

# Adoption Assistance Plan Document & Policy

Michaels Stores, Inc. (the “Company”) and its subsidiaries and affiliates provide adoption assistance pursuant to its Adoption Assistance Policy (the “Policy”) for qualified adoption expenses up to \$5,000 per adoption per Team Member and a maximum of three adoptions per Team Member.

## Eligibility

- Any United States or Canadian Team Member, classified as follows pursuant to the Company’s normal administrative practices and in its sole discretion:
  - Full-time Team Members.
  - Part-time Team Members that have an 8-week average of 4+ hours per week based on the most recent work period.
- Team Members deemed to be in Temporary, Contract or Seasonal positions (pursuant to the Company’s normal administrative practices and in its sole discretion) are not eligible, even if such classification is not recognized for other legal purposes.
- Team Members must have at least one year of service and be in an active status at least 3 months within the year.
- Adopted child must be under the age of 18, unless physically or mentally incapable of caring for himself/herself.
- Team Members must be actively employed or on an approved leave at the time expenses are paid, and at the time adoption is finalized.
- If the adoptive parents are both Team Members of the Company, only one Team Member is eligible for reimbursement per adoption.
- As the purpose of this Policy is to recognize that adoptive parents typically incur expenses throughout the process of an adoption that are significantly in excess of those incurred by birth parents, Team Members who are adopting a child of their spouse or domestic partner are not eligible for reimbursement pursuant to this Policy.

## Benefit Amount

Documented “qualified adoption expenses” for an eligible child will be reimbursed for an amount up to \$5,000 per adoption per Team Member, and a maximum of three adoptions per Team Member.

Adoption expenses reimbursed through resources external to the Company will not qualify for reimbursement through the Adoption Assistance Program. In addition, expenses incurred in applying for the adoption tax credit also will not be considered for reimbursement.

## Qualified Adoption Expenses

“Qualified adoption expenses” are reasonable and necessary expenses directly related to, and for the principal purpose of, the legal adoption of an eligible child, including:

1. Adoption fees
2. Legal fees

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3. Court costs
4. Travel expenses (including meals and lodging) while away from home for the sole purpose of arranging for an adoption or to bring the child to the adopting parents.
5. Medical examination fees for the child that are not reimbursed by any medical benefits program, if required as part of the adoption process.
6. Temporary foster care expenses.

Adoptive parents may incur expenses for a potential adoption in which birth parents later change their minds and are unwilling to proceed with the adoption. Dissolved and disrupted adoptions are included in the adoption benefit reimbursement cap.

## **Non-Qualified Expenses**

Adoption expenses that do not qualify for reimbursement:

- Expenses that violate applicable state, federal or provincial law.
- Expenses for carrying out any surrogate parenting arrangement.
- Expenses for the adoption of your spouse's or domestic partner's child.
- Expenses for medical examination fees for the adopting parents.
- Cost of personal items such as clothing, food, etc. for either parents or child, except as allowed under Travel expenses.
- Expenses incurred while you are not a Team Member of the Company.
- Pregnancy expenses for the birth mother.
- Expenses paid using funds received from any federal, state, local or provincial program. If any expenses are reimbursed by the Company and those expenses are later reimbursed from any other source, the Team Member must repay to the Company the amount reimbursed from the other source.
- Expenses allowed as a credit or deduction under any other federal income or provincial tax rule.

## **Reimbursement Procedures**

Eligible Team Members must apply for reimbursement of qualified adoption expenses within 6 months after the adoption is final using the Adoption Assistance Expense Reimbursement Form. No reimbursement for expenses will be made until the Company is provided written documentation of the expenses satisfactory to the Company.

If request is approved, reimbursement payment will be processed within 45 days of receipt of the Adoption Assistance Expense Reimbursement Form and will appear on the Team Member's paycheck or, for Team Members on a leave of absence at that time, upon reinstatement to active status.

If request is denied, in whole or in part, written notification will be sent to Team Member within 4 weeks of receipt of the Adoption Assistance Reimbursement Form with reason(s) for denial. If a request is denied, the Company will provide a review of the request, if requested in writing by the Team Member. Any claim for benefits will be processed in accordance with procedures established by the Company, in its sole discretion.

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Team Members must be actively employed by the Company at the time of reimbursement or on an approved leave of absence. If a Team Member leaves the Company after receiving approval for benefits, the Team Member will not be reimbursed for the adoption expenses.

A Team Member who voluntarily leaves the company within 12 months from the date of assistance or is terminated for gross misconduct within 12 months from the date of assistance, will be required to reimburse the Company in full.

## **Adding Your Child to Existing Benefits**

At the time of placement, you may add your child to your medical and group life insurance policies as a placement for adoption of a child is considered a qualified life event. In addition, qualified Team Members may enroll in select benefits plans. Any additions to your benefit plans must occur within 60 days of placement. You will need to create a Benefit Event in Workday and have a copy of the adoption agreement to enroll. Please call Michaels Team Member Services 855-432-MIKE (6453) for additional information.

## **Pay and Tax Treatment of Reimbursement**

Reimbursements will be made in local currency based on the country in which the Team Member resides.

### ***U.S. Employees***

The Adoption Assistance Program is a formal benefit plan sponsored by the Company, which allows you to avoid some of the impact of taxation on the benefit amount. Generally, reimbursed amounts will not be subject to federal or state income tax however, will be subject to Social Security and Medicare withholdings. If an eligible Team Member has modified adjusted gross income in excess of \$185,210 (for 2011), part or all of the benefit payable under the Adoption Assistance Program may be includible in income, as required by Internal Revenue Code Section 137. Reimbursement amounts will appear on your Form W-2 in box 12. Please consult your tax advisor for further information.

There is no guarantee that the benefits payable under this Adoption Assistance Program will be excludible from the gross income of a Team Member.

Please consult your tax advisor for further information on the tax treatment of your adoption expenses and of the amount paid to you under the Adoption Assistance Program.

## **Canadian Employees**

The benefit amount paid to you under the Adoption Assistance Program will be considered a taxable employment benefit and will be subject to federal and provincial income tax as well as normal Employment Insurance (EI) and Canada Pension Plan (CPP) deductions. The taxable benefit will be included on your T4 form.

In the year in which the adoption is finalized you are entitled to a federal non-refundable tax credit in respect of certain adoption expenses incurred by you during the adoption period. Only "eligible adoption expenses" (as defined under the tax rules) up to a specified maximum amount qualify for the tax credit. The percentage used to calculate the tax credit and the maximum amount of eligible expenses are set annually. For 2011 the maximum amount of eligible expenses is \$11,128 and the relevant percentage is 15%, resulting in a maximum federal tax credit of \$1,669. Depending on your province of residence, you may also be entitled to a provincial tax credit in respect of your adoption expenses.

Please consult your tax advisor for further information on the tax treatment of your adoption expenses and the amount paid to you under the Adoption Assistance Program.

## **Plan Life**

The Company anticipates that this Adoption Program will be ongoing, but the Company does not guarantee that the program will in fact continue for future periods or that the terms of the program will not change. To the extent allowed by law, the Company reserves the right to change or cancel this Adoption Program for any reason at any time.

## **General Plan Information**

This Adoption Assistance Program is intended to be an adoption assistance plan under Internal Revenue Code Section 137. This Adoption Assistance Program is not funded, and benefits under the program are paid from the Company's general assets. Not more than 5% of the benefits paid under this Adoption Assistance Program may be provided to 5% or greater shareholders of the Company. Also, no benefit will be provided to a Team Member if the benefit would cause the Adoption Assistance Program to become discriminatory.

The Adoption Assistance Program is administered by the Company or its delegates. The Company will have the sole discretionary authority to interpret and administer the provisions of the Adoption Assistance Program, including, but not limited to, deciding the eligibility of a Team Member to receive benefits as well as the amount of benefits payable under the Adoptions Assistance Program.

The Adoption Assistance Program operates in compliance with all applicable laws including the Genetic Information Nondiscrimination Act, as applicable to the U.S. Team Members. The requirement to provide verifying documents of a qualified adoption expense is not intended to be, and should not be construed as a request for genetic information.

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# ADOPTION ASSISTANCE EXPENSE REIMBURSEMENT FORM

**Submit form to the following address for reimbursement:**

**Email:** [hrteam@michaels.com](mailto:hrteam@michaels.com)    **Fax:** 972-409-5806    **Phone:** 855-432-MIKE (6453)

**Mail to:** 3939 W John Carpenter Fwy, Irving, TX 75063    **Attn:** Benefits Department

## General Information













Team Member Name:	Team Member ID#	Date:
Hire Date:	Cost Center/Store#:	Position:
Address:		
Home Phone:	Work Phone:	Cell Phone:
Email Address:		
Have you or any member of your household previously utilized the Michaels Adoption Assistance benefit?  <input type="checkbox"/> Yes    Year(s) of use: _____ Name of Team Member who received the assistance: _____ <input type="checkbox"/> No		
Note: The benefit is restricted to \$5,000 per adoption per Team Member and a maximum of three adoptions per Team Member		
Name of Child Adopted:		
Birth Date of Child Adopted:	Original Country of Birth or Residence:	
Date Child Placed in Home:	Date for Adoption Finalization:	

## Expense Information

Date Eligible Expense Incurred	Date Expense Paid	Amount of Eligible Expense	Paid To	Description of Eligible Expenses Attach copies of itemized bills or documents
				<input type="checkbox"/> Adoption Fees      📄 Medical Costs <input type="checkbox"/> Attorney Fees      📄 Legal Costs <input type="checkbox"/> Other (Please Explain)      📄 Travel Costs
				<input type="checkbox"/> Adoption Fees      📄 Medical Costs <input type="checkbox"/> Attorney Fees      📄 Legal Costs <input type="checkbox"/> Other (Please Explain)      📄 Travel Costs

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Date Eligible Expense Incurred	Date Expense Paid	Amount of Eligible Expense	Paid To	Description of Eligible Expenses Attach copies of itemized bills or documents
				<ul style="list-style-type: none"> <li> Adoption Fees</li> <li> Attorney Fees</li> <li> Other (Please Explain)</li> <li> Medical Costs</li> <li> Legal Costs</li> <li> Travel Costs</li> </ul>
				<ul style="list-style-type: none"> <li> Adoption Fees</li> <li> Attorney Fees</li> <li> Other (Please Explain)</li> <li> Medical Costs</li> <li> Legal Costs</li> <li> Travel Costs</li> </ul>

<b>Total Amount to be Reimbursed:</b>		<i>Maximum allowable expense reimbursement is \$5,000 per child.</i>
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**Required documentation submitted with this reimbursement form.**

1. All expenses must be submitted within 6 months of the date the adoption was finalized and must be documented through detailed receipts, invoices, canceled checks, etc. attached to this form. Attach a detailed list of expenses if there is not sufficient room above.
2. In connection with the adoption of a child who is not a citizen or resident, you must provide a final decree of adoption by a competent authority of the foreign sending country establishing a parent child relationship under the laws of the foreign sending country as well as evidence that the child has been issued the appropriate documentation from the Country or Province in which the child will reside.
3. In connection with the adoption of a child who is a citizen or resident of the Country or Province, you must provide a final decree of adoption or documentation of the termination of the adoption proceedings.

**Statement of Understanding**

I certify that I am eligible to participate in the Michaels Stores, Inc. Adoption Assistance Plan. That is, I am either: an active full-time Team Member; a part-time Team Member averaging 4+ or more hours per week for 8 weeks as detailed in the Adoption Assistance Plan; and have worked for Michaels at least 1 year. These expenses are within the limits of up to three adoptions per Team Member.

I certify that the receipts I am submitting are qualified adoption expenses under the Michaels Adoption Assistance Plan. Qualified adoption expenses means reasonable and necessary adoption fees, court costs, attorney’s fees, and other expenses directly related to, and whose principal purpose is for, the legal adoption of an eligible child under 18 years of age or for an individual that is physically or mentally incapable of caring for himself/herself.

I certify that these expenses are not incurred in violation of state, federal law or provincial law or in carrying out any surrogate parenting agreement, nor are these expenses incurred in connection with my adoption of the child of my spouse or domestic partner. Furthermore, these expenses have not been nor will they be reimbursed under any plan other than this Adoption Assistance Plan or from any other source. I further acknowledge that to the extent that any federal income tax or provincial tax exclusion or credit may be available to me, I may not be able to claim the exclusion and the credit for the same expense. I understand that the Company is not providing tax advice to me and that it is my obligation to understand my tax obligations, and I have been directed to seek out further information from my tax advisor.

I understand that if I voluntarily leave the company or am terminated for gross misconduct within 12 months from the date of assistance, I will be required to reimburse the Company in full.

**This section for Human Resources use only**

Approved Amount to be Reimbursed: \$

Human Resources Signature: