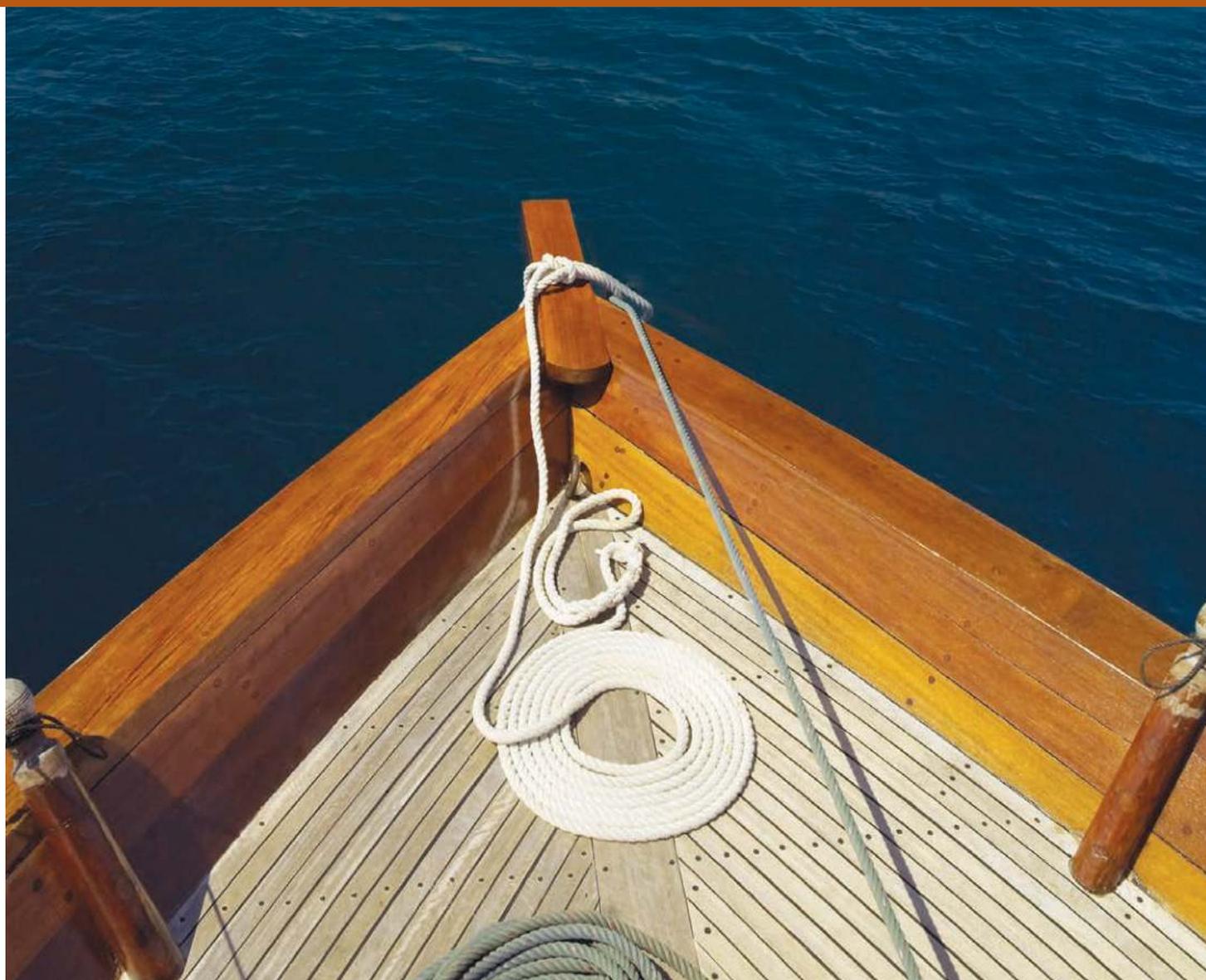




**Michaels Stores, Inc.**  
**Deferred Compensation Plan**  
2020 Plan Year Enrollment Kit



# DESTINATIONS



## Contents

### Overview 1

Plan Features  
The Benefit of Pre-Tax Investing  
Taxable vs. Tax-Deferred Investment Returns  
Maximizing Your Benefit  
Accessing Your Accounts through  
[newportgroup.com](http://newportgroup.com) and Newport Group's  
Participant Service Center

### Plan Summary 5

Eligibility  
Enrollment  
Deferrals  
Vesting  
Participant Accounts  
Earnings  
Investment Options  
Payments from the Plan  
Changing the Distribution  
Date or Form of Payment

Delayed or Accelerated Payments  
Effect on Other Benefits  
Tax Information  
Beneficiary Designation  
Rabbi Trust  
Account Assignment  
Claims  
Plan Administration  
Federal Laws

### Questions and Answers 12

### Enrollment Instructions 15

### Plan Highlights

*Materials contained herein are provided for informational purposes only. In the event of any discrepancies between the information provided herein and the Michaels Stores, Inc. Deferred Compensation Plan, the provisions of the Michaels Stores, Inc. Deferred Compensation Plan will govern.*



Dear Eligible Participant:

Michaels Stores, Inc. is pleased to invite you to participate in the Michaels Stores, Inc. Deferred Compensation Plan (the "Plan"). This valuable tax-advantaged benefit Plan gives you the opportunity to accumulate significant assets to help you meet your financial planning objectives, while you are working and after you retire.

This enrollment kit provides you with a summary of the Plan and enrollment instructions. Please review the kit carefully to learn more about the Plan.

As you may know, Newport Group, along with UBS are our administrative services provider(s). Newport Group and UBS specialize in the design and administration of retirement plans, and are assisting us with the annual enrollment.

A team of benefit and investment specialists within Newport Group's Participant Service Center is available to assist you with any questions you may have about the Plan's provisions, investment options, or your account. You may call them Monday through Friday from 8 a.m. to 8 p.m. ET at 800-230-3950.

You can easily enroll in the Plan and will have continued online access to your accounts through [newportgroup.com](http://newportgroup.com). In addition, this dynamic website makes it easy to effectively manage every aspect of your account, anytime and anywhere. You can access your information from a desktop, tablet or smartphone, get your entire financial picture, choose your level of detail, manage transactions and set your decisions in motion.

We appreciate your contribution to Michaels Stores, Inc. and are pleased to offer this Deferred Compensation Plan as part of your executive benefits package.

Sincerely,

Holly Shaskey-Platek  
SVP - Human Resources



## Destinations...

**E**ach of us has different financial goals and needs, and a different view of financial security. Likewise, each of us will choose our own savings and investment strategies to help us reach those goals. It is important to have a clear understanding of your destination—to know where you are going so the steps you take are always in the right direction.

The information contained in this enrollment kit can assist you in the decision-making process, serve as a resource as you chart your course for the future, and help you reach your financial destinations.

# Overview

You work hard—the dollars you invest should work just as hard. The Michaels Stores, Inc. Deferred Compensation Plan gives you the opportunity to prepare for your future financial security by allowing you to defer otherwise taxable income on a pre-tax basis.

## Plan Features

The Plan provides tax-advantaged savings opportunities, including:

- **Pre-Tax Voluntary Contributions.** The Plan allows you to defer (on a pre-tax basis) salary and/or bonus to help you accumulate savings for retirement and future income needs.
- **Tax-Deferred Earnings.** Your account will be credited with earnings on a tax-deferred basis, thereby maximizing the combined benefit of pre-tax deferrals and tax-deferred growth.
- **Attractive Investment Options.** Your account is credited with earnings based on the return of the investment options you select.
- **Flexible Payment Options.** In order to accommodate individual planning needs—such as planning for a child's college education—you may elect to receive payments from your accounts on a specific date while you are still employed, or after you retire.

The Plan Highlights insert provided in the back of this enrollment kit provides specific details about your Plan, and can assist you in making your elections.

## The Benefit of Pre-Tax Investing

By deferring your compensation into the Plan on a pre-tax basis, you are able to invest more than if you had paid income taxes and invested the after-tax amount. The chart below illustrates the benefit.

	Deferred Compensation Plan	vs.	Personal Investment Alternative
Deferred Compensation	\$25,000		\$25,000
Current Income Tax @ 40%*	(0)		(10,000)
Net Amount To Invest	\$25,000		\$15,000

\*Combination of federal and state marginal tax rates. An additional tax on net investment income may also apply to external investments. See page 9 for more information.

Please see important disclosures at the end of the enrollment materials.



## Taxable vs. Tax-Deferred Investment Returns

Because investment earnings on your account are tax-deferred (i.e. you only pay income tax when you receive a distribution from your account), deferrals made on a pre-tax basis accumulate faster than they would if made on an after-tax basis.

- a personal income tax rate of 40%\*
- 30% blended tax rate on personal investment alternative gains (blended tax rate includes ordinary income and capital gains)
- a 6% and 8% investment return

Let's assume:

- a 45-year-old executive defers \$25,000 **annually** into the Plan until retirement at age 65, versus deferring \$15,000 (the same amount in after-tax dollars) into a personal investment

The chart below compares the results of investing pre-tax and after-tax dollars.

Plan Year	Deferred Compensation Plan		Personal Investment Alternative	
	Investment Returns		Investment Returns	
	6%	8%	6%	8%
1	26,500	27,000	15,630	15,840
2	54,590	56,160	31,916	32,567
3	84,365	87,653	48,887	50,231
4	115,927	121,665	66,570	68,884
5	149,383	158,398	84,996	88,581
10	349,291	391,137	189,405	204,903
20	974,818	1,235,573	475,210	558,239
<b>After-tax annual retirement benefit at age 65, payable for 10 years:</b>				
	<b>\$74,970</b>	<b>\$102,298</b>	<b>\$56,789</b>	<b>\$70,470</b>

Note: Account values will vary depending upon individual tax rates and actual investment performance.

\*Combination of federal and state marginal tax rates. An additional tax on net investment income may also apply to external investments. See page 9 for more information.

Please see important disclosures at the end of the enrollment materials.



## Maximizing Your Benefit

It is important to recognize the potential benefit of allowing deferrals to compound on a tax-deferred basis.

The chart below illustrates how four different accumulation periods and distribution elections would affect the total after-tax benefit.

Let's assume:

- a 45-year-old executive elects a **one-time** deferral of \$25,000 into the Plan
- an 8% investment return
- a personal income tax rate of 40%\* on distributions from the Plan



Note: Account values will vary depending upon individual tax rates and actual investment performance.

\*Combination of federal and state marginal tax rates. An additional tax on net investment income may also apply to external investments. See page 9 for more information.

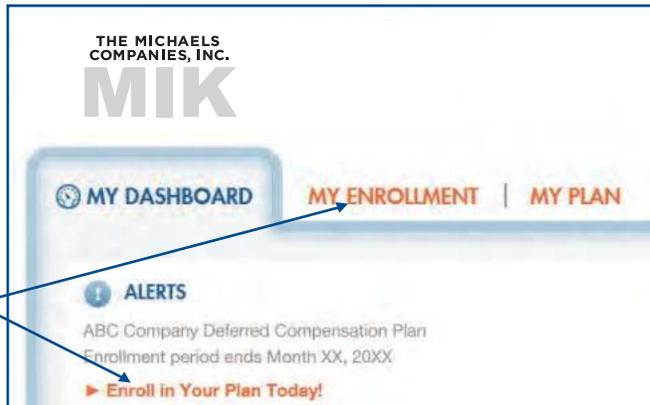
\*\*Total amount that would be paid on a cumulative basis over a 10-year period, assuming returns of 8% on any remaining unpaid balance.

Please see important disclosures at the end of the enrollment materials.



## Accessing Your Accounts

Your account information will be available to you at any time—online through the [newportgroup.com](http://newportgroup.com) participant website. You may also contact a representative at Newport Group’s Participant Service Center. Both of these resources can help you enroll in the Plan, manage your retirement accounts, access information, and find answers to your questions.



Select one of these links to enroll in the Plan.

### newportgroup.com

This dynamic website makes it easy to effectively manage every aspect of your account, anytime and anywhere. You can access your information from a desktop, tablet or smartphone, get your entire financial picture, choose your level of detail, manage transactions and set your decisions in motion.

### Enrollment

You may use [newportgroup.com](http://newportgroup.com) to enroll in the Plan. Once you have reviewed the information in this kit, simply log on to the site (see the **Enrollment Instructions section**) and follow the instructions provided on each screen.

---

Check out the *Alerts* section of *My Dashboard* for information about upcoming enrollments and other important news items.

---

### Participant Service Center: 800-230-3950

Newport Group representatives are available to answer your questions, validate information, fulfill transaction requests and provide professional investment support—both during and after the enrollment period. Our professional staff includes highly skilled benefit and investment specialists able to respond to specific inquiries. Representatives are available Monday through Friday from 8 a.m. to 8 p.m. ET at 800-230-3950.

# Plan Summary

This section summarizes the provisions of Michaels Stores, Inc. Deferred Compensation Plan (the “Plan”). The Plan offers a select group of management and highly compensated employees the ability to reduce current taxable income while accumulating wealth for future financial needs. Because this is a summary only, not every situation that may occur is covered. For more detailed information regarding the Plan, you may request a copy of the Plan document from Michaels Stores, Inc. (the “Company”). Should there be any conflict between this summary and the Plan document, the terms of the Plan document shall control.

## Eligibility

Participation is limited to a select group of management and other highly compensated employees of the Company and its participating subsidiary and affiliated companies. The Company determines who is eligible to participate in the Plan.

## Enrollment

You may enroll online at [newportgroup.com](http://newportgroup.com).

Elections must be submitted during the designated “Enrollment Period,” with elections taking effect at the beginning of the next calendar year. You cannot change the amounts you have elected to defer until the next enrollment period.

## Deferrals

Each year, you may elect to defer the desired amount of your compensation into the Plan. These amounts are deducted from your compensation before income taxes are applied. The types of compensation that you may defer, and the maximum amounts you can defer, are described in the Plan Highlights insert provided in the back of this kit.

Deferrals are credited to your accounts on a periodic basis consistent with the Company’s payroll cycle.

## Vesting

### Participant Deferrals and Related Earnings

Your deferrals into the Plan, and any related earnings, are 100% vested.

## Participant Accounts

The Company will maintain records to track amounts credited to your accounts (deferrals, earnings, etc.). Information about your accounts, including on-demand statements, is available on the [newportgroup.com](http://newportgroup.com) participant website.

## Earnings

Your accounts will be credited with a rate of return (positive or negative) based on the performance of the investment options you select. The value of your account may increase or decrease depending upon the performance of the selected investment options.



## Investment Options

You may choose from a menu of investment options representing a broad range of asset classes. The investment menu will be reviewed at least annually, and investment options may be added or deleted at the sole discretion of the Company.

You can retrieve information about the available investments while in your account on [newportgroup.com](http://newportgroup.com). Start by clicking on *My Plans*, then *Investments*, and finally *Investment Performance*. For additional details, click on the “i” symbol next to the specific investment. Fund fact sheets, prospectus information, and investment performance detail are all accessible under the *Investments* tab on [newportgroup.com](http://newportgroup.com).

## Asset Allocation

You may allocate your accounts among the available investment options, which include five pre-constructed “model” portfolios.

You may select a different investment allocation for each of your accounts, or you may choose to invest your accounts in one of the five model portfolios.

You may change the way your accounts are invested, both with respect to existing balances and future deferrals, at any time. You may also request that your accounts be “rebalanced” (see Question and Answer section for more information) from time to time.

Model portfolios are automatically rebalanced on a monthly basis.

## Payments from the Plan

When you enroll in the Plan, you may designate when you would like your deferrals to be distributed—utilizing an obligatory Retirement/Separation account and up to five (5) optional Specified Date accounts. The Retirement/Separation account will be paid at your retirement or termination, and Specified Date accounts will be paid at a specific date prior to your retirement or termination of employment. Once five Specified Date accounts have been established, another Specified Date account may not be established until one of such existing accounts has been fully distributed. You will also designate the form (lump sum or installments as applicable) of any such accounts. If your account balances are less than \$100,000 when you separate from service, they will automatically be distributed in a single lump sum.

Please be sure to inform the Company of any changes in your address, so that timely payments can be made to you. Uncashed checks are considered to be “paid” by the Plan and will be reported to the IRS as wages or earnings on your IRS Form W-2 or 1099-MISC, even if the check is returned uncashed to the Company.

## Retirement/Separation Account

You will specify the form of payment applicable to the Retirement/Separation account in your initial enrollment period.



The Retirement/Separation account and any Specified Date accounts with a balance will be distributed if you have completely terminated employment with the Company and any related companies, or if you have permanently and substantially reduced your work hours.

#### *Time of Payment*

Your Retirement/Separation account shall be distributed or commenced in the first January following your separation from service or such later date as may be specified by you in your payment election and valued as of the business day preceding the date of payment.

Per IRS Regulations, distribution to certain “Key Employees” will be made no earlier than the first day of the seventh month following retirement or termination (to satisfy specific IRS regulations). Installment payments will be made on the anniversary of the first payment.

#### *Form of Payment*

Your Retirement/Separation account will be distributed to you based on your most current distribution elections. Your options are as follows:

- lump sum
- annual installments\* from two to 15 years

If your total account balance is less than \$100,000 at separation from service, it will be distributed in a single lump sum regardless of your payment election.

\*The amount of each installment will equal the balance in your account on the valuation date, divided by the number of installments remaining to be distributed.

### **Specified Date Accounts**

If you elect to have your deferrals distributed at a specific date prior to your retirement or separation, a Specified Date account will be established. Specified Date accounts are typically used to save for specific purposes (such as college tuition).

You may have a maximum of five Specified Date accounts. Once five Specified Date accounts have been established, another Specified Date account may not be established until one of the existing accounts has been fully distributed.

#### *Time of Payment*

Specified Date accounts are distributed or commenced in the month selected by you and valued as of the end of the month preceding the month of payment. However, if you should separate from service before your Specified Date accounts are fully distributed, the account will be paid according to the election in effect for your Retirement/Separation account.

#### *Form of Payment*

Distribution is made in a lump sum or up to five annual installments, as elected by you.



### Death

Upon your death, all account balances will be distributed to your beneficiary in a lump sum no later than December 31 of the calendar year following the year of your death.

### Change in Control

If you separate from service within two (2) years following a change in control (as defined in the Plan), you will receive all remaining account balances in a lump sum in the first January following the year of separation, subject to the Key Employee delay as discussed above.

### Unforeseeable Emergencies

In the event of an unforeseeable financial emergency resulting from an illness or accident involving you, your spouse or dependents, or a beneficiary; a loss of property due to casualty; or other extraordinary and unforeseeable events that are beyond your control, you may request an emergency distribution from the Plan up to the amount necessary to satisfy the hardship. You will need to provide documentation supporting the emergency, and you must not be able to satisfy the hardship through insurance payments or liquidation of assets. All emergency requests require approval by the Company. If the Company determines that the financial emergency cannot be met by suspending Plan deferrals, the Company may authorize a distribution from the Plan for any additional amounts needed to address the emergency. Payment is made within 90 days of the date the emergency payment is approved.

Deferrals under this Plan may also be suspended following a hardship withdrawal from the Company's 401(k) plan.

### Changing the Distribution Date or Form of Payment

You may modify your distribution elections under the Plan as follows, provided that only one such modification is permitted with respect to each account:

#### Specified Date Accounts

You may change the date a Specified Date account will be distributed and change the form of payment that applies to a Specified Date account. If you change the distribution date or the form of payment, distribution can begin no sooner than five years from the originally scheduled distribution date. Election modifications must be submitted at least 12 months prior to the original distribution date and will take effect 12 months after the distribution modification form is filed.

#### *Example:*

***You established a Specified Date account to be distributed in five annual installments beginning in January of 2028. To change to a single lump sum, submit a payment modification form no later than December 31, 2026. The earliest date you can elect to receive the lump-sum distribution is January of 2033.***



## Retirement/Separation Accounts

You may change the form of payment in which your Retirement/Separation accounts will be distributed (for example, from lump sum to annual installments or from installments to lump sum), or you may change the number of installments you wish to receive. If you change the form of payment, your Retirement/Separation account will be distributed to you five years after the date you retire or terminate employment. The election modification will take effect 12 months after it is filed.

### **Example:**

***If you want to change your form of payment from a lump sum to 10 annual installments, you must submit a payment modification form no later than 12 months before you retire or terminate employment. Your account will be distributed to you in 10 annual installments, beginning five years after you retire or terminate.***

## Delayed or Accelerated Payments

To the extent permitted by federal law, distributions from the Plan may be delayed or accelerated, at the discretion of the Company.

## Effect on Other Benefits

Group insurance benefits (e.g., life insurance, disability, flexible spending accounts, etc.) are based on pre-deferral salary and will not be affected by participation in this Plan.

## Tax Information

### Income Taxes

The Plan has been designed so that your deferrals and other contributions into the Plan—as well as earnings on those amounts—are not subject to federal or state income tax (or income tax withholding) until paid to you.

Distributions from the Plan are subject to federal income taxes. Distributions may also be subject to state income taxes.

Earnings on deferred compensation accounts are not subject to the 3.8% Net Investment Income Tax. See [www.irs.gov](http://www.irs.gov) for more information about this tax.

### FICA Taxes

Your deferrals are subject to applicable FICA (Social Security and Medicare) withholding at the time of deferral. Company contributions, if any, are subject to applicable FICA tax at the time they become vested. Distributions from the Plan are not subject to FICA taxes or withholding.

FICA withholding may include the .9% Additional Medicare Tax. See [www.irs.gov](http://www.irs.gov) for more information about this tax.



### Internal Revenue Code Section 409A

The Company has retained counsel and third party recordkeepers to assist the Company in the design and administration of the Plan, but can provide no guarantees as to the tax treatment of deferrals. Participants are encouraged to consult with their personal tax advisors prior to enrolling in the Plan.

Federal tax laws provide that if you do not receive payment according to the Plan and your deferral elections, you may be treated as if your entire vested account balance was payable to you. In addition to income tax on your entire vested Plan account you may be subject to additional taxes and premium interest penalties back to the year the compensation was earned. Section 409A of the Internal Revenue Code of 1986, as amended requires the employee, not the employer, to pay all taxes and interest. The Internal Revenue Service permits inadvertent payment errors to be corrected without additional taxes or premium interest if the error is corrected in the same year or, for participants who are not policymaking officers of the Company, by the end of the next calendar year. **You are responsible for monitoring your accounts to ensure that you receive payments as scheduled and notifying your employer if you have not received a scheduled payment.** The Company will not reimburse you for additional taxes and penalties if an inadvertent error results in a delay in payment and the delay reasonably could have been discovered and corrected through active monitoring of your account.

### Beneficiary Designation

You may designate one or more beneficiaries to receive benefits payable upon your death. You may change your beneficiary designation(s) at any time at [newportgroup.com](http://newportgroup.com).

### Rabbi Trust

The Company may establish a trust (known as a Rabbi Trust) to hold assets to pay Plan benefits. In order for the Plan to qualify for important exemptions under the Employee Retirement Income Security Act ("ERISA") and to maintain the tax-deferred status of participant accounts, assets held in the Rabbi Trust are considered Company assets and are available to satisfy the claims of creditors of the Company. In the event the Company becomes insolvent, you are an unsecured general creditor of the Company with regard to your benefits under the Plan.

To maintain the tax benefits of the Plan, you do not have an ownership interest in the investment options, the Rabbi Trust assets or in any other specific assets of the Company.

### Account Assignment

Federal tax laws prohibit borrowing from your Plan account, pledging your account to secure a loan, or otherwise assigning or transferring your account to another person.



## Claims

All claims must be processed under the Plan's claims procedures, set forth in detail in the Plan document. You may obtain a copy of the Plan document from the Company.

Please note that the claims procedure contains several deadlines for filing an initial claim and any appeal of a claim that is denied in whole or in part. For example, claims for any credits to your account or payments must be brought within 90 days following the latest date that a payment may be timely made under federal tax laws (generally December 31 of the year payment is scheduled to be made, but not less than the 15th day of the third month following the scheduled payment date). Claims must be brought under the Plan's claims procedures before you may institute any civil action to receive payments. Any civil action must be brought within 12 months after denial of an appeal.

## Plan Administration

The Plan is administered by the Company's appointed committee, which has the right to interpret the Plan and resolve all questions involving the Plan.

The Plan may be amended or terminated by the Company at any time. Amendments will not reduce your vested benefits under the Plan as of the date of the amendment. If the Plan is terminated, your accounts will be paid in a single lump sum.

## Federal Laws

The Plan is exempt from most of the requirements of ERISA, but is subject to the rules of Internal Revenue Code Section 409A ("409A") and will be operated and administered according to those rules.

# Questions and Answers

To help you better understand the Plan, here are a few commonly asked questions, along with the answers, about Plan features and requirements. For more specific information about your Plan, you may select the *Support* link on the [newportgroup.com](http://newportgroup.com) website, or *See FAQs* which you will see on certain pages of the site.

## What is a non-qualified deferred compensation plan?

A non-qualified deferred compensation plan is a plan for a select group of management or highly compensated employees. It provides an opportunity to defer receipt of compensation and applicable income tax to a future date.

- contributions are considered assets of the Company and are available to satisfy the claims of the Company's creditors in the event of its bankruptcy or insolvency
- forms of payment must be elected at the time of deferral, but can only be modified as provided under the Plan

## What is the advantage of deferring compensation to the Plan?

By deferring compensation to the Plan, you reduce your current taxable income, while accumulating funds for future financial needs. Your deferrals, and any associated earnings, are not subject to income taxes until paid to you. Because the earnings are not taxed until paid, your investments grow at a faster rate during the deferral period.

## When can I make changes to my deferral elections?

Deferral elections can only be modified during the annual enrollment period and will take effect at the beginning of the next year. Deferral elections are irrevocable during the calendar year to which they apply. This means you cannot cancel, increase, or decrease the amount you elected to defer to the Plan during the year. If permitted under the terms of the Plan, deferral elections may be cancelled in the event of an unforeseeable emergency or disability, or if a hardship withdrawal is taken from a 401(k) plan.

## Is the Plan different from a 401(k) plan?

Yes. There are many differences between this Plan and a 401(k) plan. For example, under this Plan:

- only a select group of highly compensated or management employees may participate
- the IRS does not limit how much may be contributed
- distributions made prior to age 59½ are not subject to an early withdrawal penalty
- distributions may not be "rolled over" to an IRA
- loans are not available
- hardship withdrawals are available under limited circumstances

## Can I change how or when my Plan account will be paid to me?

Yes. However, if you change the time for payment or the method of payment (e.g., installments to lump sum, etc.), you will also need to choose a new payment start date that is at least five years later than the date the payments were originally scheduled to begin. Changes to a Specified Date account are required to be submitted at least 12 months in advance of the date payments were otherwise scheduled to begin. Remember that elections do not take effect until 12 months after the modification is submitted. To avoid an unexpected delay in your payment, carefully select your payment elections when you enroll in the Plan. If you need to make a change, do so well in advance of your scheduled payment date.



### What is a change in control?

In general, a change in control means a substantial change in the ownership of the Company, a substantial change in voting power or composition of the board of directors, or a sale of a substantial portion of the assets of the Company. See the Plan document for more information.

### What are my investment options?

An extensive menu of investment options is available under the Plan. These options are managed by a variety of money managers and cover a broad range of asset classes and styles. Please refer to the [newportgroup.com](http://newportgroup.com) participant website for information regarding the latest investment choices.

### How are investment options determined?

The Company has retained Newport Group to assist the Company in developing a menu of investment options that cover a broad range of asset classes and styles. Newport Group monitors the performance of each option on a quarterly basis and may recommend investment menu changes to the Company from time to time.

### What are model portfolios?

The way in which your money is allocated among the investment options within the Plan is generally referred to as your asset allocation. You have the choice of constructing your own asset allocation from the investment menu, or choosing from five model portfolios with specific risk/return profiles ranging from conservative to aggressive. Each model portfolio has been constructed from investment options that are included in the fund lineup. Please refer to the [newportgroup.com](http://newportgroup.com) participant website for more information.

### How may I change my investments?

You may change your current investments by accessing the [newportgroup.com](http://newportgroup.com) participant website. Requests made through the website will become effective on the same trading day, if the change is submitted prior to 4 p.m. ET, or on the next trading day, if it is submitted after 4 p.m. ET or during a weekend or holiday.

A change to an asset allocation can apply to an existing account balance, to future deferrals credited to your accounts, or both.

*Call Newport Group's Participant Service Center at 800-230-3950 for assistance.*



### What is rebalancing?

A diversified investment portfolio typically allocates a specified percentage of assets to each asset class. Under the Plan, an asset class is represented by one or more mutual funds on the investment menu. Over time, the relative investment performance of each asset class may cause your asset allocation percentages to change. Rebalancing is a process that restores the original allocation percentages. Through the [newportgroup.com](http://newportgroup.com) participant website, you may elect to have rebalancing occur automatically at specified times during the year.

For your convenience, you can choose to rebalance specific accounts, or you may have all of your accounts rebalanced.

### Why does the Company purchase life insurance on the lives of Plan participants?

The Company must generally pay corporate income tax on investment income earned by assets it sets aside to pay Plan benefits. However, if those assets are invested in life insurance, the corporate tax on investment gains is deferred and potentially eliminated. For that reason, the Company may purchase insurance on the lives of participants as a means of funding its obligations to Plan participants. The insurance contracts are owned by and payable

to the Company or a Rabbi Trust it established. To assist the Company in reducing the tax cost of the Plan, each participant is asked to provide consent to the purchase of life insurance.

### Are distributions from the Plan subject to state income taxes?

Distributions from the Plan may be subject to state income taxes. If payments are made in annual installments over a period of at least 10 years, the payments will be taxed only by the state in which you reside at the time the payments are made. When selecting a form of payment, you should discuss potential state income tax rules with your personal financial advisor.

### Are deferred compensation plan accounts subject to the 3.8% tax on investment earnings?

No. Deferred earnings on deferred compensation are not considered "investment income" for purposes of the 3.8% tax on investment earnings. Amounts you receive from a deferred compensation plan, including the earnings, are taxed as wages when you receive payments from the Plan.

**If you have additional questions, please refer to [newportgroup.com](http://newportgroup.com) or call the Participant Service Center at 800-230-3950.**

# Enrollment Instructions

You may enroll in this Plan through the online enrollment site as detailed below. Once you have reviewed the information in the enrollment kit, please see the below steps.



Select one of these links to enroll in the Plan.

- 1 Access the [newportgroup.com](http://newportgroup.com) website, click the *Login* button, and then select *Participant Access*.
- 2 Enter your User ID and Password. If this is your first time logging on, your User ID is your Social Security number and your Password is the last four digits of your Social Security number, and you will be prompted to set up a new unique User ID and Password. Remember: the stronger your Password, the more protected your accounts will be against unauthorized access.
- 3 On *My Dashboard*, click the *Enroll in Your Plan* link or the *My Enrollment* tab, as shown above.
- 4 Follow the instructions provided on each screen to complete the enrollment process.
- 5 After you have completed the enrollment process, you may print the *Enrollment Confirmation* screen for your records. You will receive an email confirmation of your enrollment.

If you have forgotten your login information, call the Participant Service Center at 800-230-3950 for assistance.

Should you require information about your existing accounts, log on to [newportgroup.com](http://newportgroup.com) to access your account information.

If you have questions about how to enroll, please contact Newport Group's Participant Service Center at 800-230-3950 Monday through Friday, from 8 a.m. to 8 p.m. ET.

## Confirmation

After you enroll, you will receive an email confirmation of your elections. Newport Group representatives may contact you to clarify information you have provided. Please be assured that all information you provide will remain strictly confidential.

# Plan Highlights

## Michaels Stores, Inc. Deferred Compensation Plan

<b>Eligibility</b>	Participation is limited to a select group of management and other highly compensated employees of the Company and its participating subsidiary and affiliated companies. The Company determines who is eligible to participate in the Plan.
<b>Enrollment</b>	You may enroll online at <b>newportgroup.com</b> .
<b>Employee Contributions</b>	You may defer up to 75% of your base salary and up to 100% of any annual bonus on a pre-tax basis.
<b>Investment Options</b>	You may select from a broad range of well-known investment managers and model portfolios. Account transactions, including asset allocation changes, rebalances and transfers are processed daily.
<b>24/7 Account Access</b>	You can access your account information online at <b>newportgroup.com</b> .
<b>Time of Payment</b>	You may create up to five Specified Date accounts providing for payment on dates selected by you, or you may defer to a Retirement/Separation account.
<b>Valuation Date</b>	Specified Date accounts are valued as of the end of the month preceding the month of payment. Retirement/Separation accounts are generally valued on the last business day of the year in which you separate from service, with payments commencing the first January following such separation from service occurs.
<b>Forms of Payment</b>	Retirement/Separation accounts can be paid in a lump sum or in annual installments over a period of up to 15 years. Specified Date accounts can be paid in a lump sum or in annual installments over a period of up to five years.
<b>Change of Elections</b>	You may change the timing and form of payment, subject to a five-year delay in benefit commencement. All changes must be submitted at least 12 months prior to the current distribution date to become valid.
<b>Benefit Security</b>	Assets are held in a separate Rabbi Trust to pay Plan benefits. In order to maintain the Plan's tax-deferred status, Rabbi Trust assets are subject to the claims of creditors of the Company in the event of its bankruptcy.
<b>Taxation</b>	Income taxes on contributions and earnings are deferred until the time of distribution. Withholding for Social Security and Medicare is made at the time income is earned, or as Company contributions vest.

**Please call Newport Group's Participant Service Center at 800-230-3950  
if you have any questions regarding the Plan.**

### **IMPORTANT INFORMATION**

**Prepared exclusively for the Plan sponsor pursuant to its request. Not for redistribution or public use.**

The substance and format of the preceding material was developed by and is the confidential work product of Newport Group. The purpose is to provide information about the Plan to eligible employees who are considering participation in the Plan for the identified plan year. Any disclosure to parties other than the sponsor, its advisors, eligible employees, their personal tax advisors or accountants or use for any other purpose without the prior written consent of Newport Group is prohibited.

Examples showing the benefits of participating in the Plan are not intended as a representation about the amount of the benefit an individual participant will receive from the Plan. Illustrations are based on assumptions set forth in the materials such as the amount saved, marginal tax rates and investment returns which likely will not apply in all particulars to an individual participant's situation.

Securities are offered through Newport Group Securities, Inc., member FINRA. Securities in California are offered under the d/b/a Newport Securities Insurance Services. Other insurance products may be offered by Newport Group, Inc. Investment Advisory Services are offered through Newport Group Securities, Inc. and Newport Group Consulting, LLC.

Information on the historical investment performance or risk-reward profile of an asset, an asset class or investment style has been developed from sources believed to be reliable. Newport Group does not guarantee the accuracy, adequacy or completeness of such information. Information contained in this presentation is subject to change at any time after the indicated date. Any forward-looking statements speak only as of the date they are made, and Newport Group assumes no duty to and does not undertake to update forward-looking statements. Past performance is not an indication of future results.

Plan Participants are responsible for allocating their account balance among the investment options offered under the Plan. There can be no assurance that the investment objective of an investment option will be achieved. Unless expressly provided otherwise, there is no guarantee of a profit or protection against losses. Target-date funds gradually shift their investment allocations from more aggressive allocations to more conservative ones as the stated target date approaches, with the target date approximating an investor's retirement date. An investment in target-date fund is not guaranteed as to return or to provide a specific retirement income. Please refer to the fund prospectus before investing in target-date funds.

Although participants may be required to consent to the purchase of life insurance, no life insurance benefits are provided to participants or their families unless the materials expressly provide otherwise.

Newport Group and its affiliated companies do not render tax or legal advice, and the material contained in this report should not be interpreted or relied upon as such. You should consult your tax, legal or financial advisors to guide your decisions as a participant in the Plan.



1350 Treat Boulevard, Suite 300  
Walnut Creek, California 94597