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

Part I Annual Report Identification Information

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

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
MICHAELS STORES, INC. EMPLOYEES 401(K) PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 02/01/1987

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)
MICHAELS STORES, INC.

8000 BENT BRANCH DRIVE
IRVING, TX 75063-6023

2b Employer Identification Number (EIN) 75-1943604

2c Plan Sponsor's telephone number 972-409-1300

2d Business code (see instructions) 442299

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

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

SIGN HERE	Filed with authorized/valid electronic signature.	08/07/2017	SHARON BROWN
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

Preparer's name (including firm name, if applicable) and address (include room or suite number)

Preparer's telephone number

3a	Plan administrator's name and address [X] 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:	**4b**	EIN
a	Sponsor's name	**4c**	PN

5	Total number of participants at the beginning of the plan year	**5**	21343
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)**	23423
a(2)	Total number of active participants at the end of the plan year	**6a(2)**	21992
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	1217
d	Subtotal. Add lines **6a(2)**, **6b**, and **6c**.	**6d**	23209
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	**6e**	35
f	Total. Add lines **6d** and **6e**.	**6f**	23244
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	6613
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	221
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:

2E 2F 2G 2J 2K 2T 3D

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)** [X] 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)** [X] 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)** [X] **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)** [X] **H** (Financial Information)
- **(2)** [ ] **I** (Financial Information – Small Plan)
- **(3)** [ ] 0 **A** (Insurance Information)
- **(4)** [X] **C** (Service Provider Information)
- **(5)** [X] **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 C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	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.**	**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 MICHAELS STORES, INC. EMPLOYEES 401(K) PLAN	**B** Three-digit plan number (PN) ▶ 001
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)

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).. . . . . [X] 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

CHARLES SCHWAB & CO. INC. AND AFFIL

94-1737782

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

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

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

SCHWAB RETIREMENT PLAN SERVICES INC

34-1479833

(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?
15 50 64	NONE	363215	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

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

MORGAN STANLEY SMITH BARNEY

26-4310632

(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?
28 50	NONE	80000	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

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

CHARLES SCHWAB BANK

42-1558009

(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?
25 49 50 52 62	NONE	36	Yes [X] No [ ]	Yes [X] No [ ]	0	Yes [ ] No [X]

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)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

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

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
MICHAELS STORES, INC. EMPLOYEES 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan or DFE sponsor's name as shown on line 2a of Form 5500
MICHAELS STORES, INC.

D Employer Identification Number (EIN)
75-1943604

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: SSGA S&P 500 IDX SL SERIES III

b Name of sponsor of entity listed in (a): STATE STREET BANK & TRUST COMPANY

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)
04-0025081-066	C	0

a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2010 CL II

b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK

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)
81-0625169-001	C	1318617

a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2015 CL II

b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK

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)
81-0625169-006	C	1375936

a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2020 CL II

b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK

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)
81-0625169-002	C	6104517

a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2025 CL II

b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK

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)
81-0625169-007	C	4889466

a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2030 CL II

b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK

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)
81-0625169-003	C	8125355

a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2035 CL II

b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK

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)
81-0625169-008	C	5217542

a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2040 CL II		
b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK		
c EIN-PN 81-0625169-004	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 5550966
a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2045 CL II		
b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK		
c EIN-PN 81-0625169-009	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 3877365
a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2050 CL II		
b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK		
c EIN-PN 81-0625169-010	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 3927452
a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET INCOME CL II		
b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK		
c EIN-PN 81-0625169-005	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 2534512
a Name of MTIA, CCT, PSA, or 103-12 IE: MORLEY STABLE VALUE FEE CL 255		
b Name of sponsor of entity listed in (a): UNION BOND & TRUST COMPANY		
c EIN-PN 93-6274329-001	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 30453491
a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2060 CL IV		
b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK		
c EIN-PN 81-0625169-020	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 63071
a Name of MTIA, CCT, PSA, or 103-12 IE: SCHWAB MANAGED RET 2055 CL IV		
b Name of sponsor of entity listed in (a): CHARLES SCHWAB BANK		
c EIN-PN 81-0625169-022	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 723144
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

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

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

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

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b Name of plan sponsor	**c** EIN-PN

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b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

SCHEDULE H (Form 5500)

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
MICHAELS STORES, INC. EMPLOYEES 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

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

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)	361	309788
(2) Participant contributions	1b(2)	1022	0
(3) Other	1b(3)		
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)	5269715	5334073
(9) Value of interest in common/collective trusts	1c(9)	75518544	74161434
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	86761490	135468770
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(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	167551132	215274065
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	167551132	215274065

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)	4901662	
	(B) Participants	2a(1)(B)	13777207	
	(C) Others (including rollovers)	2a(1)(C)	1246841	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		19925710
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
	(B) U.S. Government securities	2b(1)(B)		
	(C) Corporate debt instruments	2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)	209583	
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		209583
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
	(B) Common stock	2b(2)(B)		
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	5797506	
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		5797506
	(3) Rents	2b(3)		
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(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)		
	(B) Other	2b(5)(B)		
	(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)		2997851
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		3010305
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		31940955
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	21178469	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		21178469
f Corrective distributions (see instructions)	2f		184864
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	80000	
(4) Other	2i(4)	363215	
(5) Total administrative expenses. Add lines **2i(1)** through **(4)**	2i(5)		443215
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		21806548
Net Income and Reconciliation			
k Net income (loss). Subtract line **2j** from line **2d**	2k		10134407
l Transfers of assets:			
(1) To this plan	2l(1)		37588526
(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 LLP (2) EIN: 34-6565596

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

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

Part IV Compliance Questions

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

During the plan year:

		Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	

			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	
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	
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	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3	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:**

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_____. (See instructions.)

Part V Trust Information

6a Name of trust	**6b** Trust's EIN

6c Name of trustee or custodian	**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.

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan
MICHAELS STORES, INC. EMPLOYEES 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

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 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** 0

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): 42-1558009

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**

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

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☐ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☐ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☐ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☐ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

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

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

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

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

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

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

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

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

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

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

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

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

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

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

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

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

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

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

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

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

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

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

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

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

a Enter the percentage of plan assets held as:
Stock: 0.0 % 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

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 SCHEDULE

Michaels Stores, Inc. Employees 401(k) Plan
As of December 31, 2016 and 2015, and for the
Year Ended December 31, 2016
With Report of Independent Auditors

Michaels Stores, Inc. Employees 401(k) Plan

Financial Statements and Supplemental Schedule

As of December 31, 2016 and 2015, and for the
Year Ended December 31, 2016

Contents

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Supplemental Schedule

Schedule H; Line 4i – Schedule of Assets (Held at End of Year).....15

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Report of Independent Auditors

The Administration Committee
Michaels Stores, Inc. Employees 401(k) Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Michaels Stores, Inc. Employees 401(k) Plan, which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016, 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 controls 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 5, 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, 2015 and 2014, and for the year ended December 31, 2015, stating that the investment information provided to the plan administrator is complete and accurate.

Building a better working world

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 Schedule

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2016, is presented for purposes of additional analysis and is not a required part of the financial statements but is 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 schedule referred to above.

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

The form and content of the information included in the financial statements and supplemental schedule, 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

Michaels Stores, Inc. Employees 401(k) Plan

Statements of Net Assets Available for Benefits

	Year Ended December 31, 2016	2015
Assets		
Investments at fair value:		
Registered investment companies	**$ 135,468,770**	$ 86,761,490
Common/collective trust	**74,161,434**	54,549,033
Commingled trust	**-**	20,969,511
Total investments at fair value	**209,630,204**	162,280,034
Receivables:		
Employer contributions	**309,788**	361
Participant contributions	**-**	1,022
Notes receivable from participants	**5,334,073**	5,269,715
Total receivables	**5,643,861**	5,271,098
Total assets	**215,274,065**	167,551,132
Liabilities		
Excess contributions payable	**42,929**	183,680
Net assets available for benefits	**$ 215,231,136**	$ 167,367,452

See accompanying notes.

Michaels Stores, Inc. Employees 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2016

Additions		
Investment income		
Dividend and interest income	$	6,268,805
Other income		228,712
Net appreciation in fair value of investments		5,308,145
Net investment income		11,805,662
Interest income on notes receivable from participants		209,583
Contributions:		
Participant		13,734,278
Employer		4,901,662
Rollover		1,246,841
Total contributions		19,882,781
Total additions		31,898,026
Deductions		
Distributions to participants		21,179,653
Administrative expenses		443,215
Total deductions		21,622,868
Net increase		10,275,158
Transfer from Lamrite West benefit plan		37,588,526
Net assets available for benefits:		
Beginning of year		167,367,452
End of year	$	215,231,136

See accompanying notes.

Michaels Stores, Inc. Employees 401(k) Plan

Notes to Financial Statements

December 31, 2016

1. Description of the Plan

The Michaels Stores, Inc. Employees 401(k) Plan (the "Plan") became effective on February 1, 1987, for eligible employees of Michaels Stores, Inc. ("the Employer" or "the Company") and its subsidiaries. The Plan is a defined contribution plan designed to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and is intended to satisfy the qualification requirements of the Internal Revenue Code of 1986, as amended ("IRC").

The following is a brief description of the Plan. Participants should refer to the Plan document for complete information regarding the Plan.

Plan Merger

On February 2, 2016, the Company acquired Lamrite West, Inc. and certain of its affiliates and subsidiaries ("Lamrite"). In connection with the acquisition, the Plan was amended to merge the Lamrite West Employee Profit Sharing Plan and Trust Agreement Plan into the Plan effective August 1, 2016 resulting in $37,588,526 of assets transferred into the Plan. The maximum elective deferral for the 2016 Plan year is 7% of compensation for highly compensated employees of Lamrite as a result of this merger. The non-Safe Harbor matching contributions transferred to the Plan from the Lamrite Plan for former employees of Lamrite who were terminated from employment with Lamrite prior to August 1, 2016 will vest at a rate of 20% each year over five years beginning after the second year of service. Participants with a balance in the prior non-Safe Harbor non-elective contribution account transferred to the Plan from the Lamrite Plan on August 1, 2016 will be 100% vested in that account. There were no other significant changes to the Plan provisions.

Participation

Prior to January 1, 2016, an eligible employee could become a participant as soon as administratively feasible after (i) attainment of the age of 21 and (ii) completion of a six-month eligibility period in which such person is credited with at least 500 hours of service. Effective January 1, 2016, full-time employees are eligible to participate in the Plan after (i) attainment of the age of 21 and (ii) completion of a three-month eligibility period. Also effective January 1, 2016, part-time employees are eligible to participate in the Plan after (i) attainment of the age of 21 and (ii) completion of a one-year eligibility period in which such person is credited with at least 1,000 hours. The initial eligibility period begins with the month in which an eligible employee is hired. Subsequent eligibility periods begin on the first day of the month.

1. Description of the Plan (continued)

Contributions

Each participant may elect to have his or her compensation reduced, up to a maximum of 80% of the participant's considered compensation, as defined by the Plan, through pretax payroll deductions, and have the Employer contribute these amounts ("Salary Reduction Contributions") for each pay period to the Plan. A participant's Salary Reduction Contributions to the Plan and other such plans may not exceed an amount determined under the IRC each calendar year ($18,000 in 2016). Each participant may also elect to make voluntary, after-tax contributions up to a maximum of 10% of the participant's considered compensation ("Participant Contributions"). Participants in the Plan who have attained the age of 50 are able to make catch-up deferral contributions, subject to statutory limitations. As of January 1, 2017, the Plan was amended to also allow Roth contributions.

In addition, the Employer is required to make a contribution ("Employer Matching Contributions") to the account of each participant in an amount equal to 50% of the participant's Salary Reduction Contributions that do not exceed 6% of the participant's considered compensation in such pay period. Employer Matching Contributions are deposited as soon as administratively feasible after the Employer Matching Contributions for the applicable pay period have been determined. All contributions are invested based on the participants' investment elections. Participants may elect to invest their entire Plan account balance in one of, or in any combination of, a variety of investment options, which have been selected by the Plan's Investment Committee.

The Plan intends to meet the requirements of Section 404(c) of ERISA and regulations issued by the U.S. Department of Labor (29 CFR Sec. 2550.404(c)-1). To the extent that a participant chooses how to invest Plan assets under an ERISA Section 404(c) plan, the fiduciaries are not liable for any losses that result from those investment decisions.

Administration of the Plan

The Plan is administered by the Administration Committee, currently consisting of six individuals, all of which are employees of the Employer, appointed by the Employer's Board of Directors. The members of the Administration Committee serve at the discretion of the Board of Directors without compensation for their services.

All expenses incidental to the administration of the Plan are charged to the participants' accounts unless the Employer elects to pay for such expenses. The Employer elected to pay accounting and legal expenses of the Plan in 2016.

1. Description of the Plan (continued)

Participant Accounts

A separate account is maintained in the Plan for each participant. The account balances for participants are adjusted periodically as follows:

(a) All contributions are allocated to participants' accounts with each Company payroll.

(b) Participants' withdrawal requests are processed weekly.

(c) Income and gains and losses from investments are allocated to the participants' accounts daily. Allocations are based on participant account balances.

(d) Transfers are processed on a daily basis.

Custodian of Investments

Charles Schwab Trust Company ("Schwab") is the trustee and custodian of the Plan.

Vesting

Participants become vested in Employer Matching Contributions (including investment gains and losses thereon) at the rate of 33% each year over three years. Participants are fully vested in Employer Matching Contributions upon completing three years of service. Salary Reduction Contributions and Participant Contributions are 100% vested and nonforfeitable at all times, as are contributions rolled over to the Plan from another plan ("Rollover Contributions"). The Company may use forfeitures from non-vested participants to reduce future Employer Matching Contributions. Unallocated forfeited balances as of December 31, 2016 and 2015 were $87,932 and $170,592, respectively. Forfeited non-vested accounts used to reduce Employer Matching Contributions during Plan year 2016 totaled $184,000.

Withdrawals

Upon termination of employment with the Company, participants are entitled to, and may withdraw from the Plan, 100% of their Salary Reduction Contributions, Participant Contributions, and Rollover Contributions, as well as their vested portion of Employer Matching Contributions. Participants may request distribution of their account at any time after their employment termination date. Participants with vested account balances greater than $5,000 as of their termination date may elect to maintain their balance in the Plan until such time the participant requests a distribution. Vested account balances less than $1,000 will be distributed as soon as administratively feasible to the Participant in a single lump-sum distribution. Participants with account balances of $1,000 up to $5,000 at the time of their termination must

1. Description of the Plan (continued)

elect to receive payment directly or roll over their funds into an individual retirement plan ("IRA") or other qualified plan. Absent an affirmative election made by the participant, the Plan administrator must roll over the cash directly into an IRA designated by the Administration Committee.

In addition, there are rules that require minimum distributions to be made from the Plan. Generally, these minimum distributions must begin by April 1 of the calendar year following the later of the year in which the employee retires or the year in which the employee reaches the age of 70½.

In-service withdrawal provisions of the Plan allow for early withdrawal of Participant Contributions and Rollover Contributions at any time and for any reason. Such withdrawals may be subject to ordinary income taxes and early distribution penalty taxes.

Participants who are employees and over the age of 59½ may withdraw amounts from their fully vested accounts, either by equal installments or a lump-sum distribution.

Hardship withdrawals of Salary Reduction Contributions may be made under certain limited circumstances while the participant is employed by the Company.

Participant Loans

Notes receivable from participants represent participant loans. Active participants in the Plan may obtain loans from their vested account balances, subject to certain requirements, without incurring income taxes or penalties. Participant loans are repaid, with interest, on an after-tax basis through payroll deductions. Loan repayment periods are determined by the participant and may extend up to five years in all cases except that a loan used to purchase a participant's principal residence may extend up to 10 years. Loan repayments (including interest) are deposited to each participant's account and invested according to the participant's investment elections in effect at the time of repayment.

Termination of the Plan

While the Company has not expressed any intent to discontinue the Plan, the Company may terminate the Plan at any time. In the event the Plan is terminated, the Plan accounts of all active participants would become fully vested.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting. Distributions to participants are recorded when paid. Subsequent events have been evaluated by management through July 28, 2017, the date the financial statements were available to be issued.

Investment Valuation and Income Recognition

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

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable From Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2016 or 2015. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

Excess Contributions Payable

Amounts payable to participants for contributions in excess of amounts allowed by the Internal Revenue Service ("IRS") are recorded as a liability with a corresponding reduction to contributions. The Plan distributed the excess contributions to the applicable participants prior to March 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires the Employer to make estimates that affect the amounts reported

2. Summary of Significant Accounting Policies (continued)

in the financial statements, accompanying notes, and supplemental schedule. Actual results could differ from those estimates.

3. Fair Value Measurements

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

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

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

Level 3 – Instruments with significant *unobservable* inputs

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Descriptions of the valuation methodologies used for assets measured at fair value are as follows:

- Investments in registered investment companies are valued based on published prices of shares held by the Plan on the last business day of the Plan year.

- The investments in the commingled trust and the common/collective trusts are valued at net asset value ("NAV") as determined by the issuer. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value.

3. Fair Value Measurements (continued)

The table below sets forth by level, within the fair value hierarchy, the Plan's assets at fair values as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Investments:				
Registered investment companies	$ 135,468,770	$ -	$ -	$ 135,468,770
Investments measured at net asset value[4]:				
Stable value comon/collective trust fund[1]				30,453,491
Managed retirement common/collective trust funds[2]				43,707,943
Total investments				$ 209,630,204

The table below sets forth by level, within the fair value hierarchy, the Plan's assets at fair values as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Investments:				
Registered investment companies	$ 86,761,490	$ -	$ -	$ 86,761,490
Investments measured at net asset value[4]:				
Stable value comon/collective trust fund[1]				29,775,643
Managed retirement common/collective trust funds[2]				24,773,390
Commingled trust fund[3]				20,969,511
Total investments				$ 162,280,034

(1) This category includes a common/collective trust that is designed to provide a stable rate of return with preservation of principal and liquidity as primary objectives. This fund is primarily invested in fully benefit-responsive contracts and is valued at the net asset value of units of the collective trust. Participant-directed redemptions must be completed within 30 days from the date of request; however, the Plan is required to provide a one-year redemption notice to liquidate its units in the fund.

(2) This category includes common/collective trusts that seek to provide total return for investors based on the selected year of retirement, and it is designed to provide a single investment fund that automatically adjusts over time to meet the changing risk and return objectives of investors saving for retirement. Participant-directed redemptions must be completed within 10 days from the date of request; however, the Plan is required to provide 30 days' notice for complete withdrawal from the funds.

3. Fair Value Measurements (continued)

(3) This category includes a commingled trust that uses an investment approach that attempts to match, before expenses, the performance of the S&P 500 over the long term. There were no redemption restrictions on this investment.

(4) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value tables. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Net Assets Available for Benefits.

4. Related Party and Party-In-Interest Transactions

Certain Plan investments in registered investment companies and common/collective trusts are managed by Schwab. Schwab is the trustee as defined by the Plan, and, therefore, these transactions qualify as party-in-interest transactions. All of these transactions are exempt from the prohibited transaction rules. Michaels Stores, Inc., the Plan Sponsor, paid certain administrative fees on behalf of the Plan for the year ended December 31, 2016.

5. Investments

All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held and notes receivable from participants at December 31, 2016 and 2015, and net appreciation in fair value of investments, dividend and interest income, other income and interest income on notes receivable from participants for the year ended December 31, 2016, was obtained or derived from information supplied to the Plan administrator and certified as complete and accurate by Schwab.

The Plan has investments in various 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 that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' accounts and the amounts reported in the statements of net assets available for benefits.

6. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated May 25, 2011, stating that the Plan is qualified under Section 401(a) of the IRC and therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualified status. The Administration Committee has indicated that it will take the necessary steps, if any, to bring the Plan's operations into compliance with the IRC.

6. Income Tax Status (continued)

GAAP requires 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, 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.

7. Reconciliation to Form 5500

Excess contributions payable is recorded as a liability in the financial statements for the year the original contributions were made whereas the Form 5500 reflects the excess contributions payable in the year the refunds are distributed back to the participants.

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 at December 31:

	2016	2015
Net assets available for benefits per the financial statements	**$ 215,231,136**	$ 167,367,452
Add: Excess contributions payable	**42,929**	183,680
Net assets available for benefits per Form 5500	**$ 215,274,065**	$ 167,551,132

The following is a reconciliation of the net increase per the financial statements to the Form 5500 for the year ended December 31, 2016:

Net increase per the financial statements	$ 10,275,158
Add: Change in excess contributions payable	(140,751)
Net increase per Form 5500	$ 10,134,407

Supplemental Schedule

Michaels Stores, Inc. Employees 401(k) Plan

EIN #75-1943604 Plan #001

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

December 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	(e) Current Value
	Vanguard Funds	Vanguard Institutional Index Fund	$ 30,747,109
	Union Bond & Trust Company	Morley Stable Value Fund	30,453,491
	PIMCO	Pimco Total Return Fund	17,026,131
	Wells Fargo	Wells Fargo Growth Fund	11,265,438
	Dodge and Cox	Dodge and Cox Balanced Fund	11,114,131
	Eaton Vance Management	Eaton Vance Large-Cap Value Fund	9,134,667
	Baron Capital Management	Baron Growth Fund	8,976,074
	Cohen & Steers Capital Management, Inc.	Cohen & Steers Realty Institutional Realty Shares	8,251,582
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2030	8,125,355
	Oppenheimer Funds	Oppenheimer Developing Markets Fund	7,277,700
	American Funds	EuroPacific Growth Fund	6,654,854
	JP Morgan	Undiscovered Managers Behavioral Value Institutional Fund	6,356,697
	Fidelity Investment Group	Fidelity OTC Portfolio	6,121,386
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2020	6,104,517
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2040	5,550,966
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2035	5,217,542
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2025	4,889,466
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2050	3,927,452
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2045	3,877,365
	Vanguard Funds	Vanguard Mid-Cap Index	3,542,981
	Franklin Templeton Investments	Templeton Global Bond	2,945,962
	Vanguard Funds	Vanguard Small-Cap Index	2,943,787
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – Income	2,534,512
	Vanguard Funds	Vanguard Total International Stock Index	2,286,250
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2015	1,375,936
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2010	1,318,617
	Fidelity Investment Group	Fidelity Capital Income	824,021
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2055	723,144
*	Charles Schwab Trust Company	Schwab Managed Retirement Trust Fund Class IV – 2060	63,071
*	Participant loans	Interest rates ranging from 4.25% to 6.50% with varying maturity dates	5,334,073
			$ 214,964,277

*Indicates party-in-interest to the Plan

Column (d) is not required as the Plan's investments are participant-directed and participant loans have no cost basis.

Schedule H, line 4i - Schedule of Assets (Held at End of Year)

NAME OF PLAN SPONSOR: Michaels Stores, Inc.
NAME OF PLAN: Michaels Stores, Inc. Employees 401(k) Plan
EIN: 75-1943604
PLAN NUMBER: 001

(a)	(b) Identity of issue, 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
*	PARTICIPANT LOANS	Loans (4.25% - 6.5%)		5,334,073
	MORLEY STABLE VALUE FD NET 20	Common Collective Trust Fund		30,453,491
*	SCHWAB MANAGED 2060 INC CL IV	Common Collective Trust Fund		63,071
*	SCHWAB MANAGED RET 2010 CL IV	Common Collective Trust Fund		1,318,617
*	SCHWAB MANAGED RET 2015 CL IV	Common Collective Trust Fund		1,375,936
*	SCHWAB MANAGED RET 2020 CL IV	Common Collective Trust Fund		6,104,517
*	SCHWAB MANAGED RET 2025 CL IV	Common Collective Trust Fund		4,889,466
*	SCHWAB MANAGED RET 2030 CL IV	Common Collective Trust Fund		8,125,355
*	SCHWAB MANAGED RET 2035 CL IV	Common Collective Trust Fund		5,217,542
*	SCHWAB MANAGED RET 2040 CL IV	Common Collective Trust Fund		5,550,966
*	SCHWAB MANAGED RET 2045 CL IV	Common Collective Trust Fund		3,877,365
*	SCHWAB MANAGED RET 2050 CL IV	Common Collective Trust Fund		3,927,452
*	SCHWAB MANAGED RET 2055 CL IV	Common Collective Trust Fund		723,144
*	SCHWAB MANAGED RET INC CL IV	Common Collective Trust Fund		2,534,512
	BARON GROWTH INSTITUTIONAL	Registered Investment Company		8,976,074
	COHEN & STEERS REALTY INST CL	Registered Investment Company		8,251,582
	DODGE & COX BALANCED FUND	Registered Investment Company		11,114,131
	EATON VANCE LARGE CAP VALUE I	Registered Investment Company		9,134,667
	EUROPACIFIC GROWTH R6	Registered Investment Company		6,654,854
	FIDELITY CAPITAL INCOME	Registered Investment Company		824,021
	FIDELITY OTC PORTFOLIO	Registered Investment Company		6,121,386
	OPPENHEIMER DEVELOP MARKETS I	Registered Investment Company		7,277,700
	PIMCO TOTAL RETURN FUND	Registered Investment Company		17,026,131
	TEMPLETON GLOBAL BOND R6	Registered Investment Company		2,945,962
	UNDISCOVERED MGRS BEHAV VAL R6	Registered Investment Company		6,356,697
	VANGUARD INSTITUTIONAL INDEX	Registered Investment Company		30,747,109
	VANGUARD MID CAP INDEX ADMIRAL	Registered Investment Company		3,542,981
	VANGUARD SMALL CAP INDEX ADMRL	Registered Investment Company		2,943,787
	VANGUARD TOT INTL STK IDX ADM	Registered Investment Company		2,286,250
	WELLS FARGO GROWTH INST	Registered Investment Company		11,265,438

* Party-in-interest