

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), 6057(b), 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 2012 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</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 LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES	<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;">015</td> </tr> <tr> <td colspan="2">1c Effective date of plan 06/01/1971</td> </tr> </table>	1b Three-digit plan number (PN) ▶	015	1c Effective date of plan 06/01/1971	
1b Three-digit plan number (PN) ▶	015				
1c Effective date of plan 06/01/1971					
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) MICHAELS STORES, INC. 8000 BENT BRANCH DRIVE IRVING, TX 75063-6023	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) 75-1943604</td> </tr> <tr> <td>2c Sponsor's telephone number 972-409-1300</td> </tr> <tr> <td>2d Business code (see instructions) 451120</td> </tr> </table>	2b Employer Identification Number (EIN) 75-1943604	2c Sponsor's telephone number 972-409-1300	2d Business code (see instructions) 451120	
2b Employer Identification Number (EIN) 75-1943604					
2c Sponsor's telephone number 972-409-1300					
2d Business code (see instructions) 451120					

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.	10/15/2013	NIKKI KRESSE
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2013	NIKKI KRESSE
	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
Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)			Preparer's telephone number (optional)

3a Plan administrator's name and address ☒ Same as Plan Sponsor Name ☐ Same as Plan Sponsor Address		3b Administrator's EIN
		3c Administrator's telephone number
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
5 Total number of participants at the beginning of the plan year		5 250
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	25
b Retired or separated participants receiving benefits.....	6b	141
c Other retired or separated participants entitled to future benefits.....	6c	84
d Subtotal. Add lines 6a , 6b , and 6c	6d	250
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	0
f Total. Add lines 6d and 6e	6f	250
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	0
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
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 1A 1G 1I		
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics 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
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) ☒ <u>1</u> A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

SCHEDULE A (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <hr/> <small>Department of Labor Employee Benefits Security Administration</small> <hr/> <small>Pension Benefit Guaranty Corporation</small>	Insurance 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. ► Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).	OMB No. 1210-0110 <hr/> 2012 <hr/> This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning **01/01/2012** and ending **12/31/2012**

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	Information Concerning Insurance Contract Coverage, Fees, and Commissions	Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.
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1 Coverage Information:

(a) Name of insurance carrier

PRINCIPAL LIFE INSURANCE COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
42-0127290	61271	806578	250	01/01/2012	12/31/2012

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in line 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
0	0

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

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	(c) Amount	(d) Purpose	

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(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

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(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4 Current value of plan's interest under this contract in the general account at year end	4	0
5 Current value of plan's interest under this contract in separate accounts at year end	5	1891415

6 Contracts With Allocated Funds:**a** State the basis of premium rates ▶

b Premiums paid to carrier	6b	
c Premiums due but unpaid at the end of the year	6c	
d If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount. Specify nature of costs ▶	6d	

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity
(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐**7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)**

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee
(3) ☐ guaranteed investment (4) ☐ other ▶

b Balance at the end of the previous year	7b	
c Additions: (1) Contributions deposited during the year	7c(1)	
(2) Dividends and credits	7c(2)	
(3) Interest credited during the year	7c(3)	
(4) Transferred from separate account	7c(4)	
(5) Other (specify below)	7c(5)	
▶		
(6) Total additions	7c(6)	
d Total of balance and additions (add lines 7b and 7c(6))	7d	
e Deductions:		
(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	
(2) Administration charge made by carrier	7e(2)	
(3) Transferred to separate account	7e(3)	
(4) Other (specify below)	7e(4)	
▶		
(5) Total deductions	7e(5)	
f Balance at the end of the current year (subtract line 7e(5) from line 7d)	7f	0

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organizations(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

- a** ☐ Health (other than dental or vision)
 b ☐ Dental
 c ☐ Vision
 d ☐ Life insurance
e ☐ Temporary disability (accident and sickness)
 f ☐ Long-term disability
 g ☐ Supplemental unemployment
 h ☐ Prescription drug
i ☐ Stop loss (large deductible)
 j ☐ HMO contract
 k ☐ PPO contract
 l ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:

a Premiums: (1) Amount received.....	9a(1)		
(2) Increase (decrease) in amount due but unpaid.....	9a(2)		
(3) Increase (decrease) in unearned premium reserve.....	9a(3)		
(4) Earned ((1) + (2) - (3)).....		9a(4)	
b Benefit charges (1) Claims paid.....	9b(1)		
(2) Increase (decrease) in claim reserves.....	9b(2)		
(3) Incurred claims (add (1) and (2)).....		9b(3)	
(4) Claims charged.....		9b(4)	
c Remainder of premium: (1) Retention charges (on an accrual basis) --			
(A) Commissions.....	9c(1)(A)		
(B) Administrative service or other fees.....	9c(1)(B)		
(C) Other specific acquisition costs.....	9c(1)(C)		
(D) Other expenses.....	9c(1)(D)		
(E) Taxes.....	9c(1)(E)		
(F) Charges for risks or other contingencies.....	9c(1)(F)		
(G) Other retention charges.....	9c(1)(G)		
(H) Total retention.....		9c(1)(H)	
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.).....		9c(2)	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement.....		9d(1)	
(2) Claim reserves.....		9d(2)	
(3) Other reserves.....		9d(3)	
e Dividends or retroactive rate refunds due. (Do not include amount entered in line 9c(2).).....		9e	

10 Nonexperience-rated contracts:

a Total premiums or subscription charges paid to carrier.....	10a	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, line 2 above, report amount.....	10b	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

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 2012 This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

▶ **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>2012</u>	
2 Assets:	
a Market value	2a <u>1716124</u>
b Actuarial value	2b <u>1776794</u>
3 Funding target/participant count breakdown:	
a For retired participants and beneficiaries receiving payment.....	3a <u>138</u> <u>976552</u>
b For terminated vested participants.....	3b <u>212</u> <u>1168128</u>
c For active participants:	
(1) Non-vested benefits.....	3c(1) <u>0</u>
(2) Vested benefits.....	3c(2) <u>172434</u>
(3) Total active	3c(3) <u>24</u> <u>172434</u>
d Total	3d <u>374</u> <u>2317114</u>
4 If the plan is in at-risk status, check the box and complete lines (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 in at-risk status for fewer than five consecutive years and disregarding loading factor	4b
5 Effective interest rate	5 <u>6.85 %</u>
6 Target normal cost.....	6 <u>79000</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>07/19/2013</u>
Signature of actuary		Date
<u>MARIA L. CHEATHAM</u>		<u>11-05513</u>
Type or print name of actuary		Most recent enrollment number
<u>PRINCIPAL FINANCIAL GROUP</u>		<u>515-362-0453</u>
Firm name		Telephone number (including area code)
<u>PO BOX 9394</u> <u>DES MOINES, IA 50306-9394</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) 2012
v. 120126

Part II Beginning of Year Carryover Prefunding Balances		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	0
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9	Amount remaining (line 7 minus line 8)	0	0
10	Interest on line 9 using prior year's actual return of <u>-0.68%</u>	0	0
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38a from prior year)		12
b	Interest on (a) using prior year's effective interest rate of <u>5.70%</u> except as otherwise provided (see instructions)		1
c	Total available at beginning of current plan year to add to prefunding balance		13
d	Portion of (c) to be added to prefunding balance		0
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	0

Part III Funding Percentages			
14	Funding target attainment percentage	14	76.68 %
15	Adjusted funding target attainment percentage	15	76.68 %
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	66.76 %
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
04/13/2012	48802	0			
07/13/2012	48802	0			
10/15/2012	48802	0			
01/15/2013	40074	0			
07/15/2013	31492	0			
			Totals ►	18(b)	217972 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 contributions 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	207198
20 Quarterly contributions and liquidity shortfalls:		
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No	
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No	
c If line 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: 5.54%	2nd segment: 6.85%	3rd segment: 7.52 %
			☐ 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 subject to 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 contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)		31a	79000
b Excess assets, if applicable, but not greater than line 31a		31b	0
32 Amortization installments:		Outstanding Balance	Installment
a Net shortfall amortization installment		540320	128198
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 (lines 31a - 31b + 32a + 32b - 33)...		34	207198
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	0	0
36 Additional cash requirement (line 34 minus line 35)	36		207198
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37		207198
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)		38a	0
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances		38b	0
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)		39	0
40 Unpaid minimum required contributions for all years.....		40	0

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected		☐ 2 plus 7 years	☐ 15 years
b Eligible plan year(s) for which the election in line 41a was made		☐ 2008	☐ 2009 ☐ 2010 ☐ 2011
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

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
		2012
		This Form is Open to Public Inspection.

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

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
PRINCIPAL LIFE INSURANCE COMPANY

42-0127290

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
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(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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)

PRINCIPAL LIFE INSURANCE COMPANY

42-0127290

(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?
13 50 64	CONTRACT ADMINISTRATOR	20020	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☐ No ☒

(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?
13	CONTRACT ADMINISTRATOR	19958	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 ☐

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)

(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
(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
(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
(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
(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
(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)

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 D (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small>	DFE/Participating Plan 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 <hr/> 2012 <hr/> This Form is Open to Public Inspection.
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan <u>LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES</u>	B Three-digit plan number (PN)	<u>015</u>
C Plan or DFE 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	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN MONEY MARKET SA-I1</u>				
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>				
c EIN-PN <u>42-0127290-024</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>18157</u>		
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN INTL EMERG MARKETS SA-R6</u>				
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>				
c EIN-PN <u>42-0127290-013</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>270341</u>		
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN DIVERSIFIED INTL SA-R6</u>				
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>				
c EIN-PN <u>42-0127290-015</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>269005</u>		
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN LGCAP S&P 500 INDEX SA-R6</u>				
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>				
c EIN-PN <u>42-0127290-016</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>257114</u>		
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN LARGE CAP GROWTH I SA-R6</u>				
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>				
c EIN-PN <u>42-0127290-066</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>192589</u>		
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN CORE PLUS BOND I SA-R6</u>				
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>				
c EIN-PN <u>42-0127290-115</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>437752</u>		
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN INCOME SEP ACCT-R6</u>				
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>				
c EIN-PN <u>42-0127290-118</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>446458</u>		

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (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>	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.	<small>OMB No. 1210-0110</small> 2012 This Form is Open to Public Inspection
For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</u>		
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	Asset and Liability Statement		
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)	118507	71566
(2) Participant contributions	1b(2)	0	0
(3) Other	1b(3)	0	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(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)	1601063	1891415
(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)		
(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	1719570	1962981

Liabilities

g Benefit claims payable	1g	0	
h Operating payables	1h	0	
i Acquisition indebtedness	1i	0	
j Other liabilities	1j	0	
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	1719570	1962981
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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)	217972	
(B) Participants	2a(1)(B)	0	
(C) Others (including rollovers)	2a(1)(C)	0	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		217972
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	0	
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments	2b(1)(C)	0	
(D) Loans (other than to participants)	2b(1)(D)	0	
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock	2b(2)(A)	0	
(B) Common stock	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	0	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		0
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	0	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	0	
(B) Other	2b(5)(B)	0	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		219226
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		0
c Other income.....	2c		0
d Total income. Add all income amounts in column (b) and enter total.....	2d		437198

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	132699	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		132699
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)	0	
(2) Contract administrator fees	2i(2)	39978	
(3) Investment advisory and management fees	2i(3)	0	
(4) Other	2i(4)	21110	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		61088
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		193787

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		243411
l Transfers of assets:			
(1) To this plan.....	2l(1)		0
(2) From this plan	2l(2)		0

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 LLP

(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 lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

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.).....

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.).....

	Yes	No	Amount
4a		X	0
4b		X	0

	Yes	No	Amount
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	0
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	0
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.).....		X	
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)

Part V Trust Information (optional)

6a Name of trust

6b Trust's EIN

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 2012 This Form is Open to Public Inspection.
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

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
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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>42-0127290</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 (include any prior year accumulated funding deficiency not waived)	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 or other authority 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. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
--	-----------------------------------	-----------------------------------	-------------------------------	--

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

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 lines 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 lines 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 lines 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 lines 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 lines 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 lines 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 line 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 lines (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 line 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, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Leewards Pension Plan for Hourly Employees

Financial Statements and Supplemental Schedules

Years Ended December 31, 2012 and 2011

Contents

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Report of Independent Auditors

Pension Committee
Leewards Pension Plan for Hourly Employees

Report on the Financial Statements

We were engaged to audit the accompanying statements of Leewards Pension Plan for Hourly Employees, which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the entity that certified the investment information meets the requirements of 29 CFR 2520.103-8. The plan administrator has obtained certifications as of December 31, 2012 and 2011, and for the years then ended, stating that the investment information provided to the plan administrator is complete and accurate.

Disclaimer of Opinion on Financial Statements

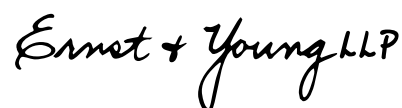
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Disclaimer of Opinion on Supplemental Schedules

The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2012, and reportable transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedules referred to above.

Report on Compliance of Form and Content With the Department of Labor's Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the certified investment information, 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.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

October 14, 2013

Leewards Pension Plan for Hourly Employees

Statements of Net Assets Available for Benefits

	December 31	
	2012	2011
Assets		
Investments:		
Pooled separate accounts	\$ 1,891,415	\$ 1,601,063
	1,891,415	1,601,063
Employer contributions receivable	71,566	118,507
Total assets	1,962,981	1,719,570
Liabilities		
Accrued administrative expenses	—	19,958
Net assets available for benefits	\$ 1,962,981	\$ 1,699,612

See accompanying notes.

Leewards Pension Plan for Hourly Employees

Statements of Changes in Net Assets Available for Benefits

	December 31	
	2012	2011
Additions		
Net appreciation (depreciation) in fair value of pooled separate accounts	\$ 219,226	\$ (17,586)
Employer contributions	217,972	207,493
Dividends, interest income, and other income	—	2,438
Total additions	<u>437,198</u>	<u>192,345</u>
Deductions		
Benefits paid to participants	132,699	131,974
Administrative expenses	41,130	69,932
Total deductions	<u>173,829</u>	<u>201,906</u>
Net increase (decrease)	263,369	(9,561)
Net assets available for benefits at beginning of year	1,699,612	1,709,173
Net assets available for benefits at end of year	<u><u>\$ 1,962,981</u></u>	<u><u>\$ 1,699,612</u></u>

See accompanying notes.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements

December 31, 2012

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. Effective February 1, 2011, Principal Financial Group (Principal Trust Company) 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 the age of 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 October 14, 2013, the date the accompanying financial statements were available to be issued.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 amended Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, to converge the fair value measurement guidance in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). 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, as defined in ASC 820. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Adoption of ASU 2011-04 did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits because the Plan does not measure the fair value of any of its assets with significant unobservable inputs (see Note 3).

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.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 \$101,328 and \$14,085 of administrative expenses on behalf of the Plan in 2012 and 2011, 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, 2012 and 2011. Additionally, the Plan's investments at December 31, 2012 and 2011, are managed by Principal Global Investors, a subsidiary of the Trustee. These transactions are exempt from the prohibited transaction rules.

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

Level 3 – Instruments with significant *unobservable* inputs

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 fair value of the pooled separate accounts is based upon the fair value of the underlying assets as determined by the issuer. Net asset value is based principally on the quoted market price of mutual funds, stocks, and other securities in the accounts on the last business day of the Plan year.

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, 2012:

	Level 1	Level 2	Level 3	Total
Investments:				
Pooled separate accounts:				
Fixed income ⁽¹⁾	\$	–	\$ 884,210	\$ 884,210
International equity ⁽²⁾		539,346		539,346
Domestic large company equity ⁽³⁾		449,702		449,702
Short-term fixed income ⁽⁴⁾		18,157		18,157
Total investments	\$	–	\$ 1,891,415	\$ 1,891,415

The table below sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Investments:				
Pooled separate accounts:				
Fixed income ⁽¹⁾	\$	–	\$ 734,606	\$ 734,606
International equity ⁽²⁾		432,080		432,080
Domestic large company equity ⁽³⁾		417,426		417,426
Short-term fixed income ⁽⁴⁾		16,951		16,951
Total investments	\$	–	\$ 1,601,063	\$ 1,601,063

⁽¹⁾ This asset class is generally comprised of investment options that invest in bonds or debt of a company or government entity (including U.S. and Non-U.S.). It may also include real estate investment options that directly own property. These investment options typically carry more risk than short-term, fixed-income investment options (including, for real estate investment options, liquidity risk), but less overall risk than equities. Redemptions of this asset class may occur on a daily basis.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

- ⁽²⁾ This asset class is comprised of investment options that invest in stocks or shares of ownership in companies with their principal place of business or office outside the United States. These investment options often carry more risk than U.S. equity investment options but may have the potential for higher returns. Redemptions of this asset class may occur on a daily basis.
- ⁽³⁾ This asset class is generally comprised of investment options that invest in stocks or shares of ownership in large, well-established, U.S. companies. These investment options typically carry more risk than fixed-income investment options but have the potential for higher returns over longer time periods. Redemptions of this asset class may occur on a daily basis.
- ⁽⁴⁾ This asset class is generally comprised of short-term, fixed-income investment options that are largely liquid and are designed to not lose much value. These investment options may include stable value, money market, short-term bond, and guaranteed interest accounts. They are considered to be among the least risky forms of investment options. However, they typically have a lower rate of return than equities or longer-term, fixed-income investment options over long periods of time. Redemptions of this asset class may occur on a daily basis.

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 2012 and 2011.

5. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated 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, 2011, are summarized below:

Interest rate	7% per year
Average retirement age	65
Mortality	2012 IRS prescribed mortality table

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 present value of accumulated plan benefits at December 31, 2011, as presented below, includes the correction of an error related to the improper exclusion of benefits attributable to certain participants in the accumulated plan benefit obligation in prior years as more fully described in Note 9.

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

	December 31 2011
Actuarial present value of accumulated benefits:	
Vested benefits:	
Participants currently receiving payments	\$ 958,822
Other participants	1,336,582
	<u>2,295,404</u>
Nonvested benefits	<u>—</u>
Total actuarial present value of accumulated plan benefits	<u><u>\$ 2,295,404</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, 2010 and 2011, were as follows:

Actuarial present value of plan benefits, December 31, 2010	\$ 2,204,691
Benefits accumulated and plan experience	72,517
Benefits paid	(131,974)
Interest accretion	150,170
Actuarial present value of plan benefits, December 31, 2011	<u>\$ 2,295,404</u>

6. Investments

All investment information disclosed in the accompanying financial statements and supplemental schedules, including investments held at December 31, 2012 and 2011, and net appreciation (depreciation) in the fair value of pooled separate accounts and dividends, interest income, and other 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 Principal Trust Company.

The Plan provides for investments in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and 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>2012</u>	<u>2011</u>
Principal Income Fund	\$ 446,458	\$ 369,468
Principal Core Plus Bond Fund	437,752	365,138
Principal International Emerging Market Fund	270,341	214,557
Principal Diversified International Fund	269,005	217,523
Principal Large Cap S&P Index Fund	257,113	267,683
Principal Large Cap Growth Fund	192,589	149,743

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 participants 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 has indicated that it will take the necessary steps to bring the Plan's operations into compliance with the IRC.

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, 2012 and 2011, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

8. Tax Status (continued)

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 2009.

9. Voluntary Correction Program Filing

In 2012, the plan administrator identified certain operational failures that, if not corrected, could have affected the tax-qualified status of the Plan and its related trust. During 2012, the Plan administrator filed a Voluntary Correction Program (VCP) request under the IRS Employee Plans Compliance Resolution System (EPCRS) as provided for under Revenue Procedure 2008-50 to correct the operational failures described below.

The plan administrator determined that the Plan failed to make distributions to certain participants who were past their normal or late retirement dates. Additionally, certain deceased participants may be entitled to spousal benefits under the Plan that were due at the participant's date of death but never paid. Further, these two failures were not properly valued in the Plan's accumulated plan benefit obligation as of December 31, 2009, by the Plan's prior actuary. The impact of these two failures on the accumulated plan benefit obligation as of December 31, 2009, was approximately \$304,000. As a result, the plan administrator filed a VCP request to offer the optional forms of payment that were available on the affected participant's normal or late retirement date according to the terms of the Plan. In addition, a request to offer lump-sum payments to participants or beneficiaries was included to correct these failures. Currently, the Plan only allows for annuity payments, except in the case of an automatic lump-sum payment of small amounts, as defined by the Plan. The reported accumulated plan benefit obligation as of December 31, 2011 and 2010, was determined using preliminary assumptions about the VCP proposal in its current form; however, subsequent assumption changes in the VCP proposal were offsetting such that the net effect to the accumulated plan benefit obligation was immaterial. In June, 2013, the IRS requested additional information and the Plan Sponsor provided the requested information to the IRS. The Plan Sponsor received an enforcement resolution statement from the IRS dated September 11, 2013, related to the proposed correction methods for the operational failures discussed above. The Plan will retain its tax qualification status. The Plan Sponsor plans to work with the plan administrator to implement the proposed correction methods.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

10. 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	
	2012	2011
Net assets available for benefits per the financial statements	\$ 1,962,981	\$ 1,699,612
Add: accrued administrative expenses	–	19,958
Net assets available for benefits per the Form 5500	<u>\$ 1,962,981</u>	<u>\$ 1,719,570</u>

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

	December 31 2012
Net increase per the financial statements	\$ 263,369
Less: accrued administrative fees at December 31, 2011	(19,958)
Net increase per the Form 5500	<u>\$ 243,411</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, 2012

(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
*	Principal Global Investors	Income Fund	\$ 395,959	\$ 446,458
*	Principal Global Investors	Core Plus Bond Fund	395,582	437,752
*	Principal Global Investors	International Emerging Market Fund	257,239	270,341
*	Principal Global Investors	Diversified International Fund	256,938	269,005
*	Principal Global Investors	Large Cap S&P Index Fund	233,526	257,113
*	Principal Global Investors	Large Cap Growth Fund	177,579	192,589
*	Principal Global Investors	Money Market Fund	18,198	18,157
			<u>\$ 1,735,021</u>	<u>\$ 1,891,415</u>

*Indicates a party-in-interest to the Plan

Leewards Pension Plan for Hourly Employees

EIN: 75-1943604 Plan: 015

Schedule H; Line 4j – Schedule of Reportable Transactions

Year Ended December 31, 2012

(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)
<i>Category (iii) – Series of transactions in excess of 5% of beginning Plan assets:</i>						
Principal Global Investors	Large Cap S&P Index Fund	\$ 52,983	\$ –	\$ 52,983	\$ 52,983	\$ –
Principal Global Investors	Large Cap S&P Index Fund	–	102,163	95,815	102,163	7,348

There were no Category (i), (ii), or (iv) reportable transactions during the year ended December 31, 2012. Columns (e) and (f) are not applicable.

Ernst & Young LLP

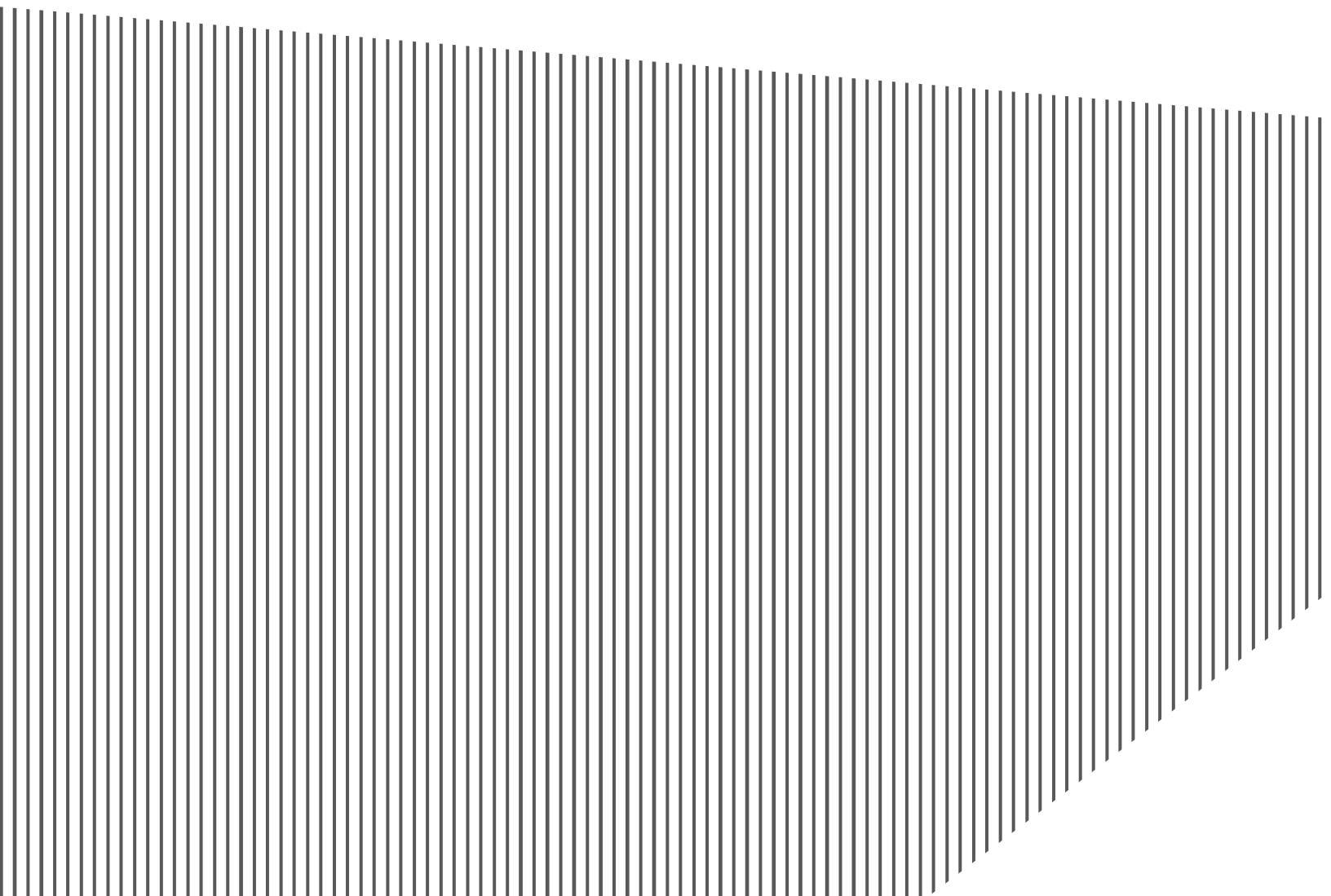
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Schedule SB, Line 26 - Schedule of Active Participant Data
 LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
 EIN 75-1943604 Plan No. 015

Form 5500 - Schedule of Active Participation Data							Valuation Date 01/01/2012			
YEARS OF CREDITED SERVICE										
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up
Attained Age	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	2	1	0	0	0
50 to 54	0	0	0	1	0	2	0	1	0	0
55 to 59	0	0	0	0	0	5	2	0	1	0
60 to 64	0	0	0	0	0	3	2	1	1	0
65 to 69	0	0	0	0	0	0	0	0	0	0
70 & up	0	0	0	0	0	1	0	0	1	0

Schedule SB, Part V - Statement of Actuarial Assumptions/Methods
 LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
 EIN 75-1943604 Plan No. 015

Assumptions Prescribed by Law									
Mortality	<p><u>During Benefit Payment Period</u> IRS Prescribed Mortality - Generational Annuitant, male and female.</p> <p><u>Before Benefit Payment Period</u> IRS Prescribed Mortality - Generational Non-annuitant, male and female.</p>								
Assumptions Selected by Actuary									
Asset Return	7.0% for the 2012 plan year (which will affect 1/1/2013 Actuarial Value of Assets).								
Expected Expense	\$79,000 included in Target Normal Cost.								
Retirement Age	Normal Retirement Age as defined in Plan Provisions								
Disability	<p>Custom Table</p> <p>Selected rates of withdrawal are shown below:</p> <table border="1"> <thead> <tr> <th>Age</th><th>Rate of disability</th></tr> </thead> <tbody> <tr> <td>25</td><td>0.06%</td></tr> <tr> <td>40</td><td>0.10%</td></tr> <tr> <td>55</td><td>0.69%</td></tr> </tbody> </table>	Age	Rate of disability	25	0.06%	40	0.10%	55	0.69%
Age	Rate of disability								
25	0.06%								
40	0.10%								
55	0.69%								
Marriage	100% married; husbands are 3 years older than wives.								
Withdrawal	<p>Custom Table</p> <p>Selected rates of withdrawal are shown below:</p> <table border="1"> <thead> <tr> <th>Age</th><th>Rate of withdrawal</th></tr> </thead> <tbody> <tr> <td>25</td><td>23.8%</td></tr> <tr> <td>40</td><td>12.2%</td></tr> <tr> <td>55</td><td>4.5%</td></tr> </tbody> </table>	Age	Rate of withdrawal	25	23.8%	40	12.2%	55	4.5%
Age	Rate of withdrawal								
25	23.8%								
40	12.2%								
55	4.5%								
Form of Benefit	Participants are assumed to receive their benefits on the normal form at the assumed retirement age.								
Methods Prescribed by Law									
Liability Measure	Funding target is the present value of the benefits accrued on the valuation date. Target Normal Cost is based on benefits expected to accrue during the current plan year and includes an estimate of plan expenses for the year.								

Methods Selected by Plan Sponsor	
Asset Method	<p>The asset valuation method is prescribed by law for plans that elect to use a value other than market value.</p> <p>For each of the preceding two years, an expected value of assets at the end of the year is compared to the end of year market value. The resulting gain or loss is recognized evenly over three plan years.</p> <p>The expected value includes contributions, distributions, any deducted administrative expenses, and expected earnings (based on the lesser of the assumed interest rate or the Maximum Allowable Rate). The deferred gains and losses are added to the current market value and then restricted to no more than 110% and no less than 90% of that market value.</p> <p>When actual returns exceed the assumed return, the actuarial value of assets will lag below market value. The lag and the smoothing effect are limited since the value must be within 10% of market value.</p>
Segment Rates	24 month average with no weighting to prior law basis. Use rates where December is the last month included in the average.
PBGC Premium Basis	Premiums are calculated using the funding segment rates used for the plan year without the MAP-21 interest rate corridor defined in IRC §430(h)(2)(C)(iv). This method was elected with the 01/01/2010 plan year and must continue for five years before a change can be made.
Methods Elected by Actuary	
Retirees	Assets and liabilities for current and future retirees are included.
HCE Benefit Payment Restrictions	<p>A ratio of the market value of assets and funding target is used to determine if restrictions apply. Assets and Funding Target are as of the valuation date and are reduced by:</p> <ul style="list-style-type: none"> • any retiree benefit index or floor • amounts for HCEs who were previously restricted • an amount for the retiring HCE <p>The Funding Target is not based on the MAP-21 interest rate corridor defined in IRC §430(h)(2)(C)(iv).</p>
Vested Benefits	<p>A benefit is included in vested benefits when the participant will meet age and service eligibility requirements at the valuation date. The benefit is multiplied by the participant's vesting percentage applicable to each benefit on the valuation date.</p> <p>The following ancillary benefits are always treated as nonvested: disability benefits payable to retirement age unless in pay status, and pre-retirement death benefits in excess of the Survivor Annuity Death Benefit except as noted in the Plan Provisions.</p>

Schedule SB, Part V - Statement of Actuarial Assumptions/Methods
LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
EIN 75-1943604 Plan No. 015

Assumptions and Methods Elected by Actuary Plan Accounting (ASC 960)	
With the exceptions below, all assumptions and methods are the same as those used in determining your plan's regular Funding Target and Target Normal Cost.	
Interest Rate Used to Value Liabilities	7.00%

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 2012 This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

► **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	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">B Three-digit plan number (PN) ►</td> <td style="width:30%; text-align: center;">015</td> </tr> </table>	B Three-digit plan number (PN) ►	015
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.	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td>D Employer Identification Number (EIN) 75-1943604</td> </tr> </table>	D Employer Identification Number (EIN) 75-1943604	
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>01</u> Day <u>01</u> Year <u>2012</u>			
2 Assets:			
a Market value	2a		1716124
b Actuarial value	2b		1776794
3 Funding target/participant count breakdown:			
		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment	3a	138	976552
b For terminated vested participants	3b	212	1168128
c For active participants:			
(1) Non-vested benefits	3c(1)		0
(2) Vested benefits	3c(2)		172434
(3) Total active	3c(3)	24	172434
d Total	3d	374	2317114
4 If the plan is in at-risk status, check the box and complete lines (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 in at-risk status for fewer than five consecutive years and disregarding loading factor	4b		
5 Effective interest rate	5		6.85 %
6 Target normal cost	6		79000

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	<div style="text-align: center;"> Signature of actuary </div> <div style="text-align: center;"> Maria L. Cheatham Type or print name of actuary </div> <div style="text-align: center;"> Principal Financial Group Firm name </div> <div style="text-align: center;"> PO Box 9394 Des Moines, IA 50306-9394 Address of the firm </div>	<div style="text-align: center;"> Date </div> <div style="text-align: center;"> 1105513 Most recent enrollment number </div> <div style="text-align: center;"> 515-362-0453 Telephone number (including area code) </div>
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Part II Beginning of Year Carryover Prefunding Balances		
	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	0
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8)	0	0
10 Interest on line 9 using prior year's actual return of <u>-0.68 %</u>	0	0
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		12
b Interest on (a) using prior year's effective interest rate of <u>5.70 %</u> except as otherwise provided (see instructions)		1
c Total available at beginning of current plan year to add to prefunding balance		13
d Portion of (c) to be added to prefunding balance		0
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	0

Part III Funding Percentages		
14 Funding target attainment percentage	14	76.68 %
15 Adjusted funding target attainment percentage	15	76.68 %
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	66.76 %
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
04/13/2012	48802	0			
07/13/2012	48802	0			
10/15/2012	48802	0			
01/15/2013	40074	0			
07/15/2013	31492	0			
			Totals ▶	18(b)	217972
				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 contributions 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	207198

20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If line 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: 5.54 %	2nd segment: 6.85 %	3rd segment: 7.52 %
			☐ 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 subject to 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 contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)		31a	79000
b Excess assets, if applicable, but not greater than line 31a		31b	0
32 Amortization installments:		Outstanding Balance	Installment
a Net shortfall amortization installment		540320	128198
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 (lines 31a - 31b + 32a + 32b - 33) ..		34	207198
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	0	0	0
36 Additional cash requirement (line 34 minus line 35)		36	207198
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)		37	207198
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)		38a	0
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances		38b	0
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)		39	0
40 Unpaid minimum required contributions for all years		40	0

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected		☐ 2 plus 7 years ☐ 15 years	
b Eligible plan year(s) for which the election in line 41a was made		☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011	
42 Amount of acceleration adjustment		42	
43 Excess installment acceleration amount to be carried over to future plan years		43	

Schedule SB, Line 2a - Explanation of Assets
LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
EIN 75-1943604 Plan No. 015

The market value of assets on line 2a does not equal assets shown on Schedule H, Schedule I or Form 5500-SF. Schedule H, Schedule I and Form 5500-SF use the full value of contributions received after plan year end. Line 2a includes the value of \$118,507 contributions received after the plan year end with a discounted value of \$115,061.

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Schedule SB, Line 22 - Description Of Weighted Average Retirement Age
LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
EIN 75-1943604 Plan No. 015

All active participants are expected to retire at the plan's assumed retirement age.

Schedule SB, Part V - Summary of Plan Provisions
 LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
 EIN 75-1943604 Plan No. 015

This report reflects the maximum benefit limits under Internal Revenue Code (IRC) Section 415 and maximum compensation limits under IRC Section 401 in effect on the first day of each plan year.

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document. This report reflects the provisions of the plan signed 12/30/2009.

Plan Eligibility	
Age	Attained age 21.
Service	One year of service in which at least 1,000 hours worked.
Class	<p>Hourly employee excluding employees</p> <ul style="list-style-type: none"> • whose compensation is wholly on a commission basis, • paid wholly on the basis of a retainer or fee, • paid on a salary basis, • represented for collective bargaining purposes • part of a group of individuals who have become employees of the company by reason of acquisition or because of the liquidation of a subsidiary or affiliated business entity <p>No new participant shall become an active participant on or after May 5, 1992.</p>

Normal Retirement Benefit	
Age	Attained age 65.
Form	<p>For single participants: Monthly annuity payable for life (optional forms may be elected in advance of retirement).</p> <p>For married participants: 50% Qualified Joint and Survivor annuity (optional forms may be elected in advance of retirement).</p>
Amount (accrued benefit)	<p>\$7 times the total Years of Benefit Service for participants terminating on or after June 1, 1984.</p> <p>Benefits froze effective May 5, 1992.</p>

Schedule SB, Part V - Summary of Plan Provisions
 LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
 EIN 75-1943604 Plan No. 015

Early Retirement Benefit	
Age	Attained age 55.
Service	10 years of eligibility service
Form	Same as normal retirement benefit
Amount	<p>Active participant: Accrued benefit on early retirement date reduced by 2% for each year up to three years plus 4% for each year thereafter that the early retirement date precedes normal retirement date.</p> <p>Inactive participant: Accrued benefit on early retirement date reduced by 6% for each year up to five years plus 4% for each year thereafter that the early retirement date precedes normal retirement date.</p>

Late Retirement Benefit	
Age	No maximum age
Form	Same as normal retirement benefit.
Amount	Greater of accrued benefit on normal retirement date actuarially increased to late retirement date or accrued benefit on late retirement date.

Termination Benefit	
Vesting Percentage	100% after five years of vesting service.
Form	Same as normal retirement benefit with income deferred until normal retirement date
Amount	Accrued benefit on date of termination multiplied by the vesting percentage.

Disability Benefit	
Service	Active participant with 10 years of eligibility service
Form	Same as normal retirement benefit.
Amount	Accrued benefit on date of disability.

Death Benefit	
Eligibility	Qualified married participant fully or partially vested in an accrued benefit.
Form	Monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death
Amount	If death occurs, the amount paid to the surviving spouse is equal to the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day

Definitions	
Optional Forms of Benefit Payments	<p>The optional forms of benefit payments are:</p> <ul style="list-style-type: none"> • Monthly annuity payable for life, or 10 years certain and life • Monthly annuity payable as a survivorship life annuity with survivorship percentages of 50, 75, or 100 <p>The optional form conversion basis is 7.5% interest and the UP1984 Group Annuity Mortality Table for payments other than lump sums.</p>

The 2012 Funding Target includes an estimate of back-payments that the plan sponsor has proposed to make to inactive plan participants who did not receive their benefits in a timely manner. A filing under the Voluntary Compliance Program (VCP) has been submitted to the IRS to correct this operational failure. For purposes of this report, we had assumed interest on the back payments would be 5%, as proposed.

Changes in Principal Eligibility or Benefit Provisions

There have been no changes in principal eligibility or benefit provisions since the last valuation.

Significant Event

The enrolled actuary has not been made aware that any significant events have occurred during the year.

Schedule SB, Line 32 - Schedule of Amortization Bases
 LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
 EIN 75-1943604 Plan No. 015

Shortfall			
Date Created	Present Value	Remaining Years	Annual Charge
01/01/2012	\$(113,747)	7	\$(19,306)
01/01/2011	411,622	6	78,856
01/01/2010	(62,968)	5	(13,987)
01/01/2009	305,413	4	82,635
Total	\$540,320		\$128,198

Last year's total shortfall annual charge was \$147,504.

The total annual charge used in calculating your Annual Cost cannot be less than zero.

Waiver			
Date Created	Present Value	Remaining Years	Annual Charge
N/A	N/A	N/A	N/A

There are no waiver bases for the current year.

SCHEDULE H, line 4j - SCHEDULE OF REPORTABLE TRANSACTIONS

LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES

EIN 75 1943604
PLAN NUMBER 015
PLAN YEAR 01/01/2012 TO 12/31/2012

DESCRIPTION OF ASSET	(A) Total Number of Purchases	(B) Total Number of Sales	(C) Total Value of Purchases	(D) Total Value of Sales	(E) Net Gain/(Loss)
Pooled Separate Accounts PRINCIPAL LARGE CAP S&P 500 IND	5		\$ 52,982.60		\$ 0.00
Pooled Separate Accounts PRINCIPAL LARGE CAP S&P 500 IND		32		\$ 102,162.54	\$ 6,522.28

* Schedule is prepared using the alternative way of reporting (iii) series transactions under DOL Regulation 2520.103-6(d)(2).

SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES

EIN 75 1943604
 PLAN NUMBER 015
 PLAN YEAR 01/01/2012 TO 12/31/2012

(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
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN CORE PLUS BOND I SA-R6	\$ 394,772.36	\$ 437,751.83
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN DIVERSIFIED INTL SA-R6	\$ 257,028.40	\$ 269,004.91
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN INCOME SEP ACCT-R6	\$ 395,025.19	\$ 446,458.02
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN INTL EMERG MARKETS SA-R6	\$ 257,423.61	\$ 270,341.13
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LARGE CAP GROWTH I SA-R6	\$ 177,283.75	\$ 192,588.62
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LG CAP S&P 500 INDEX SA-R6	\$ 232,700.03	\$ 257,113.50
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN MONEY MARKET SA-I1	\$ 18,198.77	\$ 18,157.13

