

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 29, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-40204

JOANN Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

46-1095540
(I.R.S. Employer
Identification No.)

5555 Darrow Road, Hudson, Ohio
(Address of principal executive offices)

44236
(Zip Code)

Registrant's telephone number, including area code: (330) 656-2600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	JOAN	The Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 28, 2023, the registrant had 41,905,770 shares of common stock, par value \$0.01 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You can generally identify forward-looking statements by our use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "seek," "vision," "should," or the negative thereof or other variations thereon or comparable terminology. Forward-looking statements include those we make regarding the following matters:

- the impact of inflationary pressures and general economic conditions, including the impacts of public health epidemics or pandemics, on our ability to control costs and on our customers' level of discretionary income to spend on sewing, arts and crafts and select home décor products ("Creative Products");
- our ability to anticipate and effectively respond to disruptions or inefficiencies in our distribution network, e-commerce fulfillment function and transportation system, including availability and cost of import and domestic freight;
- the effects of potential changes to U.S. trade regulations and policies, including tariffs, on our business;
- developments involving our competitors and our industry;
- our ability to maintain adequate liquidity, our level of indebtedness, the impact of lease obligations and the availability of capital, including our ability to raise additional capital, could limit our financial flexibility and cash flow necessary to fund working capital, planned capital expenditures and other general corporate purposes or ongoing needs of our business;
- our ability to regain and maintain compliance with the continued listing requirements of The Nasdaq Global Market;
- our ability to timely identify or effectively respond to consumer trends, and the potential effects of that ability on our relationship with our customers, the demand for our products and our market share;
- our expectations regarding the seasonality of our business;
- our ability to manage the distinct risks facing our e-commerce business and maintain a relevant omni-channel experience for our customers;
- our ability to maintain or negotiate favorable lease terms for our store locations;
- our ability to execute on our strategy to renovate and improve the performance of our existing store locations;
- our ability to achieve and maintain targeted annual cost reductions;
- our ability to attract and retain a qualified management team and other team members while controlling our labor costs;
- our reliance on and relationships with third-party service providers;
- our reliance on and relationships with foreign suppliers and their ability to supply us with adequate, timely and cost-effective products for resale;
- our ability, and our third-party service providers' ability, to maintain security and prevent unauthorized access to electronic and other confidential information;
- the impacts of potential disruptions to our information systems, including our websites and mobile applications;
- our ability to respond to risks associated with existing and future payment options;
- our ability to maintain and enhance a strong brand image;
- our ability to maintain adequate insurance coverage;
- our status as a "controlled company" and control of us as a public company by affiliates of Leonard Green & Partners, L.P. ("LGP");
- the impact of evolving governmental laws and regulations and the outcomes of legal proceedings; and
- the amount and timing of repurchases of our common stock, if any.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q are not guarantees of future performance, and our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from the forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q. In addition, even if our results of operations, financial condition and liquidity and events in the industry in which we operate are consistent with the forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q, they may not be predictive of results or developments in future periods. Any forward-looking statement that we make in this Quarterly Report on Form 10-Q speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

JOANN Inc.
Consolidated Balance Sheets

	(Unaudited)		
	July 29, 2023	July 30, 2022	January 28, 2023
	(In millions)		
Assets			
Current assets:			
Cash and cash equivalents	\$ 19.1	\$ 21.5	\$ 20.2
Inventories	642.0	749.9	584.1
Prepaid expenses and other current assets	62.6	78.5	38.6
Total current assets	723.7	849.9	642.9
Property, equipment and leasehold improvements, net	282.1	285.5	287.8
Operating lease assets	780.2	835.0	778.4
Goodwill, net	162.0	162.0	162.0
Intangible assets, net	267.8	371.5	272.1
Other assets	44.4	27.5	37.6
Total assets	<u>\$ 2,260.2</u>	<u>\$ 2,531.4</u>	<u>\$ 2,180.8</u>
Liabilities and Shareholders' Equity (Deficit)			
Current liabilities:			
Accounts payable	\$ 261.7	\$ 272.3	\$ 197.5
Accrued expenses	122.8	140.4	119.2
Current portion of operating lease liabilities	172.0	159.0	177.5
Current portion of long-term debt	6.8	6.8	6.8
Total current liabilities	563.3	578.5	501.0
Long-term debt, net	1,094.7	1,012.1	976.0
Long-term operating lease liabilities	714.8	771.3	707.3
Long-term deferred income taxes	20.4	86.8	16.9
Other long-term liabilities	29.2	31.5	28.7
Shareholders' equity (deficit):			
Common stock, stated value \$0.01 per share; 200.0 million authorized; issued 44.1 million shares at July 29, 2023, July 30, 2022 and January 28, 2023	0.4	0.4	0.4
Additional paid-in capital	207.6	204.5	208.0
Retained (deficit)	(366.7)	(126.0)	(239.2)
Accumulated other comprehensive income	15.5	1.1	8.3
Treasury stock at cost; 2.2 million shares at July 29, 2023, 3.3 million shares at July 30, 2022 and 3.0 million shares at January 28, 2023	(19.0)	(28.8)	(26.6)
Total shareholders' equity (deficit)	(162.2)	51.2	(49.1)
Total liabilities and shareholders' equity (deficit)	<u>\$ 2,260.2</u>	<u>\$ 2,531.4</u>	<u>\$ 2,180.8</u>

See notes to unaudited consolidated financial statements.

JOANN Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	<u>Thirteen Weeks Ended</u>		<u>Twenty-Six Weeks Ended</u>	
	<u>July 29, 2023</u>	<u>July 30, 2022</u>	<u>July 29, 2023</u>	<u>July 30, 2022</u>
	(In millions except per share data)			
Net sales	\$ 453.8	\$ 463.3	\$ 931.9	\$ 961.3
Cost of sales	221.8	248.4	450.9	505.7
Selling, general and administrative expenses	269.9	258.5	532.8	517.6
Depreciation and amortization	18.9	19.9	39.2	40.0
Operating (loss)	(56.8)	(63.5)	(91.0)	(102.0)
Interest expense, net	26.8	13.2	52.1	24.4
Investment remeasurement	—	—	—	1.0
(Loss) before income taxes	(83.6)	(76.7)	(143.1)	(127.4)
Income tax (benefit)	(11.5)	(19.8)	(19.3)	(35.4)
Loss from equity method investments	1.2	—	3.7	—
Net (loss)	<u>\$ (73.3)</u>	<u>\$ (56.9)</u>	<u>\$ (127.5)</u>	<u>\$ (92.0)</u>
Other comprehensive income (loss):				
Cash flow hedges	8.6	(5.6)	9.7	(0.9)
Income tax benefit (provision) on cash flow hedges	(2.2)	1.4	(2.5)	0.2
Other comprehensive income (loss)	6.4	(4.2)	7.2	(0.7)
Comprehensive (loss)	<u>\$ (66.9)</u>	<u>\$ (61.1)</u>	<u>\$ (120.3)</u>	<u>\$ (92.7)</u>
(Loss) per common share:				
Basic	\$ (1.76)	\$ (1.40)	\$ (3.07)	\$ (2.26)
Diluted	\$ (1.76)	\$ (1.40)	\$ (3.07)	\$ (2.26)
Weighted-average common shares outstanding:				
Basic	41.7	40.7	41.5	40.7
Diluted	41.7	40.7	41.5	40.7

See notes to unaudited consolidated financial statements.

JOANN Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022
	(In millions)	
Net cash provided by (used for) operating activities:		
Net (loss)	\$ (127.5)	\$ (92.0)
Adjustments to reconcile net (loss) to net cash (used for) operating activities:		
Non-cash operating lease expense	87.0	84.7
Depreciation and amortization	39.2	40.0
Deferred income taxes	1.1	(0.6)
Stock-based compensation expense	6.8	2.2
Amortization of deferred financing costs and original issue discount	1.6	1.0
Investment remeasurement	—	1.0
Loss on disposal and impairment of fixed assets	1.2	0.2
Loss on equity method investment	3.7	—
Changes in operating assets and liabilities:		
(Increase) in inventories	(57.9)	(91.3)
(Increase) in prepaid expenses and other current assets	(16.8)	(39.2)
Increase in accounts payable	64.2	18.5
Increase (decrease) in accrued expenses	7.3	(6.4)
(Decrease) in operating lease liabilities	(86.8)	(78.2)
Increase (decrease) in other long-term liabilities	0.3	(9.9)
Other, net	(5.7)	3.9
Net cash (used for) operating activities	(82.3)	(166.1)
Net cash (used for) investing activities:		
Capital expenditures	(29.4)	(50.7)
Other investing activities	(1.6)	(4.3)
Net cash (used for) investing activities	(31.0)	(55.0)
Net cash provided by (used for) financing activities:		
Term loan payments	(3.4)	(5.1)
FIL0 proceeds	97.0	—
Borrowings on revolving credit facility	311.2	360.2
Payments on revolving credit facility	(283.2)	(122.2)
Principal payments on finance lease obligations	(4.6)	(4.9)
Proceeds from employee stock purchase plan and exercise of stock options	0.5	1.1
Payments of taxes related to the net issuance of team member stock awards	(0.1)	(0.1)
Dividends paid	—	(8.9)
Financing fees paid	(5.2)	—
Net cash provided by financing activities	112.2	220.1
Net (decrease) in cash and cash equivalents	(1.1)	(1.0)
Cash and cash equivalents at beginning of period	20.2	22.5
Cash and cash equivalents at end of period	\$ 19.1	\$ 21.5
Cash paid (received) during the period for:		
Interest	\$ 48.7	\$ 22.7
Income taxes, net of (refunds)	(2.3)	0.3

See notes to unaudited consolidated financial statements.

JOANN Inc.
Consolidated Statements of Shareholders' Equity (Deficit)
(Unaudited)

	Net Common Shares	Treasury Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock	Retained (Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' (Deficit)
(In millions)								
Balance, January 28, 2023	41.1	3.0	\$ 0.4	\$ 208.0	\$ (26.6)	\$ (239.2)	\$ 8.3	\$ (49.1)
Net (loss)	—	—	—	—	—	(54.2)	—	(54.2)
Other comprehensive income	—	—	—	—	—	—	0.8	0.8
Stock-based compensation	—	—	—	5.3	—	—	—	5.3
Exercise of stock options	—	—	—	(0.4)	0.4	—	—	—
Vesting of restricted stock units	0.1	(0.1)	—	(0.9)	0.8	—	—	(0.1)
Balance, April 29, 2023	41.2	2.9	\$ 0.4	\$ 212.0	\$ (25.4)	\$ (293.4)	\$ 9.1	\$ (97.3)
Net (loss)	—	—	—	—	—	(73.3)	—	(73.3)
Other comprehensive income	—	—	—	—	—	—	6.4	6.4
Stock-based compensation	—	—	—	1.5	—	—	—	1.5
Vesting of restricted stock units	0.1	(0.1)	—	(0.9)	0.9	—	—	—
Employee stock purchase plan purchases	0.6	(0.6)	—	(5.0)	5.5	—	—	0.5
Balance, July 29, 2023	41.9	2.2	\$ 0.4	\$ 207.6	\$ (19.0)	\$ (366.7)	\$ 15.5	\$ (162.2)

	Net Common Shares	Treasury Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock	Retained (Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
(In millions)								
Balance, January 29, 2022	40.6	3.5	\$ 0.4	\$ 203.3	\$ (30.8)	\$ (24.9)	\$ 1.8	\$ 149.8
Net (loss)	—	—	—	—	—	(35.1)	—	(35.1)
Other comprehensive income	—	—	—	—	—	—	3.5	3.5
Dividends – \$0.11 per share	—	—	—	—	—	(4.5)	—	(4.5)
Stock-based compensation	—	—	—	1.0	—	—	—	1.0
Exercise of stock options	—	—	—	0.1	0.3	—	—	0.4
Vesting of restricted stock units	0.1	(0.1)	—	(0.7)	0.6	—	—	(0.1)
Balance, April 30, 2022	40.7	3.4	\$ 0.4	\$ 203.7	\$ (29.9)	\$ (64.5)	\$ 5.3	\$ 115.0
Net (loss)	—	—	—	—	—	(56.9)	—	(56.9)
Other comprehensive (loss)	—	—	—	—	—	—	(4.2)	(4.2)
Dividends – \$0.10 per share	—	—	—	—	—	(4.6)	—	(4.6)
Stock-based compensation	—	—	—	1.2	—	—	—	1.2
Vesting of restricted stock units	—	—	—	(0.2)	0.2	—	—	—
Employee stock purchase plan purchases	0.1	(0.1)	—	(0.2)	0.9	—	—	0.7
Balance, July 30, 2022	40.8	3.3	\$ 0.4	\$ 204.5	\$ (28.8)	\$ (126.0)	\$ 1.1	\$ 51.2

See notes to unaudited consolidated financial statements.

JOANN Inc.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1—Significant Accounting Policies

Nature of Operations

JOANN (as defined below) is the nation’s category leader in sewing and fabrics (collectively, “Sewing”), with one of the largest assortments of arts and crafts products. As a well-established and trusted brand for 80 years, the Company believes it has a deep understanding of its customers, what inspires their creativity and what fuels their incredibly diverse projects. In order to best serve its customers, JOANN has transformed itself into a fully-integrated, digitally-connected omni-channel retailer that provides Creative Products to its customers whenever and however they want. As of July 29, 2023, the Company operated 829 store locations in 49 states.

Basis of Presentation

The accompanying Consolidated Financial Statements and these notes are unaudited and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. The Consolidated Financial Statements reflect all normal, recurring adjustments which management believes are necessary to present fairly the Company’s financial condition, results of operations and cash flows for all periods presented. The Consolidated Financial Statements, however, do not include all information necessary for a complete presentation of financial condition, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying Consolidated Financial Statements and these notes should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

Consolidation

The Consolidated Financial Statements include the accounts of JOANN Inc. (the “Holding Company”), Needle Holdings LLC (“Needle Holdings”) and Jo-Ann Stores, LLC and its wholly-owned subsidiaries (collectively, “JOANN”). All of the entities referenced in the prior sentence hereinafter will be referred to collectively as the “Company” and are all controlled by affiliates of LGP. All intercompany accounts and transactions have been eliminated upon consolidation.

The Holding Company has no operating activities and is limited to the issuance of shares of common stock and stock-based awards, the repurchase of common shares, the issuance and repurchase of debt, the receipt and payment of dividends or distributions and the payment of interest expense. The authorized, issued and outstanding common shares and treasury shares shown on the Consolidated Balance Sheets are of the Holding Company. Likewise, Needle Holdings has no operating activities and is limited to the issuance of initial shares of common stock and stock-based awards and the payment of dividends or distributions.

Fiscal Periods

The Company’s fiscal year ends on the Saturday closest to January 31 and refers to the year in which the period ends (e.g., fiscal 2023 refers to the fiscal year ending January 28, 2023). Fiscal years consist of 52 weeks, unless noted otherwise. Fiscal 2024 consists of 53 weeks and ends February 3, 2024. The fiscal quarters ended July 29, 2023 and July 30, 2022 were both comprised of 13 weeks.

Seasonality

Typical of most retail companies, the Company’s business is seasonal, with the majority of revenues and operating profits generated in the second half of the fiscal year. Accordingly, earnings or losses for a particular interim period are not necessarily indicative of full-year results.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Since actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

Recently Adopted Accounting Guidance

In December 2022, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. This ASU defers the sunset date of Topic 848 (ASU 2020-04) from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. Topic 848 provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting and, particularly, the risk of cessation of the London Interbank Offered Rate (“LIBOR”). The amendments in this ASU are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. These amendments were effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2024. In May 2023, the Company entered into the Amendment No. 3 (“Amendment No. 3”) to the credit agreement, dated as of October 21, 2016, which replaced LIBOR as the benchmark rate with the Term Secured Overnight Financing Rate (“SOFR”) as administered by the Federal Reserve Bank of New York. See Note 2 for further discussion regarding our Term Loan due 2028 (as defined below). In June 2023, the Company entered into an amended and restated agreement for each of its interest rate swap agreements with U.S. Bank N.A., each of which replaced LIBOR as the benchmark rate with SOFR, as administered by CME Group Benchmark Administration, Ltd. See Note 3 for further discussion regarding the Company’s interest rate swaps. In connection with these amendments, the Company adopted the above standard in the second quarter of fiscal 2024 and elected the optional expedients. The Company concluded that neither the modifications to the Term Loan due 2028 nor the interest rate swaps are substantial, and this adoption did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Guidance

There are no recently issued accounting pronouncements that the Company has not yet adopted which would have a material impact on the Consolidated Financial Statements.

Related Party Transactions

During the thirteen and twenty-six weeks ended July 30, 2022, the Company paid dividends of \$3.1 million and \$6.1 million, respectively, to LGP as part of the Company’s quarterly dividend payments. The Company did not pay any dividends during the first half of fiscal 2024.

Note 2—Financing

Long-term debt consisted of the following:

	July 29, 2023	July 30, 2022	January 28, 2023
		(In millions)	
ABL Facility	\$ 352.0	\$ 359.0	\$ 324.0
Term Loan due 2028	663.2	668.3	666.6
FILO Loan	100.0	—	—
Total debt	1,115.2	1,027.3	990.6
Less unamortized discount and debt costs	(13.7)	(8.4)	(7.8)
Total debt, net	1,101.5	1,018.9	982.8
Less current portion of debt	(6.8)	(6.8)	(6.8)
Long-term debt, net	<u>\$ 1,094.7</u>	<u>\$ 1,012.1</u>	<u>\$ 976.0</u>

ABL Facility

On October 21, 2016, the Company entered into a senior secured asset based revolving credit facility (as amended from time to time, the “ABL Facility”), which originally provided for senior secured financing of up to \$400.0 million, subject to a borrowing base, maturing on October 20, 2021. On November 25, 2020, the Company entered into an agreement to amend various terms of the ABL Facility, which provided for senior secured financing of up to \$500.0 million, subject to a borrowing base, maturing on November 25, 2025.

On December 22, 2021, the Company entered into an agreement to amend various terms of the ABL Facility, which provides for senior secured financing of up to \$500.0 million, subject to a borrowing base, maturing on December 22, 2026. No changes were made to the borrowing base formula. The ABL Facility is secured by a first priority security interest in JOANN’s inventory, accounts

receivable and related assets with a second priority interest in all other assets, excluding real estate. It also continues to be guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions.

As further described under FILO Loans below, on March 10, 2023, the Company entered into a third amendment to the ABL Facility (the "Third Amendment"). As amended by the Third Amendment, the ABL Facility base rate loans bear an additional margin of 1.00% when average historical excess capacity is less than 33.33% of the maximum credit, 0.75% when average historical excess capacity is greater than 33.33% but less than 66.67% of the maximum credit, and 0.50% when average historical excess capacity is greater than or equal to 66.67% of the maximum credit. Prior to March 10, 2023, under the ABL Facility, the base rate loans bore an additional margin of 0.50% when average historical excess capacity is less than 40.00% of the maximum credit and 0.25% when average historical excess capacity is greater than or equal to 40.00% of the maximum credit.

The Third Amendment also replaced LIBOR as the interest rate benchmark under the credit agreement with the forward-looking term rate based on SOFR. SOFR loans, previously Eurodollar rate loans, bear an additional margin of 2.00% when average historical excess capacity is less than 33.33% of the maximum credit, 1.75% when average historical excess capacity is greater than 33.33% but less than 66.67% of the maximum credit, and 1.50% when average historical excess capacity is greater than or equal to 66.67% of the maximum credit. Eurodollar rate loans bore an additional margin of 1.50% when average historical excess capacity is less than 40.00% of the maximum credit and 1.25% when average historical excess capacity is greater than or equal to 40.00% of the maximum credit. Unused commitment fees on the ABL Facility are calculated based on a rate of 0.20% per annum. During the first quarter of fiscal 2024, LIBOR ceased to be the interest rate benchmark and SOFR became the LIBOR successor rate. The Company has the option to request an increase in the size of the ABL Facility up to \$150.0 million (for a total facility of \$650.0 million) in increments of not less than \$20.0 million, provided that no default exists or would arise from the increase. However, the lenders under the ABL Facility are under no obligation to provide any such additional amounts.

As of July 29, 2023, there were \$352.0 million of borrowings on the ABL Facility, and the Company's outstanding letters of credit obligation was \$18.4 million. As of July 29, 2023, the Company's excess availability on the ABL Facility was \$58.4 million. During the second quarter of fiscal 2024, the weighted average interest rate for borrowings under the ABL Facility was 7.41%, compared to 2.55% for the second quarter of fiscal 2023. As of July 30, 2022, the Company had \$359.0 million of borrowings on the ABL Facility, and the Company's outstanding letters of credit obligation was \$16.5 million. As of July 30, 2022, the Company's excess availability on the ABL Facility was \$89.7 million.

FILO Loans

On March 10, 2023 (the "Closing Date"), the Company entered into the Third Amendment to the ABL Facility. The Third Amendment, among other things, adds a series of first-in last-out loans (the "FILO Loans") in an aggregate amount of \$100.0 million, the full amount of which was drawn on the Closing Date and a portion of which proceeds were used, among other things, to refinance a portion of the revolving loans drawn and outstanding under the ABL Facility immediately prior to the Closing Date. The FILO Loans are secured by a subordinate priority security to the ABL Facility interest in JOANN's inventory, accounts receivable and related assets with a second priority interest in all other assets, excluding real estate. The FILO Loans are guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions.

The FILO Loans and the revolving commitments under the credit agreement (the "Revolving Commitments") mature on December 22, 2026. The FILO Loans will not amortize. The FILO Loans are SOFR loans (as defined in the Third Amendment), that bear monthly interest at an annual rate of 9.75% with one 100 basis point stepdown based on minimum Consolidated EBITDA (as defined in the Third Amendment) and are subject to a SOFR floor of 1.50%.

The Third Amendment also amends the credit agreement to (i) include certain trade receivables in the borrowing base, (ii) provide that loans drawn pursuant to the Revolving Commitments may be made at JOANN's election as base rate loans or SOFR loans and (iii) increases the applicable margin for SOFR loans to 2.00% with two twenty-five basis point step-downs based on excess availability. Revolving loans made in SOFR are subject to a credit spread adjustment of 0.10% and a floor of 0.00%.

Other than the changes described above, all other material provisions of the credit agreement remain unchanged and as previously disclosed.

During the second quarter of fiscal 2024, the weighted average interest rate for borrowings under the FILO Loans due 2026 was 15.04%.

Term Loan Due 2028

On July 7, 2021, the Company entered into the Amendment No. 2 (“Amendment No. 2”) to the credit agreement, dated as of October 21, 2016. Amendment No. 2, among other things, provided for a new \$675 million incremental first-lien term loan credit facility with a maturity date of July 7, 2028 (the “Term Loan due 2028”). The Term Loan due 2028 was issued at 99.5% of face value and was used to refinance the Company’s outstanding first-lien term loan credit facility due 2023, as well as to reduce amounts borrowed under the ABL Facility and pay related fees and expenses. Amendment No. 2 reduced the applicable interest rates for Eurodollar rate loans and base rate loans from 5.00% and 4.00% to 4.75% and 3.75%, respectively, and reduced the LIBOR floor from 1.00% to 0.75%. In May 2023, Amendment No. 3 replaced the LIBOR reference rate with SOFR. Other than the changes described above, all other material provisions of the credit agreement remain unchanged. During the second quarter of fiscal 2024, the weighted average interest rate for borrowings under the Term Loan due 2028 was 10.17% compared to 6.13% during the second quarter of fiscal 2023.

Covenants

The covenants contained in the credit agreements restrict JOANN’s ability to pay dividends or make other distributions; accordingly, any dividends may only be paid in accordance with such covenants. Among other restrictions, the credit agreements permit the public parent company to pay dividends on its common stock in amounts not to exceed the greater of 6% per annum of the net proceeds received by, or contributed to Jo-Ann Stores, LLC from any such public offering of common stock of Jo-Ann Stores, LLC or its direct or indirect parent company, or 7% of Market Capitalization (as defined in the credit agreements). So long as there is no event of default, the credit agreements also allow dividends in amounts up to \$100 million, which amount can increase if certain other conditions are satisfied, including if JOANN’s leverage does not exceed certain thresholds. Additionally, the ABL Facility allows for unlimited dividends, so long as there is no event of default and the Company’s excess availability after giving pro forma effect for the thirty-day period immediately preceding such payment shall be greater than (a) the greater of 12.5% of the maximum credit and \$40 million and the consolidated fixed charge coverage ratio shall be greater than or equal to 1.0 to 1.0 or (b) 17.5% of the maximum credit calculated. At July 29, 2023, the Company was in compliance with all covenants under its credit agreements.

For further details on the Company’s debt, see Note 2 to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended January 28, 2023.

Note 3—Derivative Instruments

The Company is exposed to certain market risks during the normal course of its business arising from adverse changes in interest rates. The Company’s exposure to interest rate risk results primarily from its variable-rate borrowings. The Company may selectively use derivative financial instruments to manage the risks from fluctuations in interest rates. The Company does not purchase or hold derivatives for trading or speculative purposes. Fluctuations in interest rates can be volatile, and the Company’s risk management activities do not totally eliminate these risks. Consequently, these fluctuations could have a significant effect on the Company’s financial results.

Interest Rate Swaps

In August 2021, the Company entered into an interest rate swap agreement with U.S. Bank N.A., which has a \$200 million notional value with an effective date of October 26, 2023 and a maturity date of October 26, 2025. Beginning in January 2024, the Company receives 1-month, 3-month or 6-month LIBOR, at the Company’s election, subject to a 0.75% floor, and pays a fixed rate of interest of 1.44% per annum on a quarterly basis. In connection with the execution of the interest rate swap agreement, no cash was exchanged between the Company and the counterparty. In June 2023, an amendment replaced LIBOR as the floating rate option under the swap agreement with the forward-looking term rate based on SOFR. The fair value of the interest rate swap as of July 29, 2023 was \$12.6 million.

In May 2022, the Company entered into a second interest rate swap agreement with U.S. Bank N.A., which has a \$250 million notional value with an effective date of July 26, 2023 and a maturity date of January 26, 2026. Beginning in October 2023, the Company receives 1-month, 3-month or 6-month LIBOR, at the Company’s election, subject to a 0.75% floor, and pays a fixed rate of interest of 3.37% per annum on a quarterly basis. In connection with the execution of the interest rate swap agreement, no cash was exchanged between the Company and the counterparty. In June 2023, an amendment replaced LIBOR as the floating rate option under the swap agreement with the forward-looking term rate based on SOFR. The fair value of the interest rate swap as of July 29, 2023 was \$8.2 million.

All of the Company’s derivative financial instruments are eligible for netting arrangements that allow the Company and its counterparties to net settle amounts owed to each other. Derivative assets and liabilities that can be net settled under these arrangements

have been presented in the Company's Consolidated Balance Sheet on a net basis. As of July 29, 2023, none of the netting arrangements involved collateral. The net fair value of the interest rate swaps as of July 29, 2023 was \$20.8 million.

The Company designated its interest rate swaps as cash flow hedges and structured them to be highly effective. Unrealized gains and losses related to the fair value of the interest rate swaps are recorded to accumulated other comprehensive income (loss), net of tax. In the event of early termination of the interest rate swaps, the Company will receive from or pay to the counterparty the fair value of the interest rate swap agreements, and the unrealized gain or loss outstanding will be recognized in earnings.

The impacts of the Company's derivative instruments on the accompanying Consolidated Statements of Comprehensive Income (Loss) for the thirteen and twenty-six weeks ended July 29, 2023 and July 30, 2022 are presented in the table below:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	(In millions)			
Interest rate swap - \$200M notional amount	\$ 3.7	\$ (2.4)	\$ 4.1	\$ 2.3
Interest rate swap - \$250M notional amount	4.9	(3.2)	5.6	(3.2)
Gain (loss) recognized in other comprehensive income (loss), gross of income taxes	<u>\$ 8.6</u>	<u>\$ (5.6)</u>	<u>\$ 9.7</u>	<u>\$ (0.9)</u>

Note 4—Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy has been established that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

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; and

Level 3 – Unobservable inputs in which there is little or no market data which require the reporting entity to develop its own assumptions.

The valuations of the Company's interest rate derivatives are measured as the present value of all expected future cash flows based on SOFR-based yield curves. The present value calculation uses discount rates that have been adjusted to reflect the credit quality of the Company and its counterparty which is a Level 2 fair value measurement. The carrying and fair value of the Company's interest rate derivatives were as follows:

Instrument	Balance Sheet Location	(In millions)	
		July 29, 2023	July 30, 2022
Interest rate swaps - current	Prepaid expenses and other current assets	\$ 11.0	\$ —
Interest rate swaps - long-term	Other assets	\$ 9.8	\$ 1.5

The fair values of cash and cash equivalents, accounts payable and borrowings on the Company's ABL Facility approximated their carrying values because of the short-term nature of these instruments. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy.

Long-term debt is presented at carrying value in the Company's Consolidated Balance Sheets. The fair value of the Company's Term Loan due 2028 was determined based on quoted market prices or recent trades of this debt instrument in less active markets. If the Company's long-term debt was recorded at fair value, it would be classified as Level 2 in the fair value hierarchy. The following provides the carrying and fair value of the Company's Term Loan due 2028 as of July 29, 2023 and July 30, 2022:

	July 29, 2023		July 30, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In millions)			
Term Loan due 2028 (a)	\$ 655.9	\$ 323.9	\$ 659.9	\$ 437.9

(a) Net of deferred financing costs and original issue discount.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). The fair values are determined based on either a market approach, an income approach, in which the Company utilizes internal cash flow projections over the life of the underlying assets discounted using a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model, or a combination of both. These measures of fair value and related inputs are considered a Level 3 approach under the fair value hierarchy.

The Company uses the end of the period when determining the timing of transfers between levels. There were no transfers between levels during the periods presented.

Note 5—Goodwill and Other Intangible Assets

The carrying amount of goodwill at July 29, 2023 and July 30, 2022 was as follows:

	July 29, 2023	July 30, 2022
	(In millions)	
Goodwill, gross	\$ 643.8	\$ 643.8
Accumulated impairment	(481.8)	(481.8)
Goodwill, net	\$ 162.0	\$ 162.0

The carrying amount and accumulated amortization of identifiable intangible assets at July 29, 2023 and July 30, 2022 was as follows:

	Estimated Life in Years	July 29, 2023		July 30, 2022	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(In millions)					
Indefinite-lived intangible assets:					
JOANN trade name	—	\$ 230.0		\$ 325.0	\$ —
Joann.com domain name	—	10.0		10.0	—
Intangible assets subject to amortization:					
Creativebug trade name	10	0.1	(0.1)	0.1	(0.1)
Technology	3	5.3	(2.5)	5.3	(0.7)
Customer relationships	16	110.0	(85.0)	110.0	(78.1)
Total intangible assets		\$ 355.4	\$ (87.6)	\$ 450.4	\$ (78.9)

The Company recognized intangible asset amortization of \$2.2 million and \$4.3 million for the thirteen and twenty-six weeks ended July 29, 2023, respectively. The Company recognized intangible asset amortization of \$2.2 million and \$4.2 million for the thirteen and twenty-six weeks ended July 30, 2022, respectively. The weighted average amortization period of amortizable intangible assets as of July 29, 2023 approximated 3.4 years.

Note 6—Income Taxes

Effective Tax Rate

The effective income tax rate for the second quarter of fiscal 2024 was 13.8%, an income tax benefit on a pre-tax book loss, compared to the rate for the second quarter of fiscal 2023, which was 25.8%, also an income tax benefit on a pre-tax book loss. The effective income tax rate for the first half of fiscal 2024 was 13.5%, an income tax benefit on a pre-tax book loss, compared to 27.8%, also an income tax benefit on a pre-tax book loss, for the first half of fiscal 2023. The effective tax rate decreased from the second

quarter of fiscal 2023 to the second quarter of fiscal 2024 and from the first half of fiscal 2023 to the first half of fiscal 2024 primarily because the Company continues to anticipate, beginning with the first quarter of fiscal 2024, the need to record a valuation allowance for the full year against a significant portion of the Company's current year deferred tax asset relating to the future carryover of disallowed interest expense deductions for federal and state income tax purposes under Section 163(j) of the Internal Revenue Code of 1986, as amended (the "Code"), along with related state law. As the anticipated additional valuation allowance is included in the Company's annual estimated effective tax rate, a portion of the unfavorable valuation allowance impact is included in the net income tax benefit recorded during both the second quarter and first half of fiscal 2024.

The effective tax rate is subject to change based on the mix of income from different state jurisdictions, which have different tax rates, as well as the change in status or outcome of uncertain tax positions. The Company evaluates its effective tax rate on a quarterly basis and updates its estimate of the full-year effective rate as necessary.

Reserves for Uncertain Tax Positions

At the end of the second quarter of fiscal 2024, unrecognized tax benefits were \$1.0 million, of which \$0.8 million would affect the effective tax rate, if recognized. The Company records interest and penalties on uncertain tax positions as a component of the income tax provision. The total amount of interest and penalties accrued at the end of the second quarter of both fiscal 2024 and fiscal 2023 was \$0.1 million. Within the next 12 months, it is reasonably possible that uncertain tax positions could be reduced by approximately \$0.1 million resulting from resolution or closure of tax examinations. Any increase in the amount of uncertain tax positions within the next 12 months is expected to be insignificant.

Note 7—Loss Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding. Diluted earnings (loss) per share is computed based upon the weighted-average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock method. Treasury stock is excluded from the denominator in calculating both basic and diluted earnings (loss) per share. In periods in which a net loss has occurred, as is the case for fiscal 2024, the dilutive effect of equity-based awards is not recognized and thus not utilized in the calculation of diluted loss per share, because the effect of their inclusion would have been anti-dilutive.

The following table sets forth the reconciliation of the numerator and the denominator of basic and diluted loss per share and the stock-based awards excluded from the calculation of diluted loss per share because their effect would have been antidilutive for the thirteen and twenty-six weeks ended July 29, 2023 and July 30, 2022:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	(In millions except per share data)			
Net (loss)	\$ (73.3)	\$ (56.9)	\$ (127.5)	\$ (92.0)
Weighted-average common shares outstanding – basic	41.7	40.7	41.5	40.7
Effect of dilutive stock-based awards	—	—	—	—
Weighted-average common shares outstanding – diluted	41.7	40.7	41.5	40.7
Basic (loss) per common share	\$ (1.76)	\$ (1.40)	\$ (3.07)	\$ (2.26)
Diluted (loss) per common share	\$ (1.76)	\$ (1.40)	\$ (3.07)	\$ (2.26)
Antidilutive stock-based awards excluded from diluted calculation	9.3	4.5	8.6	4.4

Note 8—Segments and Disaggregated Revenue

The Company conducts its business activities and reports financial results as one operating segment and one reportable segment, which includes the Company's store locations and integrated omni-channel operations. Due to its integrated omni-channel strategy, the Company views omni-channel sales as an extension of its physical store locations. The presentation of financial results as one reportable segment is consistent with the way the Company operates its business and is consistent with the manner in which the Chief Operating Decision Maker ("CODM") makes decisions about allocating resources and assessing performance. Furthermore, the Company notes that monitoring financial results as one reportable segment helps the CODM manage costs on a consolidated basis, consistent with the integrated nature of its operations.

The following table shows revenue by product category:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	(In millions)			
Sewing	\$ 215.6	\$ 221.6	\$ 445.4	\$ 458.6
Arts and Crafts and Home Décor	231.4	234.3	470.4	486.4
Other	6.8	7.4	16.1	16.3
Total	<u>\$ 453.8</u>	<u>\$ 463.3</u>	<u>\$ 931.9</u>	<u>\$ 961.3</u>

Note 9—Commitments and Contingencies

The Company is involved in various litigation matters in the ordinary course of its business. The Company is not currently involved in any litigation that it expects, either individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This discussion and analysis should be read in conjunction with the unaudited Consolidated Financial Statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited Consolidated Financial Statements and the related notes thereto and the Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023. Some of the information included in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the “Cautionary Note Regarding Forward-Looking Statements” section in this Quarterly Report on Form 10-Q and the “Summary Risk Factors” and “Risk Factors” sections of our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Our fiscal year ends on the Saturday closest to January 31 and refers to the year in which the period ends (e.g., fiscal 2023 refers to the year ended January 28, 2023). Fiscal years consist of 52 weeks, unless noted otherwise. Fiscal 2024 consists of 53 weeks and ends on February 3, 2024. The fiscal quarters ended July 29, 2023 and July 30, 2022 were both comprised of 13 weeks.

JOANN Overview

JOANN is the nation’s category leader in Sewing, with one of the largest assortments of arts and crafts products. As a well-established and trusted brand for 80 years, we believe we have a deep understanding of our customers, what inspires their creativity and what fuels their incredibly diverse projects. In order to best serve our customers, JOANN has transformed itself into a fully-integrated, digitally-connected omni-channel retailer that provides Creative Products to our customers whenever and however they want.

Highlights for the Thirteen Weeks Ended July 29, 2023

- Net sales decreased 2.1% compared to the second quarter of fiscal 2023, to \$453.8 million, with total comparable sales decreasing 2.0%, which compares to a 6.2% decrease in comparable sales for the same period in the prior fiscal year.
- Gross profit increased 8.0% compared to the second quarter of fiscal 2023, to \$232.0 million, at a rate to net sales of 51.1%, which was a 470 basis point increase compared to the same period in the prior fiscal year.
- Net loss was \$73.3 million in the second quarter of fiscal 2024, compared to net loss of \$56.9 million in the same period in the prior fiscal year.

Total Comparable Sales

Total comparable sales are an important measure throughout the retail industry. This measure allows us to evaluate how our store location base and e-commerce business are performing by measuring the change in period-over-period net sales in store locations that have been open for the applicable period. We define total comparable sales as net sales for store locations that have been open for at least 13 months and have not been relocated, expanded or downsized in the last 13 months. In addition, total comparable sales include our e-commerce sales generated via joann.com (online sales for all products) and creativebug.com (online sales of digital videos for crafting projects). There may be variations in the way in which some of our competitors and other retailers calculate comparable sales. As a result, data in this Quarterly Report on Form 10-Q regarding our total comparable sales may not be comparable to similar data made available by other retailers.

Non-GAAP Financial Measures

Adjusted EBITDA

We present Adjusted EBITDA, which is not a recognized financial measure under GAAP. We present Adjusted EBITDA because we believe it assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management believes Adjusted EBITDA is helpful in highlighting trends in our core operating performance compared to other measures, which can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We also use Adjusted EBITDA in connection with establishing discretionary annual incentive compensation; supplementing GAAP measures of performance in the evaluation of the effectiveness of our business strategies; making budgeting decisions; and comparing our performance against that of other peer companies using similar measures.

We define Adjusted EBITDA as net income (loss) plus income tax provision (benefit), interest expense, net and depreciation and amortization, further adjusted to eliminate the impact of certain non-cash items and other items that we do not consider indicative of our ongoing operating performance, including other amortization, investment remeasurements, costs related to strategic initiatives, excess import freight costs, technology development expenses, stock-based compensation expense, gains and losses on disposal and impairment of fixed and operating lease assets, gains and losses from equity method investments and other one-time costs. The excess import freight costs are directly attributable to surging market demand for shipping capacity as economies recovered from the COVID-19 pandemic, as well as actions taken by government and industry leaders designed to protect against further spread of the virus, which disrupted the efficient operation of domestic and international supply chains. These COVID-19 related conditions produced an imbalance of ocean freight capacity and related demand, as well as port congestion and other supply chain disruptions that added significant cost to our procurement of imported merchandise. These excess import freight costs included significantly higher rates paid per container to ocean carriers, as well as fees paid due to congested ports that we did not normally incur. In a normative operating environment, we would procure 70% to 80% of our needs for ocean freight under negotiated contract rates, with the balance procured in a brokered market, typically at no more than a 10% to 15% premium to our contract rates. Accordingly, we established a baseline cost (“standard cost”) assuming those contract capacities, established rates and typical premium in the brokered market for peak volume needs not covered under our contracts. The amount of excess import freight costs included as an adjustment to arrive at Adjusted EBITDA is calculated by subtracting, from our actual import freight costs, our standard cost for the applicable period. Negotiation of our current contract rates was finalized in the second quarter of fiscal 2023. We have been experiencing declines in overall ocean freight rates and a reduction in other fees associated with port congestion, which has positively impacted our cash payments and Adjusted EBITDA. We are identifying these COVID-19 related excess import freight costs as a separate line item in the table below due to their magnitude and to distinguish them from other COVID-19 related costs we have previously excluded in calculating Adjusted EBITDA.

Adjusted EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in our cash requirements for our working capital needs;
- Adjusted EBITDA does not reflect the interest expense and the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect cash requirements for replacement of assets that are being depreciated and amortized;
- Adjusted EBITDA does not reflect non-cash compensation, which is a key element of our overall long-term incentive compensation;
- Adjusted EBITDA does not reflect the impact of certain cash charges or cash receipts resulting from matters we do not find indicative of our ongoing operations; and
- Adjusted EBITDA may be calculated differently by other companies in our industry, such that its usefulness may be limited as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as supplemental information.

The following is a reconciliation of our net (loss) to Adjusted EBITDA for the periods presented:

(In millions)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net (loss)	\$ (73.3)	\$ (56.9)	\$ (127.5)	\$ (92.0)
Income tax (benefit)	(11.5)	(19.8)	(19.3)	(35.4)
Interest expense, net	26.8	13.2	52.1	24.4
Depreciation and amortization	18.9	19.9	39.2	40.0
Other amortization (1)	1.0	0.3	1.7	0.8
Investment remeasurement (2)	—	—	—	1.0
Strategic initiatives (3)	6.3	1.6	9.9	3.7
Excess import freight costs (4)	0.3	27.1	4.2	56.0
Technology development expense (5)	1.9	2.9	3.6	5.0
Stock-based compensation expense	1.5	1.2	6.8	2.2
Loss on disposal and impairment of fixed and operating lease assets	2.8	1.1	3.4	1.1
Loss from equity method investments	1.2	—	3.7	—
Other (6)	2.2	0.5	3.8	2.9
Adjusted EBITDA	<u>\$ (21.9)</u>	<u>\$ (8.9)</u>	<u>\$ (18.4)</u>	<u>\$ 9.7</u>

- (1) “Other amortization” represents amortization of content and capitalized cloud-based system implementation costs.
- (2) “Investment remeasurement” represents gains and losses associated with our equity investments without readily determinable fair values.
- (3) “Strategic initiatives” represents non-recurring costs, such as third-party consulting costs and one-time start-up costs, that are not part of our ongoing operations and are incurred to execute differentiated, project-based strategic initiatives.
- (4) “Excess import freight costs” represents excess inbound freight costs (compared to our standard costs based on recently negotiated carrier rates) due to increased freight rates, in particular the significant transitory impact of constrained ocean freight capacity and incremental domestic transportation costs incurred due to unprecedented congestion in U.S. ports arising from surging market demand for shipping capacity as economies recovered from the COVID-19 pandemic. Refer to “Non-GAAP Financial Measures” for more information.
- (5) “Technology development expense” represents one-time IT project management and implementation expenses, such as temporary labor costs, third-party consulting fees and user fees incurred during the development period of a new software application, that are not part of our ongoing operations and are typically redundant during the initial implementation of software applications or other technology systems across different functional operations of our business before they are in productive use.
- (6) “Other” represents the one-time impact of severance, certain legal matters, employee recruitment, employee transition and business transition activities.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated. The following discussion should be read in conjunction with our Consolidated Financial Statements and related notes.

Consolidated Income Data:

(In millions)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net sales	\$ 453.8	\$ 463.3	\$ 931.9	\$ 961.3
Gross profit	232.0	214.9	481.0	455.6
SG&A expenses	269.9	258.5	532.8	517.6
Operating (loss)	(56.8)	(63.5)	(91.0)	(102.0)
Net (loss)	(73.3)	(56.9)	(127.5)	(92.0)

Other Operational Data:

(In millions)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Total (decrease) in comparable sales vs. prior year	(2.0)%	(6.2)%	(3.1)%	(9.8)%
Gross margin	51.1%	46.4%	51.6%	47.4%
SG&A expenses as a % of net sales	59.5%	55.8%	57.2%	53.8%
Operating (loss) as a % of net sales	(12.5)%	(13.7)%	(9.8)%	(10.6)%
Adjusted EBITDA (1)	\$ (21.9)	\$ (8.9)	\$ (18.4)	\$ 9.7
Adjusted EBITDA as a % of net sales	(4.8)%	(1.9)%	(2.0)%	1.0%
Total store location count at end of period	829	843	829	843

(1) See “Non-GAAP Financial Measures” for a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net (loss).

Comparison of the Thirteen Weeks ended July 29, 2023 and July 30, 2022

Net Sales

Net sales were \$453.8 million for the thirteen weeks ended July 29, 2023, a decrease of \$9.5 million or 2.1% compared to the same period in fiscal 2023. Total comparable sales for the thirteen weeks ended July 29, 2023 decreased 2.0% compared with a total comparable sales decrease of 6.2% in the same period in fiscal 2023. The total comparable sales decline resulted primarily from a decrease in average ticket, partially offset by an increase in transaction volume. On a category basis, net sales declines were most pronounced in our craft technology and non-Halloween seasonal businesses. Declines in our non-Halloween seasonal businesses were driven by strategic inventory receipt pullbacks in higher risk categories. We saw positive results in needle arts and our Halloween seasonal business driven by the pull forward and earlier set of Halloween merchandise.

Gross Profit

Gross profit was \$232.0 million for the thirteen weeks ended July 29, 2023, an increase of \$17.1 million or 8.0% compared to the same period in fiscal 2023. Gross margin was 51.1% for the thirteen weeks ended July 29, 2023, an increase of 470 basis points compared to the same period in fiscal 2023. The increase in gross margin was primarily driven by declining carrier and fuel rates, both domestic and import, partially offset by the timing and cycling of capitalized domestic freight expenses, the flowthrough of increased product costs and the timing of clearance activity.

Selling, General and Administrative Expenses

SG&A expenses were \$269.9 million for the thirteen weeks ended July 29, 2023, an increase of \$11.4 million or 4.4% compared to the same period in fiscal 2023. This increase was primarily driven by inflationary pressures on labor and other costs, particularly at our store locations, severance and other up-front costs to implement our cost reduction initiatives, incremental costs related to incentive compensation, increased general insurance expenses and higher asset impairment charges. These increases were partially offset by savings associated with improved operating efficiencies, primarily driven by the strategic management of store labor hours, lower store

pre-opening and closing costs due to fewer store projects, as well as the continued optimization of advertising spend as we shift to more digital channels.

As a percentage of net sales, SG&A expenses for the thirteen weeks ended July 29, 2023 were 59.5%, an increase of 370 basis points compared to the same period in fiscal 2023. The increase as a percentage of sales was primarily driven by the factors described above, as well as the 2.1% decrease in net sales in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023.

Interest Expense

Interest expense for the thirteen weeks ended July 29, 2023 was \$26.8 million, an increase of \$13.6 million compared to the same period in fiscal 2023. The increase in interest expense was primarily due to higher interest rates, as well as a higher average debt level during the second quarter of fiscal 2024 compared to the same period in fiscal 2023. The average debt level in the thirteen weeks ended July 29, 2023 was \$1,079.0 million compared to \$980.5 million in the thirteen weeks ended July 30, 2022. The weighted average interest rate was 9.82% and 5.00% for the thirteen weeks ended July 29, 2023 and July 30, 2022, respectively.

We had \$1,115.2 million of debt outstanding (face value) as of July 29, 2023, compared to \$1,027.3 million as of July 30, 2022.

Income Taxes

The effective income tax rate for the second quarter of fiscal 2024 was 13.8%, an income tax benefit on a pre-tax book loss, compared to the rate for the second quarter of fiscal 2023, which was 25.8%, also an income tax benefit on a pre-tax book loss. The effective tax rate decreased from the second quarter of fiscal 2023 to the second quarter of fiscal 2024 primarily because the Company continues to anticipate, beginning with the first quarter of fiscal 2024, the need to record a valuation allowance for the full year against a significant portion of the Company's current year deferred tax asset relating to the future carryover of disallowed interest expense deductions for federal and state income tax purposes under Section 163(j) of the Code, along with related state law. As the anticipated additional valuation allowance is included in the Company's annual estimated effective tax rate, a portion of the unfavorable valuation allowance impact is included in the net income tax benefit recorded during the second quarter of fiscal 2024.

Net Loss

Net loss was \$73.3 million for the thirteen weeks ended July 29, 2023, compared to net loss of \$56.9 million during the same period in fiscal 2023. The increase in net loss was driven by the factors described above.

Adjusted EBITDA

Adjusted EBITDA (as defined above) was (\$21.9) million for the thirteen weeks ended July 29, 2023 compared to (\$8.9) million for the same period in fiscal 2023. The decrease was driven by the factors described above.

Comparison of the Twenty-Six Weeks ended July 29, 2023 and July 30, 2022

Net Sales

Net sales were \$931.9 million for the twenty-six weeks ended July 29, 2023, a decline of \$29.4 million or 3.1% compared to the same period in fiscal 2023. Total comparable sales for the twenty-six weeks ended July 29, 2023 decreased 3.1% compared with a total comparable sales decrease of 9.8% in the same period in fiscal 2023. The total comparable sales decline resulted from a decrease in transaction volume and average ticket. On a category basis, net sales declines were most pronounced in our craft technology and non-Halloween seasonal businesses. Declines in our non-Halloween seasonal businesses were driven by strategic inventory receipt pullbacks in higher risk categories. We saw positive results in needle arts and our Halloween seasonal business driven by the pull forward and earlier set of Halloween merchandise.

Gross Profit

Gross profit was \$481.0 million for the twenty-six weeks ended July 29, 2023, an increase of \$25.4 million or 5.6% compared to the same period in fiscal 2023. Gross margin was 51.6% for the twenty-six weeks ended July 29, 2023, an increase of 420 basis points compared to the same period in fiscal 2023. The increase in gross margin was primarily driven by declining carrier and fuel rates, both domestic and import, partially offset by the timing and cycling of capitalized domestic freight expenses, the flowthrough of increased product costs, as well as higher shrink expenses.

Selling, General and Administrative Expenses

SG&A expenses were \$532.8 million for the twenty-six weeks ended July 29, 2023, an increase of \$15.2 million or 2.9% compared to the same period in fiscal 2023. This increase was primarily driven by incremental costs related to incentive and stock-based compensation, inflationary pressures on labor and other costs, particularly at our store locations, severance and other up-front costs to implement our cost reduction initiatives, increased general insurance expenses and higher asset impairment charges. These increases were partially offset by savings associated with improved operating efficiencies, primarily driven by the strategic management of store labor hours, lower medical benefit costs, the continued optimization of advertising spend as we shift to more digital channels and lower store pre-opening and closing costs due to fewer store projects.

As a percentage of net sales, SG&A expenses for the twenty-six weeks ended July 29, 2023, were 57.2%, an increase of 340 basis points compared to the same period in fiscal 2023. This increase was driven by the factors listed above as well as the 3.1% decrease in net sales in the first twenty-six weeks of fiscal 2023 compared to the same period in fiscal 2023.

Interest Expense

Interest expense for the twenty-six weeks ended July 29, 2023 was \$52.1 million, an increase of \$27.7 million compared to the same period in fiscal 2023. The increase was due to higher interest rates, as well as higher average debt levels during the first twenty-six weeks of fiscal 2024. The average debt level in the twenty-six weeks ended July 29, 2023 was \$1,068.8 million compared to \$936.7 million in the twenty-six weeks ended July 30, 2022. The weighted average interest rate was 9.28% and 4.82% for the twenty-six weeks ended July 29, 2023 and July 30, 2022, respectively.

We had \$1,115.2 million of debt outstanding (face value) as of July 29, 2023 compared to \$1,027.3 million as of July 30, 2022.

Income Taxes

The effective income tax rate for the first twenty-six weeks of fiscal 2024 was 13.5%, which was an income tax benefit on a pre-tax book loss, compared to 27.8% for the first twenty-six weeks of fiscal 2023, also an income tax benefit on a pre-tax book loss. The effective tax rate decreased from the first half of fiscal 2023 to the first half of fiscal 2024 because the Company continues to anticipate, beginning with the first quarter of fiscal 2024, the need to record a valuation allowance for the full year against a significant portion of the Company's current year deferred tax asset relating to the future carryover of disallowed interest expense deductions for federal and state income tax purposes under Section 163(j) of the Code, along with related state law. As the anticipated additional valuation allowance is included in the Company's annual estimated effective tax rate, a portion of the unfavorable valuation allowance impact is included in the net income tax benefit recorded during the first half of fiscal 2024.

Net Loss

Net loss was \$127.5 million for the twenty-six weeks ended July 29, 2023, an increase of \$35.5 million compared to the same period in fiscal 2023. The increase in net loss was driven by the factors described above.

Adjusted EBITDA

Adjusted EBITDA (as defined above) decreased 289.7% to (\$18.4) million or 2.0% of net sales for the twenty-six weeks ended July 29, 2023 compared to \$9.7 million or 1.0% of net sales for the same period in fiscal 2023. Our decrease in Adjusted EBITDA of \$28.1 million and decline of Adjusted EBITDA as a percentage of net sales of 300 basis points was driven primarily by lower total comparable sales in addition to an increase in our SG&A expenses.

Liquidity and Capital Resources

We have three principal sources of liquidity: cash and cash equivalents on hand, cash from operations and available borrowings under our ABL Facility. In addition, we believe that we have the ability to obtain alternative sources of financing, if necessary. We believe that our cash and cash equivalents on hand, cash from operations and availability under our ABL Facility will be sufficient to cover our working capital, capital expenditure and debt service requirement needs, as well as dividend payments and share repurchases, if any, for the next twelve months, as well as the foreseeable future. Subject to market conditions, we may from time to time repurchase our outstanding debt. As of July 29, 2023, we were in compliance with all covenants under our debt facilities and notes.

For the four quarters ended July 29, 2023, our ratio of consolidated net debt to Credit Facility Adjusted EBITDA, which is calculated in accordance with our credit facilities, was 5.02 to 1.0, and our ratio of consolidated senior secured net debt to Credit Facility Adjusted EBITDA was 5.02 to 1.0. We reference our ratio of consolidated net debt to Credit Facility Adjusted EBITDA and our ratio of consolidated senior secured net debt to Credit Facility Adjusted EBITDA because such ratios are calculated in accordance with our credit facilities and used to determine our compliance with certain covenants in our credit facilities, tested each quarter on the basis of the preceding four quarters. For example, we are permitted to prepay debt and make distributions on account of equity up to a certain amount under our Term Loan due 2028 if our ratio of consolidated net debt to Credit Facility Adjusted EBITDA for the prior four quarters as of the quarterly test is not greater than 4.90 to 1.0 and our ratio of consolidated senior secured net debt to Credit Facility Adjusted EBITDA for such period is not greater than 3.60 to 1.0. Additionally, our ratio of consolidated senior secured net debt to Credit Facility Adjusted EBITDA is measured once per year following the completion of our annual Consolidated Financial Statements and determines what percentage of our excess cash flow (as defined in our Term Loan due 2028) we are required to apply for the repayment of principal on our Term Loan due 2028, ranging from 50% of excess cash flow for ratios in excess of 2.50x to 0% of excess cash flow for ratios of less than 2.00x. Accordingly, we believe that our ratio of consolidated net debt to Credit Facility Adjusted EBITDA and our ratio of consolidated senior secured net debt to Credit Facility Adjusted EBITDA are material to an investor's understanding of our financial condition and liquidity.

Our capital requirements are primarily for capital expenditures in connection with new store location openings, store location remodels, investments in information technology, investments in distribution centers and working capital requirements for seasonal inventory build. These requirements fluctuate during the year and reach their highest levels during the second and third fiscal quarters as we increase our inventory in preparation for our peak selling season during the months of September through December and complete most of our capital spending projects.

The following table provides a summary of our cash provided by (used for) operating, investing and financing activities for the twenty-six weeks ended July 29, 2023 and July 30, 2022:

(In millions)	Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022
Net cash (used for) operating activities	\$ (82.3)	\$ (166.1)
Net cash (used for) investing activities	(31.0)	(55.0)
Net cash provided by financing activities	112.2	220.1
Net (decrease) in cash and cash equivalents	\$ (1.1)	\$ (1.0)

Net Cash Used for Operating Activities

Net cash used for operating activities was \$82.3 million in the twenty-six weeks ended July 29, 2023, compared to \$166.1 million of net cash used for operating activities in the twenty-six weeks ended July 30, 2022. The decrease in net cash used for operating activities was primarily due to declining carrier and fuel rates, both domestic and import, strategic inventory receipt reductions and the timing of vendor payments, partially offset by our total comparable sales decline.

Net Cash Used for Investing Activities

Cash used for investing activities in the first twenty-six weeks of fiscal 2024 and 2023 consisted primarily of capital expenditures, the majority of which were focused on strategic initiatives including: new store location and fiscal 2023 distribution center openings, store location remodels and refreshes and information technology investments, particularly those supporting our omni-channel platforms and other customer facing systems. We also incurred capital outlays for equipment and facility investments in our distribution centers, store locations and corporate offices.

Capital expenditures for the twenty-six weeks ended July 29, 2023 and July 30, 2022 are summarized as follows:

(In millions)	Twenty-Six Weeks Ended	
	July 29, 2023	July 30, 2022
Store locations	\$ 25.3	\$ 41.1
Distribution centers	1.9	3.1
Information technology	1.9	6.0
Other	0.3	0.5
Total capital expenditures	29.4	50.7
Landlord contributions	(7.4)	(10.2)
Total capital expenditures, net of landlord contributions	\$ 22.0	\$ 40.5

During the first half of fiscal 2023, we purchased the remaining outstanding stock of WeaveUp for \$4.3 million. We had no such activity during the first half of fiscal 2024.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$112.2 million during the twenty-six weeks ended July 29, 2023 compared with \$220.1 million of net cash provided by financing activities in the same period in fiscal 2023.

Net cash provided by financing activities for the first twenty-six weeks of fiscal 2024 was the result of net proceeds from our FILO Loans and borrowings on our ABL Facility. This inflow of cash was partially offset by payments on our Term Loan Due 2028 and finance lease obligations. As of July 29, 2023, we had the ability to borrow an additional \$58.4 million under the ABL Facility subject to the facility's borrowing base calculation.

Net cash provided by financing activities for the first twenty-six weeks of fiscal 2023 was the result of net borrowings from the ABL Facility. This inflow of cash was partially offset by payments on our Term Loan Due 2028 and finance lease obligations, as well as to pay dividends totaling \$8.9 million.

Off-Balance Sheet Transactions

Our liquidity is currently not dependent on the use of off-balance sheet transactions other than letters of credit, which are typical in a retail environment.

Seasonality

Our business exhibits seasonality, which is typical for most retail companies. Our net sales are stronger in the second half of the year than the first half of the year. Net income is highest during the months of September through December, which aligns with our peak selling season. Working capital needed to finance our operations fluctuates during the year and reaches its highest levels during the second and third fiscal quarters as we increase our inventory in preparation for our peak selling season.

Critical Accounting Policies and Estimates

Accounting policies and estimates are considered critical when they require management to make subjective and complex judgments, estimates and assumptions about matters that have a material impact on the presentation of our financial statements and accompanying notes. For a description of our critical accounting policies and estimates, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

Goodwill and Other Indefinite Lived Intangible Assets

During the fiscal year ended January 28, 2023, we performed a quantitative impairment analysis of the indefinite lived intangible assets, as well as goodwill related to the JOANN reporting unit. For information related to the results of these assessments, see Part II, Item 8 "Notes to Consolidated Financial Statements, Note 8—Goodwill and Other Intangible Assets" in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023. During the quarter ended July 29, 2023, we performed an evaluation of events occurring during the interim period and noted that no specific negative events occurred that would be considered a triggering event for goodwill or intangible asset impairment testing. However, given the inherent uncertainties resulting from global macroeconomic conditions,

actual results may differ from management's current estimates and could have an adverse impact on one or more of the assumptions used in our quantitative model prepared for the reporting unit, which could result in impairment charges in subsequent periods, particularly since the previously performed quantitative assessment estimated that the fair value of the reporting unit exceeded the carrying value by approximately \$103.0 million, or 10.1%. Additionally, a mutually exclusive increase in the assumed discount rate by approximately 120 basis points, or a decrease in gross margin by approximately 50 basis points, or a 50 basis point increase in selling, general, and administrative as a percentage of revenue could require us to record impairment charges to goodwill. Lastly, if our operating results deteriorate or there is a meaningful increase in our discount rate, an impairment charge, on our JOANN trade name, could be recognized in future periods. Management intends to continue to assess triggering events that may necessitate additional qualitative or quantitative analyses in future periods. If we were to have impairment, it could have a material adverse effect on our consolidated statements of operations and balance sheets in the reporting period of the charge. For further information, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Goodwill and Other Indefinite Lived Intangible Assets" in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

See Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023. During the twenty-six weeks ended July 29, 2023, there have been no material changes in our exposure to market risk.

Item 4. Controls and Procedures.***Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, management, under the supervision and with the participation of the principal executive officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of July 29, 2023. Based on that evaluation, our principal executive officer and Chief Financial Officer have concluded that, as of July 29, 2023, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting that occurred during the twenty-six weeks ended July 29, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 1. Legal Proceedings.

The information required to be set forth under this heading is incorporated by reference from Note 9, Commitments and Contingencies, to the Consolidated Financial Statements included in Part I, Item 1.

Item 1A. Risk Factors.

Except as set forth below, there have been no material changes from the risk factors disclosed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended January 28, 2023.

We are not currently in compliance with Nasdaq’s continued listing requirements. If we are unable to comply with Nasdaq’s continued listing requirements, our common stock could be delisted, which could affect the price of our common stock and liquidity and reduce our ability to raise capital.

Our common stock is currently listed on The Nasdaq Global Market. The Nasdaq Global Market has established certain quantitative criteria and qualitative standards that companies must meet to remain listed for trading on this market.

On July 20, 2023 (the “Notice Date”), the Company received a written notice (the “Market Value Notice”) from the Listing Qualifications Department of The Nasdaq Stock Market LLC (“Nasdaq”) that the Company is not in compliance with the requirement to maintain a minimum market value of listed securities of at least \$50 million, as set forth in Nasdaq Listing Rule 5450(b)(2)(A) (the “Market Value Standard”), because the market value of the Company’s common stock was less than \$50 million for 30 consecutive business days. Also on the Notice Date, the Company received a second written notice (the “Publicly Held Market Value Notice” and, together with the Market Value Notice, the “Notices”) from the Listing Qualifications Department of Nasdaq that the Company is not in compliance with the requirement to maintain a minimum market value of publicly held listed securities of at least \$15 million, as set forth in Nasdaq Listing Rule 5450(b)(2)(C) (the “Publicly Held Market Value Standard”), because the market value of the publicly held shares of the Company’s common stock was less than \$15 million for 30 consecutive business days. The Notices do not impact the listing of the common stock on The Nasdaq Global Market at this time.

The Notices provided that, in accordance with Nasdaq Listing Rule 5810(c)(3)(C) and Nasdaq Listing Rule 5810(c)(3)(D), the Company has a period of 180 calendar days from the date of the Notices, or until January 16, 2024, to regain compliance under the Market Value Standard and the Publicly Held Market Value Standard, respectively.

If the Company fails to regain and maintain compliance with Nasdaq’s continued listing standards, our common stock will be subject to delisting from Nasdaq. The Company may, if appropriate, evaluate available options at such time, including applying for a transfer to The Nasdaq Capital Market to resolve any deficiency and regain compliance with the applicable Nasdaq requirements. While the Company is exercising diligent efforts to maintain the listing of the Company’s common stock on The Nasdaq Global Market, there can be no assurance that the Company will be able to regain and maintain compliance with the Market Value Standard, the Publicly Held Market Value Standard, or will otherwise be in compliance with other Nasdaq listing criteria. Any delisting of our common stock could adversely affect the market liquidity of our common stock and the market price of our common stock could decrease. Furthermore, if our common stock were delisted it could adversely affect our ability to obtain financing for the continuation of our operations and our ability to attract and retain employees by means of equity compensation and/or result in the loss of confidence by investors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the Company's fiscal quarter ended July 29, 2023, no director or officer (as defined in Rule 16a-1(f) promulgated under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

As previously reported, Wade Miquelon, the Company's former Chief Executive Officer, retired effective May 8, 2023 and the Board of Directors appointed each of Chris DiTullio, Executive Vice President and Chief Customer Officer, and Scott Sekella, Executive Vice President and Chief Financial Officer, to the Interim Office of the CEO, effective May 8, 2023. In connection with Messrs. DiTullio's and Sekella's service in this capacity (the "Interim CEO Service"), on August 29, 2023, the Compensation Committee of the Company's Board of Directors approved additional compensation for Messrs. DiTullio and Sekella as follows: (1) an increase in each officer's annual base salary rate by \$78,833 per year, prorated for the duration of his Interim CEO Service, which additional amount will be paid in 2024 after the conclusion of his Interim CEO Service in a lump sum; (2) a grant, effective September 6, 2023 (the "Grant Date"), to each officer of stock options to purchase a number of Company shares equal to \$225,000 divided by the closing price for the Company's shares on the Grant Date (the "Closing Price"), with a per share exercise price equal to the Closing Price, under the Company's current 2021 Equity Incentive Plan; and (3) an increase in each officer's target award percentage under the Company's short-term cash incentive plan for fiscal 2024 (the "STI Plan") to 100% of his base salary rate (including his additional salary for the Interim CEO Service). For each of Messrs. DiTullio and Sekella, of the total number of shares subject to the stock option granted to him as described above, options regarding 99,115 of the shares will generally vest in full on February 3, 2024, and options regarding the remaining number of shares will generally vest on the first anniversary of the Grant Date, subject in each case to the officer's continued service to the Company through the applicable vesting date and the other terms of the applicable stock option award agreements. At the conclusion of the Interim CEO Service, each of Messrs. DiTullio and Sekella's base salaries will revert, on a pro rated basis, to their previous base salary rates, and their target award percentages under the STI Plan will revert, on a pro rated basis, to their previous target award percentages of 75% of their base salaries.

In addition, on August 30, 2023, the Company determined that Janet Duliga, the Company's Executive Vice President and Chief Administrative Officer, will be departing from the Company effective September 15, 2023. Ms. Duliga's departure will constitute a termination of her employment by the Company without cause. In connection with Ms. Duliga's departure, in lieu of receiving previously-disclosed severance compensation and benefits under her current severance agreement, the Company expects that Ms. Duliga will receive a reduced lump sum payment, less all applicable taxes and withholdings, in September 2023. The Company expects to enter into a separation agreement and release with Ms. Duliga to memorialize the terms of her departure from the Company.

Item 6. Exhibits.

Exhibit Number	Description
10.1#	JOANN Inc. 2021 Equity Incentive Plan (Amended and Restated Effective February 27, 2023) (incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Commission File No. 333-272957) filed on June 27, 2023).
10.2#	Form of Stock Option Grant Notice and Award Agreement under the JOANN Inc. 2021 Equity Incentive Plan (Amended and Restated Effective February 27, 2023) (for grants made in February 2023) (incorporated herein by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A (Commission File No. 001-40204) filed on May 15, 2023).
10.3#	Form of Stock Option Grant Notice and Award Agreement under the JOANN Inc. 2021 Equity Incentive Plan (Amended and Restated Effective February 27, 2023) (for grants made in April 2023) (incorporated herein by reference to Appendix C to the Company's Definitive Proxy Statement on Schedule 14A (Commission File No. 001-40204) filed on May 15, 2023).
10.4#	Separation Agreement and Release, dated May 8, 2023, by and between JOANN Inc. and Wade Miquelon.
10.5#	Agreement, dated July 12, 2023, between JO-ANN STORES, LLC and John Stalcup.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JOANN Inc.
Registrant

Date: August 31, 2023

By: /s/ Scott Sekella

Scott Sekella

Executive Vice President, Chief Financial Officer and Member,
Interim Office of the Chief Executive Officer
(*principal financial officer*)

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (this “**Separation Agreement**”), by and between JOANN Inc. (the “**Company**”) and Wade Miquelon (“**you**” and similar words), sets forth certain terms of your separation from the Company and its subsidiaries (including certain requirements under your Amended and Restated Severance Agreement, dated as of February 3, 2019, with Jo-Ann Stores, LLC (“**Jo-Ann LLC**”) (the “**Severance Agreement**”)), including certain terms required in order for you to receive certain separation payments and benefits, as set forth in detail below.

By signing this Separation Agreement, you and the Company agree as follows:

1. STATUS OF EMPLOYMENT

You agree that, effective May 8, 2023 (the “**Separation Date**”), you no longer serve as the Company’s President and Chief Executive Officer and your employment with the Company and all of its subsidiaries is terminated. You further agree that your termination of employment on the Separation Date shall be treated as set forth in Section 2 of this Separation Agreement. You also agree that, as of the Separation Date, you will terminate from all other positions you hold (if any) as an officer, employee or director of the Company and the Company’s subsidiaries and affiliates, and that you will promptly execute any documents and take any actions as may be necessary or reasonably requested by the Company to effectuate or memorialize your termination from all positions with the Company and its subsidiaries and affiliates.

2. SEVERANCE BENEFITS

In consideration for you (a) signing this Separation Agreement, and (b) signing, no earlier than the Separation Date and no later than 60 days following the Separation Date, a general waiver and release of claims, substantially in the form attached hereto as Exhibit A (the “**Release**”), and letting the Release become effective as set forth in the Release:

(i) for purposes of this Separation Agreement and related agreements, your separation from the Company will be deemed your voluntary retirement from employment with the Company and its subsidiaries and affiliates; and

(ii) you will receive the payments and benefits as specified on Exhibit B attached hereto, all subject to applicable tax withholding (the “**Severance Benefits**”). The Severance Benefits will be in full satisfaction of any amounts due under the Severance Agreement, your Employment Agreement, dated as of February 3, 2019, with Jo-Ann LLC (the “**Employment Agreement**”), the Stock Option Plan of Jo-Ann Stores Holdings, Inc. and applicable award agreements thereunder (the “**2012 Equity Plan**”) and/or the JOANN Inc. 2021 Equity Incentive Plan, as amended or amended and restated from time to time, and applicable award agreements thereunder (the “**2021 Equity Plan**”) and, together with the 2012 Equity Plan, the “**Equity Plans**”), and other compensation arrangements of the Company and its subsidiaries and affiliates. You acknowledge and agree that certain portions of the Severance Benefits do not constitute benefits to which you would otherwise be entitled as a result of your termination of employment with the Company, that such portions of the Severance Benefits would not be due unless you sign the Release, and that the Severance Benefits constitute fair and adequate consideration for your promises and covenants set forth in this Separation Agreement and the Release.

3. RESTRICTIVE COVENANTS

By signing this Separation Agreement, you reaffirm that, subject to applicable law, you will continue to abide by the restrictive covenants to which you are subject, including as set forth in or applicable under the Equity Plans, Section 19 of the Employment Agreement, and Section 13 of the Severance Agreement, which expressly survive the termination of your employment without Cause pursuant to their terms.

Notwithstanding anything in this Separation Agreement, the Equity Plans, the Employment Agreement or the Severance Agreement to the contrary, nothing in such documents prevents you from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity you are not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended.

No Company policy or individual agreement between the Company and you shall prevent you from providing information to government authorities regarding possible legal violations, participating in investigations, testifying in

proceedings regarding the Company's past or future conduct, engaging in any future activities protected under the whistleblower statutes administered by any government agency (e.g., EEOC, NLRB, SEC, etc.) or receiving a monetary award from a government-administered whistleblower award program for providing information directly to a government agency. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by privilege. By executing this Separation Agreement you represent that, as of the date you sign this Separation Agreement, no claims, lawsuits, or charges have been filed by you or on your behalf against the Company or any of its legal predecessors, successors, assigns, fiduciaries, parents, subsidiaries, divisions or other affiliates, or any of the foregoing's respective past, present or future principals, partners, shareholders, directors, officers, employees, agents, consultants, attorneys, trustees, administrators, executors or representatives. You acknowledge and agree that you have in a timely manner received or waived all applicable notices required under the Severance Agreement and the Employment Agreement, or otherwise, in connection with the termination of your employment with the Company. The Company agrees that this Separation Agreement does not extend to, release or modify any rights to indemnification or advancement of expenses to which you are entitled from the Company or its insurers under the Company's certificate of incorporation, by-laws, or other corporate governing law or instruments or your indemnification agreement with the Company.

4. LIMITATIONS

Nothing in this Separation Agreement or the Severance Agreement shall be binding upon the parties hereto to the extent it is void or unenforceable for any reason, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices; *provided, however*, that to the extent that any provision in this Separation Agreement or the Severance Agreement could be modified to render it enforceable under applicable law, it shall be deemed so modified and enforced to the fullest extent allowed by law.

5. MATERIAL BREACH

You agree that in the event of any breach of any provision of the restrictive covenants described in Section 3 of this Separation Agreement, the Company will be entitled to equitable and/or injunctive relief and, because the damages for such a breach will be impossible or impractical to determine and will not therefore provide a full and adequate remedy, the Company or (as applicable) any and all past, present or future parents, subsidiaries and affiliates of the Company (the "**JOANN Companies**") will also be entitled to specific performance by you. Except with respect to any clawback rights the Company may have with respect to equity or incentive awards under the Equity Plans, no amount owing to you under this Separation Agreement shall be subject to set-off or reduction by reason of any claims that the Company and its subsidiaries and affiliates have or may have against you. You will be entitled to recover actual damages if the Company breaches this Separation Agreement, including any unexcused late or non-payment of any amounts owed under this Separation Agreement, or any unexcused failure to provide any other benefits specified in this Separation Agreement. Failure by any party hereto to enforce any term or condition of this Separation Agreement at any time shall not preclude that party from enforcing that provision, or any other provision, at a later time.

6. NO RE-EMPLOYMENT

You understand that your employment with the Company is terminated on the Separation Date. You agree that you will not seek or accept employment with the Company and its subsidiaries and affiliates, including assignment to or on behalf of the Company as an independent contractor or through any third party, and the Company and its subsidiaries and affiliates have no obligation to consider you for any future employment or assignment.

7. REVIEW OF SEPARATION AGREEMENT

This Separation Agreement is important. You are advised to review it carefully and consult an attorney before signing it, as well as any other professional whose advice you value, such as an accountant or financial advisor. If you agree to the terms of this Separation Agreement, sign in the space below where your agreement is indicated. The payments and benefits specified in this Separation Agreement are contingent on your (a) signing this Separation Agreement and (b) signing the Release no earlier than the Separation Date and no later than 60 calendar days following the Separation Date, and not revoking the Release.

8. RETURN OF PROPERTY

You affirm that you have returned, or will have returned within a reasonable time after the Separation Date, to the Company in reasonable working order all Company Property, as described more fully below. "Company Property" includes company-owned or leased motor vehicles, equipment, supplies and documents. Such documents may include but are not limited

to customer lists, financial statements, cost data, price lists, invoices, forms, passwords, electronic files and media, mailing lists, contracts, reports, manuals, personnel files, correspondence, business cards, drawings, employee lists or directories, lists of vendors, photographs, maps, surveys, and the like, including copies, notes or compilations made there from, whether such documents are embodied on "hard copies" or contained on computer disk or any other medium. You further agree that you will not retain any copies or duplicates of any such Company Property.

9. FUTURE COOPERATION

You agree that you shall, without any additional compensation, respond to reasonable requests for information from the Company regarding matters that may arise in the Company's business. You further agree to fully and completely cooperate with the Company, its advisors and its legal counsel with respect to any litigation that is pending against the Company and any claim or action that may be filed against the Company in the future. Such cooperation shall include making yourself available at reasonable times and places for interviews, reviewing documents, testifying in a deposition or a legal or administrative proceeding, and providing advice to the Company in preparing defenses to any pending or potential future claims against the Company. The Company agrees to (or to cause one of its affiliates to) pay/reimburse you for any approved travel expenses reasonably incurred as a result of your cooperation with the Company, with any such payments/reimbursements to be made in accordance with the Company's expense reimbursement policy as in effect from time to time.

10. NON-DISPARAGEMENT

You agree that you will not make or issue, or procure any person, firm, or entity to make or issue, any statement in any form, including written, oral and electronic communications of any kind, which conveys negative or adverse information concerning the Company, the JOANN Companies, or any and all past, present, or future related persons or entities, including but not limited to the Company's and the JOANN Companies' officers, directors, managers, employees, shareholders, agents, attorneys, successors and assigns, specifically including without limitation the Company and its subsidiaries and affiliates, their business, their actions or their officers or directors, to any person or entity, regardless of the truth or falsity of such statement. This Section 10 does not apply to truthful testimony compelled by applicable law or legal process.

11. TAX MATTERS

By signing this Separation Agreement, you acknowledge that you will be solely responsible for any taxes which may be imposed on you as a result of the Severance Benefits, all amounts payable to you under this Separation Agreement will be subject to applicable tax withholding by the Company or its subsidiaries or affiliates, and the Company has not made any representations or guarantees regarding the tax result for you with respect to any income recognized by you in connection with this Separation Agreement or the Severance Benefits.

12. NATURE OF AGREEMENT

By signing this Separation Agreement, you acknowledge that you are doing so freely, knowingly and voluntarily. You acknowledge that in signing this Separation Agreement you have relied only on the promises written in this Separation Agreement and not on any other promise made by the Company or JOANN Companies. This Separation Agreement is not, and will not be considered, an admission of liability or of a violation of any applicable contract, law, rule, regulation, or order of any kind. This Separation Agreement and the Release contain the entire agreement between the Company, other JOANN Companies and you regarding your departure from the Company, except that all post-employment covenants contained in the Severance Agreement, Employment Agreement or Equity Plans remain in full force and effect. The Severance Benefits are in full satisfaction of any severance benefits under the Severance Agreement, the Employment Agreement, and the Equity Plans, and of any other compensation arrangements between you and the Company or the JOANN Companies. This Separation Agreement may not be altered, modified, waived or amended except by a written document signed by a duly authorized representative of the Company and you. Except as otherwise explicitly provided, this Separation Agreement will be interpreted and enforced in accordance with the laws of the state of Ohio, and the parties hereto, including their successors and assigns, consent to the jurisdiction of the state and federal courts of Ohio. The headings in this document are for reference only, and shall not in any way affect the meaning or interpretation of this Separation Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, you and the Company have executed this Separation Agreement as of the dates set forth below.

WADE MIQUELON

/s/ Wade Miquelon_____

Date: May 8, 2023

JOANN INC.

By: /s/ Ann Aber_____

Name: Ann Aber

Title: Senior Vice President, Chief Legal Officer

Date: May 8, 2023

Exhibit A

Release

This Release (the “**Release**”) is between JOANN Inc. (the “**Company**”) and _____ (“**you**” and similar words), in favor of the Company and its affiliates (meaning any entities that directly or indirectly control, are controlled by, or are under the same control as, the Company or any other entities affiliated with the Company or such entities), in consideration of the benefits provided to you and to be received by you from the Company as described in the Separation Agreement between the Company and you dated as of the applicable date referenced therein (the “**Separation Agreement**”). Capitalized terms used herein without definition have the meanings ascribed to such terms in the Separation Agreement.

By signing this Release, you and the Company hereby agree as follows:

13. WAIVER AND RELEASE

You, for yourself and on behalf of anyone claiming through you including each and all of your legal representatives, administrators, executors, heirs, successors and assigns (collectively, the “**Releasers**”), do hereby fully, finally and forever release, absolve and discharge the Company and each and all of its legal predecessors, successors, assigns, fiduciaries, parents, subsidiaries, divisions and other affiliates, and each of the foregoing’s respective past, present and future principals, partners, shareholders, directors, officers, employees, agents, consultants, attorneys, trustees, administrators, executors and representatives (collectively, the “**Company Released Parties**”), of, from and for any and all claims, causes of action, lawsuits, controversies, liabilities, losses, damages, costs, expenses and demands of any nature whatsoever, at law or in equity, whether known or unknown, asserted or unasserted, foreseen or unforeseen, that the Releasers (or any of them) now have, have ever had, or may have against the Company Released Parties (or any of them) based upon, arising out of, concerning, relating to or resulting from any act, omission, matter, fact, occurrence, transaction, claim, contention, statement or event occurring or existing at any time in the past up to and including the date on which you sign this Release, including, without limitation: (a) all claims arising out of or in any way relating to your employment with or separation of employment from the Company or its affiliates; (b) all claims for compensation or benefits, including salary, commissions, bonuses, vacation pay, expense reimbursements, severance pay, fringe benefits, stock options, restricted stock units or any other ownership interests in the Company Released Parties; (c) all claims for breach of contract, wrongful termination and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, invasion of privacy and emotional distress; (e) all other common law claims; and (f) all claims (including claims for discrimination, harassment, retaliation, attorneys fees, expenses or otherwise) that were or could have been asserted by you or on your behalf in any federal, state, or local court, commission, or agency, or under any federal, state, local, employment, services or other law, regulation, ordinance, constitutional provision, executive order or other source of law, including without limitation under any of the following laws, as amended from time to time: the Age Discrimination in Employment Act (the “**ADEA**”), Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 1981 & 1981a, the Americans with Disabilities Act, the Equal Pay Act, the Employee Retirement Income Security Act, the Lilly Ledbetter Fair Pay Act of 2009, the Family and Medical Leave Act, Sarbanes-Oxley Act of 2002, the National Labor Relations Act, the Rehabilitation Act of 1973, the Worker Adjustment Retraining and Notification Act, the Uniformed Services Employment and Reemployment Rights Act, Federal Executive Order 11246, the Genetic Information Nondiscrimination Act, the Ohio Civil Rights Act, Ohio Revised Code 4112.01 et seq., and the Ohio Whistleblowers’ Protection Act.

14. SCOPE OF RELEASE

Nothing in this Release (a) shall release the Company from any of its obligations set forth in the Separation Agreement or any claim that by law is non-waivable, (b) shall release the Company from any obligation to defend and/or indemnify you against any third party claims arising out of any action or inaction by you during the time of your employment and within the scope of your duties with the Company to the extent (i) you have any such defense or indemnification right (including under your indemnification agreement with the Company or to the extent the claims are covered by the Company’s director & officer liability insurance), and (ii) permitted by applicable law, (c) shall affect your right to file a claim for workers’ compensation or unemployment insurance benefits, or (d) shall prohibit you from instituting any action to challenge the validity of the release under the ADEA.

You further acknowledge that by signing this Release, you do not waive the right to file a charge against the Company with, communicate with or participate in any investigation by the Equal Employment Opportunity Commission, the Securities and Exchange Commission or any comparable state or local agency. However, you waive and release, to the fullest extent legally permissible, all entitlement to any form of monetary relief arising from a charge you or others may file, including without limitation any costs, expenses or attorneys’ fees. You understand that this waiver and release of monetary relief would

not affect an enforcement agency's ability to investigate a charge or to pursue relief on behalf of others. Notwithstanding the foregoing, you will not give up your right to any benefits to which you are entitled under any retirement plan of the Company that is intended to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, or your rights, if any, under Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended (COBRA), or any monetary award offered by the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act or The Sarbanes-Oxley Act of 2002.

By executing this Release, you represent that, as of the date you sign this Release, no claims, lawsuits, grievances, or charges have been filed by you or on your behalf against the Company Released Parties.

15. KNOWING AND VOLUNTARY ADEA WAIVER

In compliance with the requirements of the Older Workers' Benefit Protection Act, you acknowledge by your signature below that, with respect to the rights and claims waived and released in this Release under the ADEA, you specifically acknowledge and agree as follows: (a) you have read and understand the terms of this Release; (b) you have been advised and hereby are advised, and have had the opportunity, to consult with an attorney before signing this Release; (c) the Release is written in a manner understood by you; (d) you are releasing the Company and the other Company Released Parties from, among other things, any claims that you may have against them pursuant to the ADEA; (e) the releases contained in this Release do not cover rights or claims that may arise after you sign this Release; (f) you will receive valuable consideration in exchange for the Release other than amounts you would otherwise be entitled to receive; (g) you have been given a period of at least 21 days in which to consider and execute this Release (although you may elect not to use the full consideration period at your option); (h) you may revoke this Release during the seven-day period following the date on which you sign this Release, and this Release will not become effective and enforceable until the seven-day revocation period has expired; and (i) any such revocation must be submitted in writing to the Company c/o Ann Aber, Chief Legal Officer, JOANN Inc., 5555 Darrow Road, Hudson, Ohio 44236, prior to the expiration of such seven-day revocation period. If you revoke this Release within such seven-day revocation period, it shall be null and void.

16. ENTIRE AGREEMENT

This Release, the Separation Agreement, and the documents referenced therein contain the entire agreement between you and the Company regarding the matters described therein, and take priority over any other written or oral understanding or agreement that may have existed in the past regarding the matters described therein. You acknowledge that no other promises or agreements have been offered for this Release (other than those described above) and that no other promises or agreements will be binding unless they are in writing and signed by you and the Company. Should any provision of this Release be declared by a court of competent jurisdiction to be illegal, void, or unenforceable, the remaining provisions shall remain in full force and effect; provided, however, that upon a finding that the Release, in whole or part, is illegal, void, or unenforceable, you shall be required to execute a release that is legal and enforceable.

[SIGNATURE PAGE FOLLOWS]

I agree to the terms and conditions set forth in this Release.

[NAME]

[exhibit copy – do not sign]

Date: _____

Exhibit B

Severance and Other Benefits

Severance benefits under the Separation Agreement and the Severance Agreement, which severance benefits will consist of the following:

- Payment of all accrued but unpaid base salary earned by you through the Separation Date. This amount will be payable to you within 10 days after the Separation Date;
 - Payment of an amount equal to \$392,500, specifically in consideration of the Release. This amount will be payable on or before August 1, 2023; and
 - Your outstanding Company equity awards will be governed by the applicable terms of the Equity Plans for such awards.
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AGREEMENT

THIS AGREEMENT ("**Agreement**") is made as of the 12th day of July, 2023 (the "**Effective Date**") between JO-ANN STORES, LLC, an Ohio limited liability company (the "**Company**"), and John Stalcup ("**Executive**").

The Company is entering into this Agreement in recognition of the importance of Executive's services to the continuity of management of the Company and based on its determination that it will be in the best interests of the Company to encourage Executive's continued attention and dedication to Executive's duties as a general matter and in the potentially disruptive circumstances of a possible Change of Control of the Company. (As used in this Agreement, the term "**Change of Control**" and certain other capitalized terms have the meanings ascribed to them in Section 16 of this Agreement).

The Company and Executive agree as follows:

1. Severance Benefits upon Involuntary Termination Without Cause Before a Change of Control. If Executive's employment is terminated prior to a Change of Control by the Company without Cause, Executive will be entitled to the following benefits contingent on Executive signing a release of claims provided by the Company (substantially in the form attached hereto as Exhibit A, with such changes as the Company may determine to be required or reasonably advisable in order to make the release enforceable and otherwise compliant with applicable law) ("**Release**") and such Release becoming effective and irrevocable in accordance with its terms within twenty-eight (28) days after Executive's Separation from Service:

- (a) Subject to Section 1(d) of this Agreement, Base Salary continuation for a period of eighteen (18) months from the effective date of Executive's termination from the Company, payable in accordance with the Company's normal payroll practices in effect at the applicable time, commencing within ten (10) days after Executive's Release becomes effective and irrevocable in accordance with its terms.
 - (b) Any short-term incentive that would have been earned (based on actual Company performance during the entire fiscal year and assuming that any individual goals applicable to Executive were satisfied at the "target" level) will be payable on a pro-rata basis based on the number of weeks that Executive worked in the current fiscal year. This amount will be payable at the same time as the short-term incentive is paid to similarly situated active employees of the Company.
 - (c) All long-term incentives (including, without limitation, stock options) will be governed by the terms of the Amended & Restated Stockholder's Agreement between the Company and Executive dated March 16, 2021 (the "**Stockholder's Agreement**"). Any unvested restricted stock units will be governed by the terms of the applicable Restricted Stock Unit Grant Agreement.
 - (d) Executive agrees immediately to advise Company when Executive commences employment, self-employment, a consulting arrangement or other compensated work (the "**New Arrangement**") during the period of Base Salary continuation pursuant to this Section 1, and to provide Company with sufficient information concerning the New Arrangement so that the Company can determine the equivalency of the New Arrangement and the Executive's prior employment with the Company. Company shall have no obligation to continue payment of the Base Salary if Executive does not provide sufficient information regarding the New Arrangement, and the period of the payment
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obligation (i) shall not be extended due to Executive's failure to timely provide notice of the New Arrangement, and (ii) in no event shall such time period extend beyond the date that is 18 months from the effective date of Executive's termination of employment. If the Company determines in its reasonable discretion that the New Arrangement is at least generally equivalent to Executive's prior employment with the Company, Base Salary continuation pursuant to Section 1(a) hereof shall cease immediately and the Company shall have no further obligations to Executive pursuant to Section 1(a). If the Company determines in its reasonable discretion that the New Arrangement is less than the Executive's prior compensation with the Company, the Company's obligation to pay Base Salary shall be reduced by the amount of the New Arrangement. In making its determination of equivalency pursuant to this Section 1(d), the Company may consider the total compensation package associated with the New Arrangement including base compensation, short-term and long-term incentive compensation, equity grants and fringe benefits. If there is any overpayment of Base Salary due to a New Arrangement, the Company will be entitled to recoup any such overpayment from the Executive.

2. Change of Control Severance Benefits upon Certain Separations from Service Occurring After a Change of Control. If within twelve (12) months after the occurrence of a Change of Control, Executive has a Separation from Service by the Company without Cause, or by Executive for Good Reason, Executive shall be entitled to the following as Change of Control Severance Benefits contingent on Executive signing a Release and such Release becoming effective and irrevocable in accordance with its terms within twenty-eight (28) days after Executive's Separation from Service:

(a) Base Salary continuation for a period of twenty-four (24) months from the effective date of the Separation of Service, payable in accordance with the Company's normal payroll practices in effect at the applicable time, commencing within ten (10) days after Executive's Release becomes effective and irrevocable in accordance with its terms.

(b) Pay out of the current fiscal year's short-term incentive without proration at the greater of (i) the "target" payout for the current fiscal year, or (ii) Executive's average actual short-term incentive payout for the three (3) fiscal years immediately preceding the current fiscal year (or the portion of such three-year period that Executive was employed by the Company). Any amount payable pursuant to this Section 2(b) shall be paid within ten (10) days after Executive's Release becomes effective and irrevocable in accordance with its terms.

(c) All long-term incentives (including, without limitation, stock options) will be governed by the terms of the Stockholder's Agreement.

3. Earned but Unpaid Base Salary Payable Upon Any Separation from Service. Upon Executive's Separation from Service for any reason and at any time, the Company shall pay to Executive (or, where applicable, to Executive's Beneficiary), not later than ten (10) days after the Separation from Service all earned but unpaid Base Salary through the date of Separation from Service.

4. Separation from Service Due to Retirement, Disability, or Death. If Executive has a Separation from Service due to Retirement, Disability, or death while this Agreement remains in effect (whether before or after the occurrence of a Change of Control), neither Executive nor Executive's Beneficiaries will be entitled to Severance

Benefits or Change of Control Severance Benefits under either of Sections 1 or 2 but Executive or Executive's Beneficiaries, as applicable, will be entitled to the payments provided for in Section 3 and to such benefits as may be provided under the terms of the Company's disability, retirement, survivor's benefits, insurance, and other applicable plans and programs of the Company then in effect.

5. Separation from Service for Cause or by Executive other than for Good Reason. If Executive has a Separation from Service by the Company for Cause (whether before or after the occurrence of a Change of Control) or by Executive for any reason other than for Good Reason within 12 months after a Change of Control, and Section 6 does not apply, neither Executive nor Executive's Beneficiaries will be entitled to Severance Benefits or Change of Control Severance Benefits under either of Sections 1 or 2 but Executive or Executive's Beneficiaries, as applicable, will be entitled to the payments provided for in Section 3 and the Company shall pay to Executive such other amounts to which Executive is entitled under any compensation plans of the Company, at the time such payments are due. Except as provided in this Section 5, the Company shall have no further obligations to Executive under this Agreement.

6. Special Provision Applicable only if Executive has a Separation from Service both in Advance of and in Contemplation of a Change of Control. If Executive has a Separation from Service by the Company (a) in contemplation of and not more than six (6) full calendar months before the occurrence of a Change of Control, and (b) under circumstances such that if the Separation from Service had occurred immediately after that Change of Control Executive would have been entitled to Change of Control Severance Benefits under Section 2 above, then contingent on Executive signing a Release and such Release becoming effective and irrevocable in accordance with its terms within twenty-eight (28) days after Executive's Separation from Service, the Company shall pay and provide to Executive all of the amounts and benefits specified in Section 2, reduced by such amounts and such benefits, if any, that the Company has otherwise paid and provided to Executive pursuant to Section 1 above. The Company shall make any cash payment required pursuant to this Section 6 on the later to occur of (i) ten (10) days after Executive's Release becomes effective and irrevocable in accordance with its terms, or (ii) the occurrence of the Change of Control.

7. Change of Control Ignored if Employment Continues for More than One Year Thereafter. If Executive's employment continues for more than one (1) year following the occurrence of any Change of Control, that particular Change of Control will be deemed never to have occurred for purposes of this Agreement.

8. Term of Agreement. This Agreement shall continue in effect until a Separation from Service occurs pursuant to one of Sections 1, 2, 4, or 5, with due consideration of Sections 3, 6 and 7 hereof. The parties may, by mutual agreement, at any time and from time to time modify or terminate the term of this Agreement under this Section 8.

9. Excise Tax. If there is any conflict between the provisions of this Section 9 and any other provision of this Agreement regarding payments to be made or benefits to be provided to Executive under this Agreement following a Change of Control, the provisions of this Section 9 shall govern.

9.1 Acknowledgement. The Company and Executive acknowledge that, following a Change of Control, one or more payments or distributions to be made by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, under some

other plan, agreement, or arrangement, or otherwise, and including, without limitation, any income recognized by Executive upon exercise of an option granted by the Company to acquire Common Shares issued by the Company) (a “**Payment**”) may be determined to be an Excess Parachute Payment that is not deductible by the Company for federal income tax purposes and with respect to which Executive will be subject to an excise tax because of Sections 280G and 4999, respectively, of the Code (hereinafter referred to respectively as “**Section 280G**” and “**Section 4999**”).

9.2 Procedure. Prior to and in connection with any Change of Control, the Company shall cause the Accounting Firm, which shall make all determinations required to be made under this Section 9, to determine (a) the maximum amount of Parachute Payments that Executive may receive without becoming subject to the excise tax imposed by Section 4999 and without the Company suffering a loss of deduction under Section 280G (this maximum amount being the “**280G Limit**”); and (b) whether, if all Payments were made without regard to this Section 9 and after taking into account any value (as determined by the Accounting Firm) attributable to the non-competition covenant in Section 13, any Payment would be an Excess Parachute Payment. If the Accounting Firm determines that any Payment to Executive (if made without regard to this Section 9 and after taking into account any value (as determined by the Accounting Firm) attributable to the non-competition covenant in Section 13) would be an Excess Parachute Payment, then the treatment of Executive’s Payments shall be determined in accordance with Section 9.3 or Section 9.4, as applicable. The Accounting Firm shall communicate its determination, together with detailed supporting calculations, to the Company and to Executive at least 10 business days prior to the Change of Control or such earlier time as is requested by the Company. The Company and Executive shall cooperate with each other and the Accounting Firm and shall provide necessary information so that the Accounting Firm may make all such determinations. The Company shall pay all of the fees of the Accounting Firm for services performed by the Accounting Firm as contemplated in this Section 9. All determinations made by the Accounting Firm under this Section 9 shall be binding upon Executive and the Company.

9.3 Company has no Readily Tradable Stock - Reduction in Payments Unless Approved by Shareholders. If, immediately prior to a Change of Control, no stock in the Company is readily tradable on an established securities market or otherwise (within the meaning of Q/A-6), the Company shall make its best efforts to avail itself of the exemption from Sections 280G and 4999 set forth in Q/A-6(a)(2) by making its best efforts to obtain shareholder approval (in accordance with Q/A-7) of any Parachute Payments that would exceed the 280G Limit (if all Payments were made without regard to this Section 9), subject to Executive’s consent to forfeit any such amounts the payment of which is not so approved by shareholders. If Executive fails to consent to forfeiture of amounts required to obtain the exemption set forth in Q/A-6(a)(2), or if shareholder approval is not obtained in accordance with Q/A-7, then the Parachute Payments to be made to Executive without regard to this Section 9 shall be reduced, but not below zero, by such amount so that the aggregate value of the Parachute Payments actually made to Executive will be One Dollar (\$1.00) less than the 280G Limit. In the event that any Parachute Payment is required to be reduced pursuant to this Section 9.3, the reduction shall be made by first reducing any specified Parachute Payments that Executive consented to forfeit if not approved by shareholders and that were not approved by shareholders, and then, to the extent necessary, by reducing Executive’s remaining Parachute Payments in the following order: (a) Base Salary continuation under Section 2(a) of this Agreement, (b) short-term incentive payment under Section 2(b) of this Agreement, and (c) accelerated vesting (if any) of long-term incentives, with any such reduction applicable first to any long-term incentive awards with vesting otherwise contingent only upon continued service, in either case in the reverse order of the date of grant of such long term incentive awards.

9.4 Company has Readily Tradable Stock – Reduction in Payments if Reduced Payments Would Provide Greater Net After-Tax Benefit to Executive. If immediately prior to a Change of Control, any stock in the Company is readily tradable on an established securities market or otherwise (within the meaning of Q/A-6), then either (a) the payments to be made to Executive under this Agreement without regard to this Section 9 shall be reduced as provided in this Section 9.4, or (b) the Company shall make all of the payments to be made to Executive under all of the provisions of this Agreement. The payments to be made to Executive under this Agreement without regard to this Section 9 shall be reduced pursuant to this Section 9.4 only if the Accounting Firm determines that Executive would have a greater Net After-Tax Benefit if Executive's payments under this Agreement were reduced, but not below zero, by such amount so that the aggregate value of the Parachute Payments actually made to Executive will be One Dollar (\$1.00) less than the 280G Limit. If instead the Accounting Firm determines that Executive would have a greater Net After-Tax Benefit if Executive's payments under this Agreement were not so reduced, Executive shall receive all Payments to which Executive is entitled, subject to the excise tax under Sections 4999 and 280G (and all other applicable taxes). In the event that any Parachute Payment is required to be reduced pursuant to this Section 9.4, the reduction shall be made by reducing the amounts to be paid under this Agreement in the following order: (a) Base Salary continuation under Section 2(a) of this Agreement, (b) short-term incentive payment under Section 2(b) of this Agreement, and (c) accelerated vesting (if any) of long-term incentives under Section 2(c) of this Agreement, with any such reduction applicable first to any long-term incentive awards with vesting otherwise contingent upon performance and then to any long-term incentive awards with vesting otherwise contingent only upon continued service, in either case in the reverse order of the date of grant of such long term incentive awards.

10. The Company's Payment Obligation

10.1 Change of Control Severance Benefit Payment Obligation Absolute. Except as otherwise provided in Section 9, the Company's obligation to make the payments and provide the benefits provided for in Section 2 herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against Executive or anyone else. All payments by the Company pursuant to Section 2 herein shall be paid without notice or demand. Each and every payment made by the Company pursuant to Section 2 herein shall be final, and the Company shall not seek to recover all or any part of such payment from Executive or from whomsoever may be entitled thereto, for any reasons whatsoever. This Section 10.1 shall not be applicable to Severance Benefits made pursuant to Section 1 hereof.

10.2 No Mitigation. Executive shall not be obligated to seek other employment in mitigation of the amounts payable or benefits to be provided under any provision of this Agreement, and, except as provided for in Section 1(d) of this Agreement, the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments or provide any benefits as required under this Agreement.

10.3 Source of Payments and Benefits. All payments under this Agreement shall be made solely from the general assets of the Company (or from a grantor trust, if any, established by the Company for purposes of making payments under this Agreement and other similar agreements), and Executive shall have the rights of an unsecured general creditor of the Company with respect thereto.

11. Legal Remedies

11.1 Payment of Legal Fees. In the event of litigation or arbitration with respect to the Severance Benefits or Change of Control Severance Benefits provided for under this Agreement, the prevailing party shall be entitled to recover its legal fees, costs of arbitration and/or litigation, prejudgment interest, and other reasonable expenses.

11.2 Arbitration. Subject to the following sentences, any dispute or controversy arising under or in connection with this Agreement shall be settled by mandatory arbitration (in lieu of litigation), conducted before a panel of three (3) arbitrators (unless the amount claimed is less than \$100,000, in which case the arbitration shall be before a single arbitrator) sitting in Summit County, Ohio, in accordance with the rules of the American Arbitration Association then in effect. Any dispute which arises with respect to Executive's alleged violation of the non-competition and other covenants set forth in Section 13 of this Agreement shall be settled by judicial proceedings in a state or federal court sitting in Summit County, Ohio. Except as provided above for claims or disputes under Section 13, judgment may be entered on the award of the arbitrator in any court having proper jurisdiction.

12. Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement all taxes as legally shall be required (including, without limitation, any United States federal income, FICA and Medicare taxes, and any other state, city, or local taxes).

13. Restrictive Covenants. In consideration of Executive's employment by the Company and the benefits being provided to Executive pursuant to this Agreement, Executive agrees to be bound by the restrictive covenants contained in this Section 13.

13.1 Obligation to Maintain Confidentiality. Executive agrees not to divulge to third parties or use in a manner not authorized by the Company, any confidential or Company proprietary information gathered or learned by Executive during his or her employment with the Company or a subsidiary or affiliate of the Company. "**Confidential Information**" includes, but is not limited to, information in oral, written or recorded form regarding business plans, trade or business secrets, Company financial records, supplier contracts or relationships, or any other information that the Company does not regularly disclose to the public. To the extent that Executive has any doubt as to whether information constitutes Confidential Information, Executive agrees to obtain advice from the Company's Chief Legal Officer prior to divulging or using such information. Executive understands and agrees that divulging such information to third parties, or using such information in an unauthorized manner, would cause serious competitive harm to the Company. Confidential Information shall exclude: (a) information that is generally known by or available for use by the public, (b) information that was known by Executive prior to his or her employment with the Company (including its predecessor in interest, affiliates and subsidiaries) and was obtained, to the best of Executive's knowledge, without violation of any obligation of confidentiality to the Company, or (c) information that is required to be disclosed pursuant to applicable law or a court order. If information is required to be disclosed because of a court order, Executive must notify the Company's Chief Legal Officer immediately. Nothing in this Section 13.1 shall be interpreted to preclude Executive from communicating to a governmental agency about terms or conditions of employment or legal compliance issues, or from cooperating with an investigation being conducted by a governmental agency.

13.2 Ownership of Property. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, processes, programs, designs, analyses, drawings, reports, patent applications, copyrightable work, and mask work (whether or not including any

Confidential Information) and all registrations or applications related thereto, all other proprietary information, and all similar or related information (whether or not patentable) that relate to the Company's or any of its subsidiaries' or affiliates' actual or anticipated business, research and development, or existing or future products or services, and that were or are conceived, developed, contributed to, made or reduced to practice by Executive (either solely or jointly with others) while employed by or in the service of the Company or any of its subsidiaries or affiliates (including, without limitation, prior to the date of this Agreement) (including any of the foregoing that constitutes any proprietary information or records) ("**Work Product**") belong to the Company or such subsidiary or affiliate, and Executive hereby assigns, and agrees to assign, all of the above Work Product to the Company or to such subsidiary or affiliate. Any copyrightable work prepared in whole or in part by Executive in the course of Executive's work for any of the foregoing entities shall be deemed a "work made for hire" under the copyright laws, and the Company or such subsidiary or affiliate shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire", Executive hereby assigns and agrees to assign to the Company or such subsidiary or affiliate all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Executive shall as promptly as practicable under the circumstances disclose such Work Product and copyrightable work to the Company and perform all actions reasonably requested by the Company (whether during or after Executive's employment with or service to the Company and its subsidiaries and affiliates) to establish and confirm the Company's or such subsidiary's or affiliate's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments).

13.3 Third Party Information. Executive understands that the Company and its subsidiaries and affiliates will receive from third parties confidential or proprietary information ("**Third Party Information**") subject to a duty on the Company's and its subsidiaries and affiliates' part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the period of Executive's employment with or service to the Company or its subsidiaries or affiliates and thereafter, and without in any way limiting the provisions of Section 13.1 above, Executive will hold Third Party Information in the strictest confidence and will not disclose to any one (other than personnel and consultants of the Company or its subsidiaries and affiliates who need to know such information in connection with their work for the Company or its subsidiaries and affiliates) or use, except in connection with Executive's work for the Company or its subsidiaries and affiliates, Third Party Information unless expressly authorized by the Company in writing or unless and to the extent that the Third Party Information (a) becomes generally known to and available for use by the public other than as a result of Executive's acts or omissions to act, (b) was known to Executive prior to Executive's employment with or service to the Company or any of its subsidiaries and affiliates and was obtained, to the best of Executive's knowledge, without violation of any obligation of confidentiality to the Company, or (c) is required to be disclosed pursuant to any applicable law or court order.

13.4 Noncompetition. Executive acknowledges that, in the course of Executive's employment, Executive will become familiar with the Company's and its subsidiaries' and affiliates' trade secrets and with other confidential information concerning the Company and its subsidiaries and affiliates and that Executive's services will be of special, unique and extraordinary value to the Company and its subsidiaries and affiliates. Therefore, Executive agrees that while employed by the Company or any of its subsidiaries or affiliates, and continuing until (i) the eighteen (18) month anniversary of the date of any termination of Executive's employment (other than as a result of a Change in Control as provided in Paragraph 2 or 6), or (ii) twenty-four (24) months from the date of termination of Executive's employment as a result of a Change in Control as provided in Paragraph 2 or 6 (the "**Noncompete Period**"), Executive shall not, anywhere in the world where the Company or its subsidiaries or affiliates conduct or actively propose to conduct business during Executive's employment, directly or indirectly own, manage, control, participate in, consult with, be

employed by or in any manner engage in (collectively, the “**Restricted Activities**”) any business that is engaged in, or plans to be engaged in, the sale at retail or direct marketing (including online) to consumers of fabric, sewing or craft components (a “**Competitive Business**”), provided that the Restricted Activities shall only be applicable to similar line(s) of business or similar functions conducted by the Competitive Business for which the Executive had knowledge, involvement, and/or responsibility while at the Company. Further, during the Noncompete Period, Executive shall not conduct any of the Restricted Activities in similar line(s) of business or similar functions for which the Executive had knowledge, involvement, and/or responsibility while at the Company for any business that had sales to the Company and its subsidiaries and affiliates during the immediately preceding fiscal year (a “**Vendor Business**”). Notwithstanding the foregoing, Executive may own up to 2% of any class of an issuer’s publicly traded securities regardless of whether such entity is a Competitive Business. Nothing in this Section 13.4 confers upon Executive any right to receive severance or obligates the Company to pay any severance to Executive in connection with his or her termination of employment for any reason.

13.5 Nonsolicitation. Executive makes the same acknowledgement as is set forth in the first sentence of Section 13.4 above. Therefore, Executive agrees that during the Noncompete Period, Executive shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Company or its subsidiaries or affiliates to leave the employ of the Company or any of its subsidiaries or affiliates, or in any way interfere with the relationship between the Company or its subsidiaries or affiliates and any employee thereof, (ii) hire any person who was an employee of the Company or any of its subsidiaries or affiliates within 180 days prior to the time such employee was hired by Executive, (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or its subsidiaries or affiliates to cease doing business with the Company or its subsidiaries or affiliates or in any way interfere with the relationship between any such customer, licensee or business relation and the Company or its subsidiaries or affiliates, or (iv) directly or indirectly acquire or attempt to acquire an interest in any business relating to the business of the Company or its subsidiaries or affiliates and with which the Company, its subsidiaries or affiliates has entered into substantive negotiations or has requested and received confidential information relating to the acquisition of such business by the Company, its subsidiaries or affiliates in the two-year period immediately preceding Executive’s termination of employment with the Company or any of its subsidiaries or affiliates.

13.6 Enforcement. If, at the time of enforcement of Section 13.4 or 13.5 of this Agreement, a court holds that the restrictions stated therein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Executive agrees that because his or her services are unique and Executive has access to confidential information, money damages would be an inadequate remedy for any breach of this Section 13 and its subsections. Executive agrees that the Company, its subsidiaries and affiliates, in the event of a breach or threatened breach of this Section 13 or any of its subsections, may seek injunctive or other equitable relief in addition to any other remedy available to them in a court of competent jurisdiction without posting bond or other security.

13.7 Non-disparagement. Executive agrees that at no time during his or her employment by the Company or any of its subsidiaries or affiliates or thereafter shall he or she make, or cause or assist any other person to make, any statement or other communication to any third party which impugns or attacks, or is otherwise critical of, in any material respect, the reputation, business or character of the Company or any of

its subsidiaries or affiliates or any of their respective directors, officers or employees; *provided* that Executive shall not be required to make any untruthful statement or to violate any law.

13.8 Acknowledgments. Executive acknowledges that the provisions of this Section 13 and its subsections are (a) in addition to, and not in limitation of, any obligation of Executive under the terms of any other agreement with the Company or any of its subsidiaries or affiliates (including, without limitation, the restrictive covenants in Article IV of Executive's Non-Qualified Stock Option Agreement of Jo-Ann Stores Holdings, Inc., which Executive acknowledges remain in full force and effect in accordance with their terms), and (b) in consideration of (i) employment with the Company or any of its subsidiaries or affiliates, and (ii) additional good and valuable consideration as set forth in this Agreement. In addition, Executive agrees and acknowledges that the restrictions contained in this Section 13 and its subsections do not preclude Executive from earning a livelihood, nor do they unreasonably impose limitations on Executive's ability to earn a living. Executive agrees and acknowledges that the potential harm to the Company or its subsidiaries or affiliates of the non-enforcement of this Section 13 and its subsections outweighs any potential harm to Executive of its enforcement by injunction or otherwise. Executive acknowledges that he or she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company, and its subsidiaries and affiliates now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

14. Successors and Assignment

14.1 Successors to the Company. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place.

14.2 Assignment by Executive. This Agreement shall inure to the benefit of and be enforceable by Executive and each of Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If Executive dies while any amount would still be payable to Executive hereunder had Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement, to Executive's Beneficiary. If Executive has not named a Beneficiary, then such amounts shall be paid to Executive's devisee, legatee, or other designee, or if there is no such designee, to Executive's estate.

15. Miscellaneous.

15.1 Employment Status. Except as may be provided under any other agreement between Executive and the Company, the employment of Executive by the Company is "at will" and, prior to the effective date of a Change of Control, may be terminated by either Executive or the Company at any time, subject to applicable law.

15.2 Entire Agreement. Except with respect to the provisions of the Stockholder's Agreement and the Option Agreement expressly referenced herein, this Agreement sets forth the entire agreement between the parties with respect to severance benefits to be provided upon any termination of Executive's employment and supersedes any and all prior employment, retention, and/or change of control agreements between Executive and the Company.

15.3 Beneficiaries. Executive may designate one or more persons or entities as the primary and/or contingent Beneficiaries of any Severance Benefits or Change of Control Severance Benefits owing to Executive under this Agreement. Such designation must be in the form of a signed writing acceptable to the Company. Executive may make or change such designation at any time.

15.4 Severability. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

15.5 Modification. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by Executive (or his/her legal representative or successor) and by the Chief Administrative Officer or Chief Legal Officer of the Company.

15.6 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of Ohio, applicable to contracts made and to be performed wholly within that state, shall be the controlling law in all matters relating to this Agreement.

15.7 Section 409A. It is intended that the payments and benefits provided under this Agreement shall be exempt from, or comply with, the requirements of Section 409A of the Code. This Agreement shall be construed, administered, and governed in a manner that affects such intent. For purposes of Section 409A of the Code, Executive's right to receive any "installment" payments pursuant to this Agreement shall be treated as a right to receive a series of separate payments. Further, if the twenty-eight (28)-day period during which Executive's Release must become effective and irrevocable in accordance with its terms pursuant to Section 1 or Section 2 of this Agreement begins in one calendar year and ends in the next calendar year, then, to the extent required to comply with Section 409A of the Code, any payment to be made under Section 1 or Section 2 of this Agreement following the effectiveness and irrevocability of such Release will be made (or commence) in the second calendar year. In no event will any in-kind benefits or reimbursements to which Executive may be entitled under this Agreement be provided after the end of the second calendar year following the year of Executive's Separation from Service. The payments and benefits provided under this Agreement may not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon Executive. Although the Company will use its best efforts to avoid the imposition of taxation, interest, and penalties under Section 409A of the Code, the tax treatment of the benefits provided under this Agreement is not warranted or guaranteed. Neither the Company, its affiliates nor their respective directors, officers, employees, or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by Executive (or any other individual claiming a benefit through Executive) as a result of this Agreement.

16. Definitions. Whenever used in this Agreement, the following capitalized terms shall have the meanings set forth below:

16.1 “Accounting Firm” means the independent auditors of the Company for the Fiscal Year preceding the year in which the Change of Control occurred and such firm’s successor or successors; provided, however, if such firm is unable or unwilling to serve and perform in the capacity contemplated by this Agreement, the Company shall select another national accounting firm of recognized standing to serve and perform in that capacity under this Agreement, except that such other accounting firm shall not be the then independent auditors for the Company or any of its affiliates (as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended).

16.2 “280G Limit” has the meaning assigned to it in Section 9.2.

16.3 “Base Salary” means an amount equal to Executive’s base annual salary at the rate in effect immediately prior to Executive’s Separation from Service (and without regard to any reduction of base salary which would constitute Good Reason for purposes of this Agreement) or, if higher, at the rate in effect immediately prior to a Change of Control. For this purpose, Base Salary shall not include bonuses, long-term incentive compensation, or any remuneration other than base annual salary.

16.4 “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

16.5 “Beneficiary” means the persons or entities designated or deemed designated by Executive pursuant to Section 15.3 herein.

16.6 “Cause” shall mean the occurrence of any one or more of the following: (a) Executive’s conviction for committing an act of fraud, embezzlement, theft, or other criminal act constituting a felony; (b) Executive’s commission of an act or omission reasonably likely to result in a conviction for fraud, embezzlement, theft, or other criminal violation constituting a felony, (c) the engaging by Executive in gross negligence or gross misconduct (including dishonesty, disloyalty or misappropriation) that is materially and demonstrably injurious to the Company; (d) Executive’s material breach of the Company’s Code of Business Conduct; (e) the continued failure by Executive to substantially perform his/her normal duties (other than any such failure resulting from Executive’s illness or injury), after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which the Company believes that Executive has not substantially performed his/her duties, and Executive has failed to remedy the situation within thirty (30) days of receiving such notice; or (f) the continued failure by Executive to achieve agreed-upon performance goals after a written notice of such deficiencies is delivered to Executive, and Executive has failed to come into compliance with the agreed-upon performance goals within a time period designated by the Company which time period shall be a minimum of thirty (30) days from the receipt of such notice.

16.7 “Change of Control” means (i) a transaction or series of transactions (other than an offering of common stock of JOANN Inc. to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of JOANN Inc. possessing more than 50 % of the total combined voting power of JOANN Inc.’s securities outstanding

immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change of Control: (1) any acquisition by JOANN Inc. or any of its subsidiaries; (2) any acquisition by an employee benefit plan maintained by the Company or any of its subsidiaries; (3) any acquisition by Leonard Green & Partners, L.P. (“**LGP**”), any fund or other investment vehicle managed by LGP, or any affiliates thereof (including, without limitation, as a result of any transfer of shares of common stock of JOANN Inc. from Green Equity Investors V, Green Equity Investors Side V, LP or Needle Coinvest LLC); or (4) for the avoidance of doubt, any transaction described in clauses (iii)(1), (iii)(2) or (iii)(3); (ii) the Incumbent Directors cease for any reason to constitute a majority of the board of directors of JOANN Inc.; (iii) the consummation by JOANN Inc. (whether directly involving JOANN Inc. or indirectly involving JOANN Inc. through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of JOANN Inc.’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction: (1) which results in JOANN Inc.’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of JOANN Inc. or the person that, as a result of the transaction, controls, directly or indirectly, JOANN Inc. or owns, directly or indirectly, all or substantially all of JOANN Inc.’s assets or otherwise succeeds to the business of JOANN Inc. (JOANN Inc. or such person, the “**Successor Entity**”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and (2) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (iii)(2) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in JOANN Inc. prior to the consummation of the transaction; and (3) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were JOANN Inc. board of directors members at the time of such board’s approval of the execution of the initial agreement providing for such transaction; or (iv) the date specified by the JOANN Inc. board of directors following approval by JOANN Inc.’s stockholders of a plan of complete liquidation or dissolution of JOANN Inc. Notwithstanding the foregoing, a Change of Control shall only constitute a Change of Control for purposes of this Agreement if such transaction also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5), to the extent necessary to comply with Section 409A of the Code.

16.8 “Change of Control Severance Benefits” means those payments and benefits that may become payable pursuant to Section 2 above.

16.9 “Code” means the United States Internal Revenue Code of 1986, as amended.

16.10 “Company” means Jo-Ann Stores, LLC, an Ohio limited liability company, and its successors.

16.11 “Competitive Business” shall have the meaning set forth in Section 13.4 hereof.

16.12 “Confidential Information” shall have the meaning set forth in Section 13.1 hereof.

16.13 “Disability” means permanent and total disability, within the meaning of Code Section 22(e)(3), as determined by the Company in the exercise of good faith and reasonable judgment, upon receipt of and in reliance on sufficient competent medical advice from one (1) or more individuals, selected by the Company, who are qualified to give professional medical advice, provided, however, that Executive must be entitled to disability benefits under the Company sponsored disability plans or programs.

16.14 “Employer” means the Company and each corporation or other entity with whom the Company would be considered a single employer under Code Sections 414(b) and 414(c), except that in applying Code Sections 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Code Sections 1563(a)(1), (2) and (3), and in applying Treas. Regs. Sec. 1.414(c)-2 for purposes of determining a controlled group of trades or businesses under Code Section 414(c), the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Treas. Regs. Sec. 1.414(c)-2.

16.15 “Excess Parachute Payment” has the meaning assigned to that term in Q/A-3 (note that although initial capital letters are used on this term in this Agreement, the Q/As do not use initial caps for this term).

16.16 “Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

16.17 “Good Reason” shall mean, on or after a Change of Control, any material adverse change by the Company in Executive’s job title, duties, responsibility or authority; failure by the Company to pay Executive any amount of Base Salary or bonus when due; any material diminution of Executive’s Base Salary (other than such a material diminution that is applied on a substantially comparable basis to similarly-situated employees of the Company); any material reduction in Executive’s short-term incentive compensation opportunities; the termination or denial of Executive’s right to participate in material employment related benefits that are offered to similarly-situated employees of the Company; the movement of Executive’s principal location of work to a new location that is in excess of 50 miles from Executive’s principal location of work as of the date hereof without Executive’s consent; or failure by the Company to require any successor to assume and agree to perform the Company’s obligations under this Agreement in accordance with Section 14.1; provided that none of the events described in this definition of Good Reason shall constitute Good Reason unless Executive notifies the Company in writing of the event that is purported to constitute Good Reason (which notice is provided not later than the 30th day following the occurrence of the event purported to constitute Good Reason) and then only if the Company fails to cure such event within 30 days after the Company’s receipt of such written notice.

16.18 “Incumbent Directors” shall mean for any period of 12 consecutive months, individuals who, at the beginning of such period, constitute the board of directors of JOANN Inc. together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with JOANN Inc. to effect a transaction described in clauses (i) or (iii) of the definition of Change of Control) whose election or nomination for election to the board of directors of JOANN Inc. was approved by a vote of at least a majority (either by a specific vote or by approval of the proxy statement of JOANN Inc. in which such person is named as a nominee for director without objection to such nomination) of the directors then

still in office who either were directors at the beginning of the 12-month period or whose election or nomination for election was previously so approved. No individual initially elected or nominated as a director of JOANN Inc. as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the board of directors of JOANN Inc. shall be an Incumbent Director.

16.19 “Net After-Tax Benefit” shall mean the aggregate present value of all Payments to Executive, net of all taxes imposed on Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state, local and other tax laws, as determined by the Accounting Firm.

16.20 “Noncompete Period” shall have the meaning set forth in Section 13.4 hereof.

16.21 “Payment” has the meaning assigned to that term in Section 9.1 above (except as otherwise provided in Section 1(a)).

16.22 “Parachute Payment” has the meaning assigned to that term in Q/A-2 but without reference to subsection (4) of Q/A-2 (with the effect that a payment otherwise meeting the definition of “Parachute Payment” will be referred to as a Parachute Payment even if the total of all such Parachute Payments is less than three times Executive’s base amount (as defined in Q/A-34) (note that although initial capital letters are used on this term in this Agreement, the Q/A’s do not use initial caps for this term).

16.23 “Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d).

16.24 “Q/As” means the entire series of Questions and Answers set forth in Section 1.280G-1 of the Treasury Regulations issued under Section 280G of the Code (which Section of regulations is presented in Questions and Answers format); references to particular Questions and Answers will be, for example, to “Q/A-1”.

16.25 “Retirement” means a voluntary Separation from Service by Executive other than for Good Reason after Executive has either (a) attained age fifty-five (55) and has completed at least ten (10) full years of continuous service with the Company, or (b) has attained age sixty-five (65) without regard to length of service.

16.26 “Separation from Service” means Executive has a termination of employment with the Employer. Whether a termination of employment has occurred shall be determined based on whether the facts and circumstances indicate that Executive and Employer reasonably anticipate that no further services will be performed by Executive for Employer; provided, however, that Executive shall be deemed to have a termination of employment if the level of services he or she would perform for Employer after a certain date permanently decreases to no more than twenty percent (20%) of the average level of bona fide services performed for Employer (whether as an employee or independent contractor) over the immediately preceding thirty-six (36)-month period (or the full period of services to Employer if Executive has been providing services to Employer for less than thirty-six (36) months). For this purpose, Executive is not treated as having

a Separation from Service while he or she is on a military leave, sick leave, or other bona fide leave of absence, if the period of such leave does not exceed six (6) months, or if longer, so long as Executive has a right to reemployment with Employer under an applicable statute or by contract.

16.27 “Severance Benefits” means those payments and benefits that may become payable before the occurrence of a Change of Control pursuant to Section 1 above.

16.28 “Third Party Information” shall have the meaning set forth in Section 13.3 hereof.

16.29 “Vendor Business” shall have the meaning set forth in Section 13.4 hereof.

16.30 “Work Product” shall have the meaning set forth in Section 13.2 hereof.

[signature page to follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

JO-ANN STORES, LLC

By: /s/ Janet Duliga
Janet Duliga
Chief Administrative Officer

EXECUTIVE

/s/ John Stalcup
John Stalcup

EXHIBIT A
GENERAL RELEASE

This General Release (this "**Release**") is entered into by and between _____ ("**Executive**") and JO-ANN STORES, LLC (the "**Company**") (collectively, the "**Parties**") as of the ____ day of _____, 20__.

NOW, THEREFORE, and in consideration of the mutual promises contained herein, and for other good and valuable consideration, the adequacy and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Employment Status. Executive's employment with the Company terminated effective as of _____, 20__.

2. Payments and Benefits. Following the effectiveness of the terms set forth herein, the Company shall provide Executive with certain benefits as provided in Section __ of that certain Agreement between the Company and Executive dated as of _____, 20__ (the "**Agreement**"). Such benefits shall be provided in accordance with the terms, and subject to the conditions, of the Agreement, including, but not limited to, the condition that this Release must become effective and irrevocable in accordance with its terms within twenty-eight (28) days after Executive's Separation from Service (as defined in the Agreement). Executive agrees that the consideration set forth above is more than Executive is legally entitled to and reflects adequate consideration for the release of any potential claims that Executive may have arising from Executive's employment and separation from employment with the Company.

3. No Liability. This Release does not constitute an admission by the Company, or its managers, officers, employees, affiliates or agents, or Executive, of any unlawful acts or of any violation of federal, state or local laws.

4. Claims Released by Executive. In consideration of the payments and benefits described in Section 2 of this Release, and by signing this Release, Executive agrees on behalf of Executive and his or her agents, heirs, executors, administrators, and assigns to unconditionally release, acquit, and forever discharge the Company, its parents, subsidiaries, and affiliates, and each of their respective agents, directors, managers, officers, employees, partners, shareholders, members, representatives, successors, insurers, assigns, and all persons acting by, through, under or in concert with any of them ("**Releasees**") from any and all actions, complaints, claims, liabilities, obligations, promises, agreements, damages, demands, losses, and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, rights under federal, state or local laws prohibiting discrimination (including but not limited to the Federal Age Discrimination in Employment Act) and claims for wrongful discharge, breach of contract, either oral or written, breach of any employment policy or any other claim against Releasees which Executive now has, heretofore had or at any time hereafter may have against Releasees arising prior to the date hereof and arising out of or in connection with Executive's employment or separation from employment with the Company.

Executive acknowledges and understands that this is a general release which releases the Releasees from any and all claims that Executive may have under federal, state or local laws or common law, including but not limited to claims arising under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e, *et seq.*, as amended, the Age Discrimination in Employment Act, 29 U.S.C. §§ 621 *et seq.*, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, 42 U.S.C. § 12101, *et seq.*, the Fair Labor Standards Act, 29 U.S.C. § 201, *et seq.*, the Employee Retirement Income Security Act, and the Consolidated Omnibus Budget Reconciliation Act. This Release does not apply to any claim that as a matter of law cannot be released, or to any rights or claims that may arise after the date Executive executes this Release.

Without limiting the foregoing, Executive represents that he or she understands that this Release specifically releases and waives any claims of age discrimination, known or unknown, that Executive may have against Releasees as of the date Executive signs this Release. This Release specifically includes a waiver of rights and claims under the Age Discrimination in Employment Act of 1967, as amended, and the Older Workers Benefit Protection Act. Executive acknowledges that as of the date he or she signs this Release, Executive may have certain rights or claims

under the Age Discrimination in Employment Act, 29 U.S.C. §626, and Executive voluntarily relinquishes any such rights or claims by signing this Release.

Nothing in this Release will prohibit Executive from communicating to and cooperating with any federal, state or local governmental agency in any investigation concerning the Company (including without limitation the Securities and Exchange Commission (“**SEC**”), the National Labor Relations Board, the Occupational Safety and Health Administration and the Equal Employment Opportunity Commission (“**EEOC**”)), but Executive acknowledges that this Release will bar Executive from recovering any funds in any future proceeding, including any brought by the EEOC or any similar state and local agencies. Further, Executive specifically waives any right to receive any benefit or remedy as a consequence of filing a charge of discrimination with the EEOC or any similar state and local agencies. Notwithstanding the prior two sentences, Executive may receive incentive payments under SEC Rule 21F-17 and similar rules of other governmental agencies.

Executive and the Company further acknowledge and agree that nothing in this Release prevents Executive from instituting any action to challenge the validity of the release under the ADEA, to enforce the terms of this Release, or from enforcing rights, if any, under ERISA to recover any vested retirement benefits.

5. Admissibility. Executive and the Company agree that this Release may be introduced into evidence by a party in the event either party attempts to or actually commences any legal, equitable or administrative action, arbitration or other proceeding against the other party or any of its affiliated entities or any of the Releasees.

6. Confidentiality/Non-Disparagement/Restrictive Covenants. Except as permitted by the fourth paragraph of Section 4 above, Executive agrees not to divulge to third parties or use any confidential or Company proprietary information gathered or learned by Executive in the scope of his or her employment with the Company. Confidential information includes, but is not limited to, information in oral, written or recorded form regarding business plans, trade or business secrets, Company financial records, supplier contracts or relationships, or any other information that the Company does not regularly disclose to the public. To the extent that Executive has any doubt, either now or in the future, as to whether information Executive possesses is confidential or Company proprietary, Executive should contact the Company’s Chief Legal Officer for clarification before divulging or using such information. Executive understands and agrees that divulging such information to third parties or Executive’s unauthorized use of it would cause serious competitive harm to the Company. Confidential information shall exclude: (a) information that is generally known by or available for use by the public, (b) information that was known by Executive prior to his or her employment with the Company (including its predecessor in interest, affiliates and subsidiaries) and was obtained, to the best of Executive’s knowledge, without violation of any obligation of confidentiality to Company, or (c) information that is required to be disclosed pursuant to applicable law or a court order. If information is required to be disclosed because of a court order, Executive must notify the Company’s Chief Legal Officer immediately.

Executive agrees that the terms of this Release are confidential and that Executive will not disclose any information concerning this Release to any person other than Executive’s immediate family members and professional advisors who also agree to keep said information confidential, not to disclose it to others and not to use such information for any purpose other than advising Executive with respect to Executive’s rights and obligations under this Release, except as permitted under the fourth paragraph of Section 4 above. Executive also may make such disclosures as are required by law. Any disclosure in violation of the foregoing is a material breach of this Release giving rise to an appropriate remedy as determined by a court of law or equity.

Executive agrees that he or she is prohibited from and will refrain from sharing all Company-related materials in Executive’s possession with those who have not been authorized to receive such information, including but not limited to any competitors or retailers selling crafts, fabrics or other product lines also sold by the Company.

Executive acknowledges that he or she remains subject to the restrictive covenants referenced in Section 13 of the Agreement.

Each Party covenants not to make any disparaging statements or comments about the other party to any person or entity by any medium, whether oral or written.

7. Governing Law. To the extent not preempted by the laws of the United States, the laws of the State of Ohio, applicable to contracts made and to be performed wholly within that state, shall be the controlling law in all matters relating to this Release.

8. Acknowledgment. Executive has read this Release, understands it, and voluntarily accepts its terms, and Executive acknowledges that he or she has been advised by the Company to seek the advice of legal counsel before entering into this Release. Executive acknowledges that he or she was given a period of twenty-one (21) calendar days within which to consider and execute this Release, and to the extent that he or she executes this Release before the expiration of the 21-day period, he or she does so knowingly and voluntarily and only after consulting his or her attorney.

9. Revocation. Executive understands that he or she has a period of seven (7) calendar days following the execution of this Release during which Executive may revoke this Release by delivering written notice to the Company, and this Release shall not become effective or enforceable until such revocation period has expired. Executive understands that if he or she revokes this Release, it will be null and void in its entirety and Executive will not be entitled to any payments or benefits provided in Section 2.

10. Miscellaneous. This Release is the complete understanding between Executive and the Company in respect of the subject matter of this Release and supersedes all prior agreements relating to Executive's employment with the Company, except those provisions of the Agreement that survive the termination of Executive's employment and agreements that Executive has entered into with the Company pertaining to confidentiality or ownership of intellectual property or Company proprietary information. Executive has not relied upon any representations, promises or agreements of any kind except those set forth herein and in the Agreement in signing this Release. In the event that any provision of this Release should be held to be invalid or unenforceable, each and all of the other provisions of this Release shall remain in full force and effect. If any provision of this Release is found to be invalid or unenforceable, such provision shall be modified as necessary to permit this Release to be upheld and enforced to the maximum extent permitted by law. Executive agrees to execute such other documents and take such further actions as reasonably may be required by the Company to carry out the provisions of this Release.

11. Counterparts. This Release may be executed by the parties hereto in counterparts (including by means of facsimile or other electronic transmission), each of which shall be deemed an original, but all of which taken together shall constitute one original instrument.

IN WITNESS WHEREOF, the parties have executed this Release on the date first set forth above.

JO-ANN STORES, LLC

Name:
Title:

EXECUTIVE

Name:
Date:

CERTIFICATION

I, Christopher DiTullio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JOANN Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2023

By: /s/ Christopher DiTullio
Christopher DiTullio
Executive Vice President, Chief Customer Officer and Member,
Interim Office of the Chief Executive Officer
(*principal executive officer*)

CERTIFICATION

I, Scott Sekella, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JOANN Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2023

By: /s/ Scott Sekella

Scott Sekella
Executive Vice President, Chief Financial Officer and Member,
Interim Office of the Chief Executive Officer
(*principal financial officer*)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of JOANN Inc. (the "Company") for the period ended July 29, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher DiTullio, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2023

By: /s/ Christopher DiTullio
Christopher DiTullio
Executive Vice President, Chief Customer Officer and Member,
Interim Office of the Chief Executive Officer
(principal executive officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of JOANN Inc. (the "Company") for the period ended July 29, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott Sekella, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2023

By: /s/ Scott Sekella

Scott Sekella
Executive Vice President, Chief Financial Officer and Member,
Interim Office of the Chief Executive Officer
(*principal financial officer*)
