Interest on item 9 using prior year's actual return of _____ %		
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		1,237
b Interest on (a) using prior year's effective rate of <u>6.38</u> %		79
c Total available at beginning of current plan year to add to prefunding balance		1,316
d Portion of (c) to be added to prefunding balance.....		0
12 Reduction in balances due to elections or deemed elections.....		
13 Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	0	0

Part III	Funding percentages	
14 Funding target attainment percentage.....	14	82.16 %
15 Adjusted funding target attainment percentage.....	15	82.16 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	70.90 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV	Contributions and liquidity shortfalls				
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/14/2010	25,909		06/22/2011	21,374	
07/15/2010	25,909				
10/15/2010	25,909				
01/14/2011	25,909				
Totals ►			18(b)	125,010	18(c)
					0

19 Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contribution from prior years.	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c	118,927

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No

b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No

c If 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of Quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost**21** Discount rate:**a** Segment rates:1st segment:
4.60 %2nd segment:
6.65 %3rd segment:
6.76 %☐ N/A, full yield curve used**b** Applicable month (enter code)**21b**

0

22 Weighted average retirement age**22**

65

23 Mortality table(s) (see instructions) ☐ Prescribed - combined☒ Prescribed - separate☐ Substitute**Part VI Miscellaneous items****24** Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. ☐ Yes ☒ No**25** Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. ☐ Yes ☒ No**26** Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment. ☒ Yes ☐ No**27** If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment. **27****Part VII Reconciliation of unpaid minimum required contributions for prior years****28** Unpaid minimum required contribution for all prior years**28**

0

29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a).....**29**

0

30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29).....**30**

0

Part VIII Minimum required contribution for current year**31** Target normal cost, adjusted, if applicable (see instructions).....**31**

50,000

32 Amortization installments:

Outstanding Balance

Installment

a Net shortfall amortization installment

354,595

68,648

b Waiver amortization installment

0

0

33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount**33****34** Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33).....**34**

118,648

Carryover balance

Prefunding balance

Total balance

35 Balances used to offset funding requirement

0

0

0

36 Additional cash requirement (item 34 minus item 35).....**36**

118,648

37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c).....**37**

118,927

38 Interest-adjusted excess contributions for current year (see instructions).....**38**

279

39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37).....**39**

0

40 Unpaid minimum required contribution for all years**40**

0