

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 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2016 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>			
A This return/report is for:	☐ a multiemployer plan	☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)	
	☒ a single-employer plan	☐ a DFE (specify) _____	
B This return/report is:	☐ the first return/report	☐ the final return/report	
	☐ an amended return/report	☐ a short plan year return/report (less than 12 months)	
C If the plan is a collectively-bargained plan, check here.	☐		
D Check box if filing under:	☒ Form 5558	☐ automatic extension	☐ the DFVC program
	☐ special extension (enter description)		

Part II	Basic Plan Information —enter all requested information		
1a Name of plan <u>LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES</u>	1b Three-digit plan number (PN) ►	<u>015</u>	
	1c Effective date of plan	<u>06/01/1971</u>	
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>MICHAELS STORES, INC.</u> <u>8000 BENT BRANCH DRIVE</u> <u>IRVING, TX 75063-6023</u>	2b Employer Identification Number (EIN) <u>75-1943604</u>		
	2c Plan Sponsor's telephone number <u>972-409-1300</u>		
	2d Business code (see instructions) <u>451120</u>		

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

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

SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>08/07/2017</u>	<u>SHARON BROWN</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>08/07/2017</u>	<u>SHARON BROWN</u>
	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)			Preparer's telephone number

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

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3a Plan administrator's name and address ☒ Same as Plan Sponsor	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	5 210
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).	
a(1) Total number of active participants at the beginning of the plan year.....	6a(1) 14
a(2) Total number of active participants at the end of the plan year	6a(2) 14
b Retired or separated participants receiving benefits.....	6b 149
c Other retired or separated participants entitled to future benefits	6c 29
d Subtotal. Add lines 6a(2) , 6b , and 6c	6d 192
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	6e 0
f Total. Add lines 6d and 6e	6f 192
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: 1B 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)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2016 Form M-1 annual report. If the plan was not required to file the 2016 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

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/> 2016 <hr/> This Form is Open to Public Inspection
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For calendar plan year 2016 or fiscal plan year beginning **01/01/2016** and ending **12/31/2016**

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	192	01/01/2016	12/31/2016

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

(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	

(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	1303167

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**6d**

Specify nature of costs ▶

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. Specify nature of costs.	10b	

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 2016 This Form is Open to Public Inspection
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

▶ **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>2016</u>	
2 Assets:	
a Market value	2a <u>1358942</u>
b Actuarial value	2b <u>1442392</u>
3 Funding target/participant count breakdown	
a For retired participants and beneficiaries receiving payment	(1) Number of participants <u>153</u> (2) Vested Funding Target <u>1038402</u> (3) Total Funding Target <u>1038402</u>
b For terminated vested participants	<u>82</u> <u>348759</u> <u>348759</u>
c For active participants	<u>15</u> <u>60600</u> <u>60600</u>
d Total	<u>250</u> <u>1447761</u> <u>1447761</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>5.89 %</u>
6 Target normal cost	6 <u>57600</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>05/30/2017</u>
	Signature of actuary	Date
<u>LINDA M. KIRK</u>	Type or print name of actuary	<u>17-06140</u>
<u>PRINCIPAL FINANCIAL GROUP</u>	Firm name	Most recent enrollment number
<u>PO BOX 9394</u> <u>DES MOINES, IA 50306-9394</u>	Address of the firm	<u>515-248-2947</u>
		Telephone number (including area code)

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, see the Instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2016
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Part II Beginning of Year Carryover and Prefunding Balances		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (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>0.56</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)		4
b(1)	Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>6.10</u> %		0
b(2)	Interest on line 38b from prior year Schedule SB, using prior year's actual return		0
c	Total available at beginning of current plan year to add to prefunding balance		4
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	99.62%
15	Adjusted funding target attainment percentage	15	99.62%
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	92.45%
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
04/15/2016	44475	0			
07/15/2016	44475	0			
04/17/2017	22755	0			
Totals ▶			18(b)	111705	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	108019
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
0	0	0
		(4) 4th 0

Part V	Assumptions Used to Determine Funding Target and Target Normal Cost					
21	Discount rate:					
a	Segment rates:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">1st segment: 4.43%</td> <td style="width: 33%;">2nd segment: 5.91%</td> <td style="width: 33%;">3rd segment: 6.65%</td> </tr> </table>	1st segment: 4.43%	2nd segment: 5.91%	3rd segment: 6.65%	☐ N/A, full yield curve used
1st segment: 4.43%	2nd segment: 5.91%	3rd segment: 6.65%				
b	Applicable month (enter code)	21b	4			
22	Weighted average retirement age	22	67			
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	57600			
b	Excess assets, if applicable, but not greater than line 31a	31b	0			
32	Amortization installments:	Outstanding Balance	Installment			
a	Net shortfall amortization installment	5369	30064			
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	87664			
		Carryover balance	Prefunding balance			
35	Balances elected for use to offset funding requirement	0	0			
36	Additional cash requirement (line 34 minus line 35)	36	87664			
37	Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	108019			
38	Present value of excess contributions for current year (see instructions)					
a	Total (excess, if any, of line 37 over line 36)	38a	20355			
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) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	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 <div style="text-align: center; font-size: 1.2em;">2016</div> This Form is Open to Public Inspection.
For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016		
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 disclosures 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	32786	Yes ☒ No ☐	Yes ☒ No ☐	0	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 ☐

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 <div style="text-align: center; font-size: 1.2em; font-weight: bold;">2016</div> This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

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)		
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>9074</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN INTL SMALLCAP SEP ACCT-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-014</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>10540</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN U.S. PROPERTY SEP ACCT-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-027</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>77960</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>206684</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN SMCAP S&P 600 INDEX SA-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-028</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>6424</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN MIDCAP S&P 400 IDX SA-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-023</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>18046</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN LDI LONG DURATION SA-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-104</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>196076</u>	

a Name of MTIA, CCT, PSA, or 103-12 IE: [PRINCIPAL OVERSEAS SEP ACCT-R6](#)**b** Name of sponsor of entity listed in (a): [PRINCIPAL LIFE INSURANCE COMPANY](#)

c EIN-PN 42-0127290-116	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 58341
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a Name of MTIA, CCT, PSA, or 103-12 IE: [PRINCIPAL DIV REAL ASSET SA-R6](#)**b** Name of sponsor of entity listed in (a): [PRINCIPAL LIFE INSURANCE COMPANY](#)

c EIN-PN 42-0127290-123	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0
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a Name of MTIA, CCT, PSA, or 103-12 IE: [PRIN LDI SHORT DUR SEP ACCT-R6](#)**b** Name of sponsor of entity listed in (a): [PRINCIPAL LIFE INSURANCE COMPANY](#)

c EIN-PN 42-0127290-127	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 96443
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a Name of MTIA, CCT, PSA, or 103-12 IE: [PRIN LDI INTRM DUR SEP ACCT-R6](#)**b** Name of sponsor of entity listed in (a): [PRINCIPAL LIFE INSURANCE COMPANY](#)

c EIN-PN 42-0127290-128	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 623580
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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)
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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)
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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)
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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)
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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)
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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)
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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
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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) Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2016
		This Form is Open to Public Inspection

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016		
A Name of plan LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES	B Three-digit plan number (PN) ►	015
C Plan sponsor's name as shown on line 2a of Form 5500 MICHAELS STORES, INC.	D Employer Identification Number (EIN) 75-1943604	

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

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	65969	22755
(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)	1293747	1303167
(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	1359716	1325922

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	1359716	1325922
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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)	111705	
(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)		111705
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)		96959
(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		208664

Expenses**e** Benefit payment and payments to provide benefits:

(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	183944	
(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)		183944
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)	32786	
(3) Investment advisory and management fees.....	2i(3)	0	
(4) Other	2i(4)	25728	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		58514
j Total expenses. Add all expense amounts in column (b) and enter total	2j		242458

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-33794
l Transfers of assets:			
(1) To this plan.....	2l(1)		0
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

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

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

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

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

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

(1) Name: ERNST & YOUNG

(2) EIN: 34-6565596

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

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

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 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.)	4c		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.)	4d		X	0
e Was this plan covered by a fidelity bond?	4e	X		10000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		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?	4g		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?	4h		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.)	4i	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.)	4j	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?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?	4l	X		67512
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m			
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.	4n			
o Defined Benefit Plan or Money Purchase Pension Plan Only: Were any distributions made during the plan year to an employee who attained age 62 and had not separated from service?	4o			

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: 0

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)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ☒ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year 4015318. (See instructions.)

Part V Trust Information

6a Name of trust	6b Trust's EIN
6c Name of trustee or custodian PRINCIPAL	6d Trustee's or custodian's telephone number

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 sections 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 2016 This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

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

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

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

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>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>17</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.)
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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
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2016
v. 160205

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
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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): _____	

Part VII	IRS Compliance Questions
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20a Is the plan a 401(k) plan? If "No," skip b	☐ Yes ☐ No
20b How did the plan satisfy the nondiscrimination requirements for employee deferrals under section 401(k)(3) for the plan year? Check all that apply:	☐ Design-based safe harbor ☐ "Prior year" ADP test ☐ "Current year" ADP test ☐ N/A
21a What testing method was used to satisfy the coverage requirements under section 410(b) for the plan year? Check all that apply:	☐ Ratio percentage test ☐ Average benefit test ☐ N/A
21b Did the plan satisfy the coverage and nondiscrimination requirements of sections 410(b) and 401(a)(4) for the plan year by combining this plan with any other plan under the permissive aggregation rules?	☐ Yes ☐ No
22a If the plan is a master and prototype plan (M&P) or volume submitter plan that received a favorable IRS opinion letter or advisory letter, enter the date of the letter / / and the serial number .	
22b If the plan is an individually-designed plan that received a favorable determination letter from the IRS, enter the date of the most recent determination letter / / .	

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

Leewards Pension Plan for Hourly Employees
Years Ended December 31, 2016 and 2015
With Report of Independent Auditors

Leewards Pension Plan for Hourly Employees
Financial Statements and Supplemental Schedules
Years Ended December 31, 2016 and 2015

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Report of Independent Auditors

The Pension Committee
Leewards Pension Plan for Hourly Employees

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Leewards Pension Plan for Hourly Employees, which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, 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 certified 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, 2016 and 2015, 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, 2016, 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.

Ernst & Young LLP

July 28, 2017

Leewards Pension Plan for Hourly Employees

Statements of Net Assets Available for Benefits

	December 31,	
	2016	2015
Assets		
Investments		
Pooled separate accounts	\$ 1,303,167	\$ 1,293,747
	1,303,167	1,293,747
Employer contributions receivable	22,755	65,969
Total assets	1,325,922	1,359,716
Net assets available for benefits	\$ 1,325,922	\$ 1,359,716

See accompanying notes.

Leewards Pension Plan for Hourly Employees

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31,	
	2016	2015
Additions		
Net appreciation in fair value of pooled separate accounts	\$ 96,959	\$ 8,447
Employer contributions	111,705	186,053
Total additions	208,664	194,500
Deductions		
Benefits paid to participants	183,944	516,849
Administrative expenses	58,514	61,641
Total deductions	242,458	578,490
Net decrease	(33,794)	(383,990)
Net assets available for benefits:		
Beginning of year	1,359,716	1,743,706
End of year	<u>\$ 1,325,922</u>	<u>\$ 1,359,716</u>

See accompanying notes.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements

December 31, 2016 and 2015

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 (“Plan Administrator”). Principal Trust Company, a member of the 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, May 5, 1992.

Plan Termination

In October 2016, the Plan Sponsor’s Board of Directors approved an amendment to terminate the Plan effective December 31, 2016. 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. The majority of the benefit payments will be provided for by the then-existing net assets of the Plan with additional funding from the Company as needed.

As a result of the termination, each affected participant’s accrued benefit to the date of termination, to the extent funded, becomes fully vested and nonforfeitable. In accordance with the amendment to terminate the Plan, benefit obligations will be satisfied with distribution of plan assets available for benefits through the purchase of annuity contracts from an insurer or single lump-sum payments.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

1. Description of Plan (continued)

The Company determined that termination was not considered to be imminent as regulatory approval is pending; therefore, liquidation basis accounting was not applied. The amendment to terminate the Plan is not included in the actuarial present value of accumulated plan benefits in Note 5.

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 are 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 prior to the freeze, 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

Early Retirement

Participants with 10 or more years of eligible service prior to the freeze 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.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

1. Description of Plan (continued)

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

Prior to Plan termination, participants who have been deemed eligible for disability under the provisions of the Social Security Act, as amended, and who have completed ten or more years of eligible service are entitled to disability benefits, computed on the same basis as normal retirement, with benefit service payable for life. 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 prior to the freeze, a participant is entitled to benefit payments computed the same as for normal retirement, with years of benefit service computed to the earlier of the date of termination or the date of the freeze. 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. As a result of Plan termination, benefits can be paid in a single lump sum.

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 July 28, 2017, the date the accompanying financial statements were available to be issued.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

Investments are valued at fair value. As defined in Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements* (“ASC 820”), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 3 for further discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Net appreciation includes the Plan’s gains and losses on investments bought and sold as well as held during the year.

Use of Estimates

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

Administrative Expenses

All fees associated with the administration and maintenance of the Plan and its records may be paid by the Plan or by the Plan Sponsor at the discretion of the Plan Sponsor. The Plan Sponsor pays administrative fees on behalf of the Plan including audit and additional actuarial fees. The Plan Sponsor also furnishes the Plan with administrative and clerical services and use of office space and supplies at no charge.

Related Party and Parties-In-Interest Transactions

Michaels Stores, Inc., the Plan Sponsor, paid certain administrative fees on behalf of the Plan for the years ended December 31, 2016 and 2015. Additionally, the Plan’s investments at December 31, 2016 and 2015, 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

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

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 net asset value ("NAV") as determined by the issuer.

All investments are measured at fair value using the NAV (or its equivalent) practical expedient and, therefore, have not been categorized in the fair value hierarchy tables. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value to the amounts presented in the Statements of Net Assets Available for Benefits.

Below are the Plan's assets at net asset value as of December 31, 2016:

Investments:

Pooled separate accounts	
Fixed Income ⁽¹⁾	\$ 819,656
Domestic large company equity ⁽²⁾	206,684
Short-term fixed income ⁽³⁾	96,443
International equity ⁽⁵⁾	77,954
Real estate ⁽⁶⁾	77,960
Domestic small/mid company equity ⁽⁷⁾	24,470
Total investments	<u>\$ 1,303,167</u>

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

Below are the Plan's assets at net asset value as of December 31, 2015:

Investments:

Pooled separate accounts	
Fixed Income ⁽¹⁾	\$ 800,310
Domestic large company equity ⁽²⁾	175,849
Short-term fixed income ⁽³⁾	98,769
Balanced/asset allocation ⁽⁴⁾	65,222
International equity ⁽⁵⁾	65,162
Real estate ⁽⁶⁾	67,881
Domestic small/mid company equity ⁽⁷⁾	20,554
Total investments	<u>\$ 1,293,747</u>

⁽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.). These investment options typically carry more risk than short-term, fixed-income investment options, but less overall risk than equities. There are no redemption restrictions for this asset class.

⁽²⁾This asset class is generally comprised of investment options that invest in stocks or shares of ownership in large, well-established, U.S. companies that compose the S&P 500 Index. These investment options typically carry more risk than fixed-income investment options but have the potential for higher returns over longer time periods. The fund attempts to mirror the investment performance of the S&P 500 Index by allocating assets in approximately the same weightings as the S&P 500 Index. This fund allows one transfer, including all participant directed transfers out of this investment, every 30 days.

⁽³⁾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 fixed income securities considered to be investment grade quality, U.S. Treasury bonds, bills and notes and obligations of federal agencies. 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. There are no redemption restrictions for this fund.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

- ⁽⁴⁾This asset class is generally comprised of investments related to real assets and real asset companies and seeks a long-term total return in excess of inflation. The fund seeks to achieve its investment objective by allocating its assets among general investment categories related to real assets and real asset companies. This fund allows one transfer, including all participant directed transfers out of this investment, every 30 days.
- ⁽⁵⁾This asset class is generally 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. This fund allows one transfer, including all participant directed transfers out of this investment, every 30 days.
- ⁽⁶⁾This asset class is generally comprised of commercial real estate holdings primarily from the multi-family, office, manufacturing and retail sectors. This fund focuses on properties that return both lease income and appreciation of the buildings' marketable value and is therefore subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. This fund allows one transfer, including all participant directed transfers out of this investment, every 30 days.
- ⁽⁷⁾This asset class is generally comprised of investment options that invest in stocks or shares of ownership in small or medium-sized U.S. companies that compose the S&P SmallCap 600 Index or the S&P MidCap 400 Index. The fund attempts to mirror the investment performance of these indices by allocating assets in approximately the same weightings. This fund allows one transfer, including all participant directed transfers out of this investment, every 30 days.

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 2016 and 2015.

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

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

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

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.

The significant actuarial assumptions used in determining accumulated plan benefits as of December 31, 2015, are summarized below:

Interest rate	5.50% per year
Average retirement age	65
Mortality	RP-2014 mortality table with RPEC-2014-v2011 improvement model, a 10-year convergence period, and long-term improvements as published in the Social Security Administration Trustees Report for 2014

The significant actuarial assumptions used in determining accumulated plan benefits as of December 31, 2014, are summarized below:

Interest rate	6.00% per year
Average retirement age	65
Mortality	RP-2014 mortality table with RPEC-2014 improvement model, a 10-year convergence period, and long-term improvements as published in the Social Security Administration Trustees Report for 2014

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. The actuary estimated the accumulated plan benefits as of January 1, 2016. There were no significant changes to the Plan that would have changed the valuation had it been performed as of December 31, 2015.

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, 2015 is presented below.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

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

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

	December 31, 2015
Actuarial present value of accumulated benefits:	
Vested benefits:	
Participants currently receiving payments	\$ 1,094,373
Other participants	447,484
Total actuarial present value of accumulated plan benefits	<u>\$ 1,541,857</u>

The changes in actuarial present value of accumulated plan benefits between December 31, 2014 and 2015, were as follows:

Actuarial present value of plan benefits, December 31, 2014	\$ 1,990,990
Benefits accumulated and plan experience	(94,518)
Benefits paid	(516,849)
Interest accretion	104,180
Change in assumptions	58,054
Actuarial present value of plan benefits, December 31, 2015	<u>\$ 1,541,857</u>

6. Investments

All investment information disclosed in the accompanying financial statements and supplemental schedules, including investments held at December 31, 2016 and 2015, and net appreciation in the fair value of pooled separate accounts 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.

Leewards Pension Plan for Hourly Employees

Notes to Financial Statements (continued)

7. Tax Status

The Plan has received a determination letter from the Internal Revenue Service (“IRS”) dated February 29, 2016, stating the Plan is qualified under Section 401(a) of the Internal Revenue Code (“IRC”) and the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. Subsequent to this determination by the IRS, the plan was amended. The Pension Committee is taking 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, 2016 and 2015, 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 jurisdictions; however, there are currently no audits for any tax periods in progress.

8. 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. 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. The Plan was amended, effective September 11, 2013, to allow for lump-sum payments for affected participants, as defined by the Plan. The reported accumulated plan benefit obligation includes \$61,332 for estimated back payments as of December 31, 2015. 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, related to the proposed correction methods for the operational failures discussed above. The Plan will retain its tax qualification status. The Plan is working with the Plan Administrator to make payments to the participants in accordance with the Plan.

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, 2016

(a)	(b)	(c)	(d)	(e)
	Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Cost	Current Value
*	Principal Global Investors	LDI Intermediate Duration Separate Account	598,435	623,580
*	Principal Global Investors	LDI Long Duration Separate Account	186,656	196,076
*	Principal Global Investors	Large Cap S&P 500 Index Separate Account	177,571	206,684
*	Principal Global Investors	LDI Short Duration Separate Account	95,507	96,443
*	Principal Global Investors	U.S. Property Separate Account	70,784	77,960
*	Principal Global Investors	International Small Cap Separate Account	10,370	10,540
*	Principal Global Investors	Overseas Separate Account	58,129	58,340
*	Principal Global Investors	Mid Cap S&P 400 Index Separate Account	15,498	18,046
*	Principal Global Investors	International Emerging Market Separate Account	9,817	9,074
*	Principal Global Investors	Small Cap S&P 600 Index Separate Account	5,229	6,424
			\$ 1,227,996	\$ 1,303,167

*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, 2016

(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	(j) 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 500 Index Separate Account	0	86,054	87,440	86,054	(1,386)
Principal Global Investors	Large Cap S&P 500 Index Separate Account	90,779	0	90,779	90,779	0
Principal Global Investors	LDI Long Duration Separate Account	0	72,961	69,054	72,961	3,907
Principal Global Investors	LDI Long Duration Separate Account	63,255	0	63,255	63,255	0
Principal Global Investors	LDI Intermediate Duration Separate Account	0	190,351	181,861	190,351	8,490
Principal Global Investors	LDI Intermediate Duration Separate Account	165,931	0	165,931	165,931	0

There were no Category (i), (ii) or (iv) reportable transactions during the year ended December 31, 2016. Columns (e) and (f) are not applicable.

SCHEDULE H, line 4j - SCHEDULE OF REPORTABLE TRANSACTIONS

LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES

EIN 75 1943604
 PLAN NUMBER 015
 PLAN YEAR 01/01/2016 TO 12/31/2016

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 LDI INTERMEDIATE DUR	6		\$ 157,626.66		\$ 0.00
Pooled Separate Accounts PRINCIPAL LDI INTERMEDIATE DUR		52		\$ 182,046.85	\$ 8,453.87
Pooled Separate Accounts PRINCIPAL LDI LONG DURATION SE	10		\$ 50,976.43		\$ 0.00
Pooled Separate Accounts PRINCIPAL LDI LONG DURATION SE		52		\$ 60,682.30	\$ 3,986.58
Pooled Separate Accounts PRINCIPAL DIVERSIFIED REAL ASS	1		\$ 2,001.40		\$ 0.00
Pooled Separate Accounts PRINCIPAL DIVERSIFIED REAL ASS		1		\$ 67,527.13	\$ 2,690.09-
Pooled Separate Accounts PRINCIPAL LARGE CAP S&P 500 IND	5		\$ 51,847.48		\$ 0.00
Pooled Separate Accounts PRINCIPAL LARGE CAP S&P 500 IND		1		\$ 47,122.08	\$ 5,478.09

* 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 01/01/2016 TO 12/31/2016

(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 INTL EMERG MARKETS SA-R6	\$ 9,932.32	\$ 9,073.89
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN INTL SMALLCAP SEP ACCT-R6	\$ 10,370.02	\$ 10,539.97
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LDI INTRM DUR SEP ACCT-R6	\$ 598,398.46	\$ 623,580.10
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LDI LONG DURATION SA-R6	\$ 186,735.74	\$ 196,075.79
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LDI SHORT DUR SEP ACCT-R6	\$ 95,504.30	\$ 96,443.04
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LGCAP S&P 500 INDEX SA-R6	\$ 184,435.15	\$ 206,683.51
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN MIDCAP S&P 400 IDX SA-R6	\$ 15,497.25	\$ 18,046.22
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN SMCAP S&P 600 INDEX SA-R6	\$ 5,228.81	\$ 6,423.87
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN U.S. PROPERTY SEP ACCT-R6	\$ 70,777.75	\$ 77,960.03
*	Principal Life Insurance Company	Pooled Separate Accounts PRINCIPAL OVERSEAS SEP ACCT-R6	\$ 58,132.82	\$ 58,340.51

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 01/01/2016			
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	0	0	0	0	0
50 to 54	0	0	0	0	0	0	0	0	0	0
55 to 59	0	3	0	1	0	0	0	0	0	0
60 to 64	2	1	1	0	0	0	0	0	0	0
65 to 69	0	2	1	1	1	0	0	0	0	0
70 & up	1	1	0	0	0	0	0	0	0	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>During Benefit Payment Period IRS Prescribed Mortality - Generational Annuitant, male and female.</p> <p>Before Benefit Payment Period IRS Prescribed Mortality - Generational Non-annuitant, male and female.</p>
Assumptions Selected by Actuary	
Asset Return	<p>5.75% for the current plan year.</p> <p>The Asset Return is developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The calculated return is on an arithmetic mean basis. For details, see the See Long-Term Capital Market Assumptions link.</p>
Expected Expense	<p>The expected expense included in Target Normal Cost is an estimate based on prior year expenses paid from plan assets, with an updated estimate of PBGC premiums. This is the best estimate available of upcoming year's expenses.</p>
Retirement	<p>Active and inactive participants are assumed to retire at Normal Retirement Age as defined in Plan Provisions.</p> <p>This assumption is based on the results of recent experience analysis and anticipated future experience.</p>
Disability	<p>None. Due to the size of the plan and limited experience, we are not recognizing a disability assumption prior to retirement.</p>
Marriage	<p>100% married; husbands are 3 years older than wives.</p> <p>This assumption has no impact on the results of this report since there is no assumed mortality prior to benefit commencement date.</p>
Withdrawal	<p>None. Due to the size of the plan and limited experience, we are not recognizing a withdrawal assumption prior to retirement.</p>
Form of Benefit	<p>Participants are assumed to receive their benefits on the normal form at the assumed retirement age.</p>

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

Methods Prescribed by Law	
Liability Measure	<p>Funding target is the present value of the benefits accrued on the valuation date.</p> <p>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.</p>
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 August is the last month included in the average.
PBGC Premium Basis	Variable Rate Premiums are calculated using census, market value of assets and interest rates in effect on the current valuation date. Interest rates are the 24-month average rates used for Annual Cost but without the interest rate corridor defined in IRC §430(h)(2)(C)(iv). You elected this Alternative interest method for the 01/01/2010 plan year and this method must be used for five years before a change can be made.

Methods Elected by Actuary																									
Retirees	Assets and liabilities for current and future retirees are included.																								
Vested Benefits	<p>A benefit is included in vested benefits if it meets the requirements under PBGC. 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, pre-retirement death benefits in excess of the Survivor Annuity Death Benefit and post retirement death benefits for non-retired participants except as noted in the Plan Provisions.</p>																								
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.																									
Mortality	<p>Rates: Total Mortality rates from RP-2006 (baseline table from SOA RP-2014 study based on experience data for private pension plans).</p> <p>Mortality Improvement (MI): RPEC_2014_v2011 model, reflecting historical U.S. mortality data to 2011 and with the last year of historical graduated data of 2009, with the following assumptions:</p> <ul style="list-style-type: none">• Convergence period of 10-years• Long-term mortality improvement is the sex-distinct and the age-based assumption calibrated to the annual improvement averages, for the period 2010-2088 published in the Social Security Administration (SSA) Trustees Report 2014. <table><tr><th colspan="3">Long-Term Mortality Improvement Rates (averages 2010-2088 in SSA Trustees 2014 Report)</th></tr><tr><th>Age Group</th><th>Male</th><th>Female</th></tr><tr><td>15-49</td><td>0.89%</td><td>0.91%</td></tr><tr><td>50-64</td><td>1.09%</td><td>1.11%</td></tr><tr><td>65-84</td><td>0.92%</td><td>0.83%</td></tr><tr><td>85+</td><td>0.59%</td><td>0.53%</td></tr><tr><td>65+</td><td>0.77%</td><td>0.68%</td></tr><tr><td>Total</td><td>0.84%</td><td>0.77%</td></tr></table> <p>During Benefit Payment Period Above table with generational MI, Annuitant, male and female.</p> <p>Before Benefit Payment Period Above table with generational MI, Non-annuitant, male and female.</p> <p>See Mortality rationale for additional information.</p>	Long-Term Mortality Improvement Rates (averages 2010-2088 in SSA Trustees 2014 Report)			Age Group	Male	Female	15-49	0.89%	0.91%	50-64	1.09%	1.11%	65-84	0.92%	0.83%	85+	0.59%	0.53%	65+	0.77%	0.68%	Total	0.84%	0.77%
Long-Term Mortality Improvement Rates (averages 2010-2088 in SSA Trustees 2014 Report)																									
Age Group	Male	Female																							
15-49	0.89%	0.91%																							
50-64	1.09%	1.11%																							
65-84	0.92%	0.83%																							
85+	0.59%	0.53%																							
65+	0.77%	0.68%																							
Total	0.84%	0.77%																							

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

Interest Rate Used to Value Liabilities	5.50% The interest rate used to value ASC 960 liabilities is developed as long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of broad asset classes' arithmetic returns of the plan's target asset allocation, and then converted to the geometric under lognormal distribution assumption. For details, see Long-Term Capital Market Assumptions link.
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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 2016 This Form is Open to Public Inspection
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

► **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>2016</u>		
2	Assets:		
	a Market value	2a	<u>1358942</u>
	b Actuarial value	2b	<u>1442392</u>
3	Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target
	a For retired participants and beneficiaries receiving payment	<u>153</u>	<u>1038402</u>
	b For terminated vested participants	<u>82</u>	<u>348759</u>
	c For active participants	<u>15</u>	<u>60600</u>
	d Total	<u>250</u>	<u>1447761</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>5.89</u> %
6	Target normal cost	6	<u>57600</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>LMK</u> Signature of actuary <u>Linda M. Kirk</u> Type or print name of actuary <u>Principal Financial Group</u> Firm name <u>PO Box 9394 Des Moines, IA 50306-9394</u> Address of the firm	<u>05-30-2017</u> Date <u>1706140</u> Most recent enrollment number <u>515-248-2947</u> Telephone number (including area code)
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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, see the Instructions for Form 5500 or 5500-SF. **Schedule SB (Form 5500) 2016 v. 160205**

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:			
a Segment rates:	1st segment: 4.43 %	2nd segment: 5.91 %	3rd segment: 6.65 %
			☐ N/A, full yield curve used
b Applicable month (enter code)			21b 4
22 Weighted average retirement age			22 67
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	57600	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:	Outstanding Balance		Installment
a Net shortfall amortization installment	5369	30064	
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	87664	
	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	87664	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	108019	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	20355	
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 \$65,969 contributions received after the plan year end with a discounted value of \$65,195.

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

Active participants are expected to retire at the plan's assumed retirement age. The retirement rate reflects only those participants who meet retirement eligibility. An active participant working past assumed retirement age is expected to retire at current age.

(1) Age	(2) Expected Active Headcount	(3) Retirement Rate	(4) Expected Retirements (2)*(3)	(5) Weighted Age (1)*(4)
65	8.0000	1.0000	8.0000	520.0000
66	4.0000	1.0000	4.0000	264.0000
67	1.0000	1.0000	1.0000	67.0000
68	0.0000	1.0000	0.0000	0.0000
69	0.0000	1.0000	0.0000	0.0000
70	0.0000	1.0000	0.0000	0.0000
71	1.0000	1.0000	1.0000	71.0000
72	0.0000	1.0000	0.0000	0.0000
73	0.0000	1.0000	0.0000	0.0000
74	0.0000	1.0000	0.0000	0.0000
75	0.0000	1.0000	0.0000	0.0000
76	0.0000	1.0000	0.0000	0.0000
77	0.0000	1.0000	0.0000	0.0000
78	0.0000	1.0000	0.0000	0.0000
79	0.0000	1.0000	0.0000	0.0000
80	0.0000	1.0000	0.0000	0.0000
81	1.0000	1.0000	1.0000	81.0000
Total			15.0000	1,003.0000
Average				66.87

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, through Amendment Two executed December 31, 2013.

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
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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.

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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>

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 following significant event occurred during the plan year:

The plan terminated effective 12/31/2016.

Schedule SB, Line 32 - Schedule of Amortization Bases
 LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
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Shortfall			
Date Created	Present Value	Remaining Years	Annual Charge
01/01/2016	\$(23,008)	7	\$(3,801)
01/01/2015	3,976	6	744
01/01/2014	(75,355)	5	(16,405)
01/01/2013	14,872	4	3,963
01/01/2012	(55,496)	3	(19,306)
01/01/2011	154,367	2	78,856
01/01/2010	(13,987)	1	(13,987)
Total	\$5,369		\$30,064

Last year's total shortfall annual charge was \$116,500.

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

Waiver charges represent your repayment to the plan for an Annual Charge that was not funded. A waiver only exists once the Internal Revenue Service has granted approval. See [Waivers](#) in Rules and Regulations.

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 SB, Line 24 – Change in Actuarial Assumptions
LEEWARDS PENSION PLAN FOR HOURLY EMPLOYEES
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Certain non-prescribed assumptions have been changed since last year. These assumptions were changed to better reflect the anticipated experience of your plan.

- The assumed asset return for the current year has decreased from 7.00% to 5.75%. This rate is used in the calculation of the actuarial value of plan assets.