

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

Amendment No. 1 to  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**JOANN Inc.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

5940  
(Primary Standard Industrial  
Classification Code Number)

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

5555 Darrow Road  
Hudson, Ohio 44236  
(330) 656-2600

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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President & Chief Executive Officer  
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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 ☐  
Non-accelerated filer ☒

Accelerated filer ☐  
Smaller reporting company ☐  
Emerging growth company ☐

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 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Shares to be Registered (1)	Proposed Maximum Aggregate Offering Price per Share (2)	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee (3)
Common stock, \$0.01 par value per share	12,578,125	\$17.00	\$213,828,125	\$23,328.65

- (1) Includes an additional 1,640,625 shares of common stock that the underwriters have the option to purchase.  
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.  
(3) The registrant previously paid \$10,910.00 of this amount in connection with a prior filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION. DATED MARCH 4, 2021

**10,937,500 Shares**

**JOANN**

**JOANN Inc.**

**Common Stock**

This is an initial public offering of shares of common stock of JOANN Inc. We are offering 5,468,750 shares of our common stock, and the selling shareholders identified in this prospectus are offering 5,468,750 shares of our common stock. We will not receive any proceeds from the sale of the shares by the selling shareholders.

Prior to this offering, there has been no public market for the common stock. The initial public offering price is expected to be between \$15.00 and \$17.00 per share. We have applied to list our common stock on the Nasdaq Global Market, or Nasdaq, under the symbol “JOAN.”

The underwriters have an option for a period of 30 days after the date of this prospectus to purchase from time to time, in whole or in part, up to 1,640,625 shares of our common stock from us.

After the consummation of this offering, we expect to be a “controlled company” within the meaning of the corporate governance standards of Nasdaq.

**Investing in our common stock involves risk. See “[Risk Factors](#)” beginning on page 30 to read about factors you should consider before buying shares of our common stock.**

	Price to Public	Underwriting Discounts (1)	Proceeds, before expenses, to us	Proceeds, before expenses, to the selling shareholders
Per Share	\$	\$	\$	\$
Total	\$	\$	\$	\$

(1) See “Underwriting” for additional information regarding underwriting compensation.

Neither the Securities and Exchange Commission, or the SEC, nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Delivery of the shares of common stock will be made on or about , 2021.

*Joint Book-Running Managers*

**BofA Securities**

**Credit Suisse**

**Guggenheim Securities**

**Barclays**

**Wells Fargo Securities**

**Piper Sandler**

**William Blair**

*Co-Managers*

**Houlihan Lokey**

**Telsey Advisory Group**

**Loop Capital Markets**

**Ramirez & Co., Inc.**

The date of this prospectus is , 2021.

# JOANN

*handmade happiness*

We sew, quilt, knit, crochet, paint, cut, glue,  
and craft our way to our happy place.

**We are people  
with lots of ideas.**

We look for and find inspiration everywhere.

We make and mend  
things with our hands.

**We respect and  
treasure all things  
handmade.**

**We know that  
busy hands can lift  
heavy hearts.**

We can't imagine a better purpose  
than carrying on the tradition of creating  
things with our minds, hands and hearts.

We cherish the things  
that were made for us.

**We are hard-wired  
to create.**

*We believe saying  
thank you means  
giving something we  
made with our hands.*

**We are curious and creative.**









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## **ABOUT THIS PROSPECTUS**

You should rely only on the information included elsewhere in this prospectus and any free writing prospectus prepared by or on behalf of us that we have referred to you. Neither we, the Selling Shareholders nor the underwriters have authorized anyone to provide you with additional information or information different from that included elsewhere in this prospectus or in any free writing prospectus prepared by or on behalf of us that we have referred to you. If anyone provides you with additional, different or inconsistent information, you should not rely on it. Offers to sell, and solicitations of offers to buy, shares of our common stock are being made only in jurisdictions where offers and sales are permitted.

No action is being taken in any jurisdiction outside the United States to permit a public offering of common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restriction as to this offering and the distribution of this prospectus applicable to those jurisdictions.

## **MARKET AND INDUSTRY DATA**

This prospectus includes estimates regarding market and industry data that we prepared based on our management's knowledge and experience in the markets in which we operate, together with information obtained from various sources, including publicly available information, industry reports and publications, surveys, our customers, distributors, suppliers, trade and business organizations and other contacts in the markets in which we operate. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets which we believe to be reasonable.

In presenting this information, we have made certain assumptions that we believe to be reasonable based on such data and other similar sources and on our knowledge of, and our experience to date in, the markets for the products we distribute. Market share data is subject to change and may be limited by the availability of raw data, the voluntary nature of the data gathering process and other limitations inherent in any statistical survey of market share. In addition, customer preferences are subject to change. Accordingly, you are cautioned not to place undue reliance on such market share data. References herein to "market share" as it relates to estimates of market share, are to management's determination of the market share of the Creative Products industry as a whole and the various categories therein in the United States, based upon internal research, which primarily consists of an annual survey of Creative Products consumers as of July 31, 2020.

## **BASIS OF PRESENTATION**

We report on the basis of a 52- or 53-week fiscal year, which ends on the Saturday closest to the last day of January. Accordingly, references herein to "fiscal year 2016" relate to the 52 weeks ended January 30, 2016, references herein to "fiscal year 2017" relate to the 52 weeks ended January 28, 2017, references herein to "fiscal year 2018" relate to the 53 weeks ended February 3, 2018, references herein to "fiscal year 2019" relate to the 52 weeks ended February 2, 2019, references herein to "fiscal year 2020" relate to the 52 weeks ended February 1, 2020, references herein to "fiscal year 2021" relate to the 52 weeks ended January 30, 2021 and references herein to "fiscal year 2022" relate to the 52 weeks ending January 29, 2022. The third quarter of fiscal year 2021 ended on October 31, 2020, and the third quarter of fiscal year 2020 ended on November 2, 2019, and both three-quarter periods include thirty-nine weeks. References herein to "third quarter of fiscal year 2021" relate to the thirteen weeks ended October 31, 2020, "second quarter of fiscal year 2021" relate to the thirteen weeks ended August 1, 2020, "third quarter of fiscal year 2020" relate to the thirteen weeks ended November 2, 2019 and "second quarter of fiscal year 2020" relate to the thirteen weeks ended August 3, 2019. In this prospectus, unless otherwise noted, when we compare a metric between one period and a "prior period" we are comparing it to the analogous period from the prior fiscal year.



As used in this prospectus, unless the context otherwise requires, references to:

- “2012 Plan” means the Stock Option Plan of JOANN Inc. dated October 16, 2012;
- “2021 Plan” means the 2021 Equity Incentive Plan of JOANN Inc., which will become effective once the registration statement of which this prospectus forms a part is declared effective;
- “ABL Facility” means our senior secured asset based revolving credit facility originally dated October 21, 2016, which provided senior secured financing of up to \$400.0 million, as further amended and restated on November 25, 2020 to provide senior secured financing of up to \$500.0 million;
- “BOPIS” means our buy online pick-up in store program;
- the “Company,” “JOANN,” “JSHI,” “we,” “us” and “our” mean JOANN Inc. (formerly known as Jo-Ann Stores Holdings Inc.) and, unless the context otherwise requires, its consolidated subsidiaries;
- “Creative Products” means Sewing, arts and crafts and select home décor;
- “Credit Facilities” means our ABL Facility, First Lien Facility and Second Lien Facility, collectively;
- “CRM” means customer relationship management;
- “DGCL” means the Delaware General Corporation Law;
- “DIY” means do-it-yourself;
- “ESPP” means the 2021 Employee Stock Purchase Plan, which will become effective once the registration statement of which this prospectus forms a part is declared effective;
- “Exchange Act” means the Securities Exchange Act of 1934, as amended;
- “First Lien Facility” means our senior secured first lien term loan facility in an initial principal amount of \$725.0 million entered into on October 21, 2016, as amended by the incremental term loan facility in an initial amount of \$180.0 million entered into on July 21, 2017;
- “Four-Wall Cash Flow” means a location’s net sales less cost of sales and operating expenses directly attributable to that location plus depreciation also directly attributable to that location;
- “GAAP” means U.S. generally accepted accounting principles;
- “LGP” means investment funds affiliated with or advised by Leonard Green & Partners, L.P., which own a controlling interest in us;
- “LIBOR” means the London Interbank Offered Rate;
- “Second Lien Facility” means our senior secured second lien term loan facility in an initial principal amount of \$225.0 million entered into on May 21, 2018;
- “Securities Act” means the Securities Act of 1933, as amended;
- “Selling Shareholders” means (i) Green Equity Investors V, L.P., Green Equity Investors Side V, L.P. and Needle Coinvest LLC, each of which are funds affiliated with or endorsed by LGP and (ii) TCW/Crescent Mezzanine Partners V, L.P., TCW/Crescent Mezzanine Partners VB, L.P., TCW/Crescent Mezzanine Partners VC, L.P., Trust Company of the West (as Trustee for TCW Capital Trust) and MAC Equity Holdings I, LLC;

- “Sewing” means sewing and fabrics;
- “Shareholders Agreement” means the amended and restated shareholders agreement to be effective upon the consummation of this offering, by and among LGP, certain of our directors and executive officers, certain other existing shareholders and the Company;
- “SKUs” means stock keeping units; and
- “Term Loan Facilities” means our First Lien Facility and our Second Lien Facility, collectively.

## **CERTAIN TRADEMARKS**

This prospectus includes trademarks and service marks owned by us, including Jo-Ann, JOANN, Joann.com, Jo-Ann Fabrics, Jo-Ann Fabrics and Crafts, Jo-Ann Fabrics & Crafts and Creativebug. This prospectus also contains trademarks, trade names and service marks of other companies, which are the property of their respective owners. Solely for convenience, trademarks, trade names and service marks referred to in this prospectus may appear without the ®, ™ or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names and service marks. We do not intend our use or display of other parties’ trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

## **NON-GAAP FINANCIAL MEASURES**

Certain financial measures presented in this prospectus, such as Adjusted EBITDA and free cash flow, are not recognized under GAAP. We define “Adjusted EBITDA” as net income (loss) plus income tax provision (benefit), interest expense, net, debt related (gain) loss, other income and depreciation and amortization, as 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 costs related to strategic initiatives, COVID-19 costs, technology development expense, stock-based compensation expense, loss on disposal and impairment of fixed and operating lease assets, goodwill and trade name impairment, sponsor management fees and other one-time costs. We define “Credit Facility Adjusted EBITDA” as Adjusted EBITDA plus location pre-opening and closing costs excluding loss on disposal and impairment of fixed assets, which is calculated consistently with our calculation of Adjusted EBITDA under our Credit Facilities. We define “free cash flow” as net cash provided by operating activities less total capital expenditures, net of landlord contributions. We define “total capital expenditures, net of landlord contributions” as total capital expenditures, net of landlord contributions.

### **Adjusted EBITDA**

We present Adjusted EBITDA, which is not a recognized financial measure under GAAP, 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. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA following this offering, and any such modification may be material. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

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

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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; to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies; to make budgeting decisions; to compare our performance against that of other peer companies using similar measures; and because our Credit Facilities use measures similar to Adjusted EBITDA to measure our compliance with certain covenants.

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 expenditure 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 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
- other companies in our industry may calculate Adjusted EBITDA differently than we do.

We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as supplemental information. See “Prospectus Summary—Summary Consolidated Financial and Operating Data” for a reconciliation of net income (loss) to Adjusted EBITDA.

### **Credit Facility Adjusted EBITDA**

We reference Credit Facility Adjusted EBITDA in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this prospectus because it is a measure that is calculated in accordance with our Credit Facilities and used to determine our compliance with certain ratios in our Credit Facilities, tested each quarter on the basis of the preceding four quarters. Accordingly, we believe that Credit Facility Adjusted EBITDA is material to an investor’s understanding of our financial condition and liquidity.

### **Total Capital Expenditures, Net of Landlord Contributions**

We consider total capital expenditures, net of landlord contributions to be a useful non-GAAP measure as it most accurately reflects our actual total cash outlay for capital expenditures to open new locations and complete remodel and relocation projects for existing locations. We define “total capital expenditures, net of landlord contributions” as total capital expenditures, net of landlord contributions. See “Prospectus Summary—Summary Consolidated Financial and Operating Data” for a reconciliation of total capital expenditures, net of landlord contributions to total capital expenditures.

## **Free Cash Flow**

We present free cash flow because we believe it assists lenders, investors and analysts in evaluating our ability to maintain and generate incremental liquidity. Free cash flow should not be considered as an alternative to net cash provided by operating activities as a liquidity measure. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments made on capital lease obligations or cash payments for business investments and acquisitions. Free cash flow is not a measurement of financial performance under GAAP, may have limitations as an analytical tool and should not be considered in isolation from, or as an alternative to, net income, net cash provided by operating activities or any other measure of performance derived in accordance with GAAP. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows. See “Prospectus Summary—Summary Consolidated Financial and Operating Data” for a reconciliation of net cash provided by operating activities to free cash flow.



## LETTER FROM OUR PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dear Potential Shareholders,

On behalf of more than 27,000 team members, we are excited to bring JOANN back to the public markets for the first time since 2011. As the nation's category leader in sewing and one of the fastest growing players in the arts and crafts category with a robust omni-channel platform, we have evolved from the founding of our single location in Cleveland, Ohio nearly 75 years ago. We love all of our customers and believe we have the privilege of serving some of the most passionate and enthusiastic people, whose generosity helps drive our culture. We are a purpose-driven company with the mission of inspiring creativity in the hearts, hands and minds of our customers and team members, and a strategy that has equipped JOANN to thrive in an industry that is currently experiencing significant acceleration due to multiple secular themes, including heightened DIY customer behavior, amplified participation from both new and existing customers, and increased digital engagement.

The ethos of our company was called upon and answered during the COVID-19 outbreak. Our conscious, purpose-driven strategy focuses not only on the soundness of our business, but centers upon taking great care of our team members' safety and financial well-being as well as our customers' safety and product needs. Further, we wanted to do our part to help stem the pandemic and hence, JOANN established the "Make to Give" program, donating free mask-making materials to any customer or institution upon request. By our current estimate, JOANN has directly donated materials for over 20 million masks as well as scrubs and other personal protective equipment and our customers have purchased, made, and in many cases donated, more than 350 million additional masks. Nothing better exemplifies the relationship JOANN has with our passionate and generous customers than the scale of this nationwide effort. Our execution would not have been possible without our team members, with whom we have deepened our loyalty during the pandemic. We have provided premium pay for all hourly team members, ensuring no team members were furloughed, and added approximately 4,000 jobs to support the growth of our business. Additionally, our suppliers are key stakeholders, and despite the pandemic, we have not lengthened payment terms to our merchandise vendor partners. "Doing Good While Doing Good" is and has always been a part of the JOANN culture and a foundation for our customer and stakeholder loyalty.

We are proud of what we have accomplished this year, all of which has been driven by a strategy we have been executing since 2016 to transform JOANN and pivot to a fully-integrated, digitally-focused provider of Creative Products. We have successfully recruited talent at every level, enhanced our value proposition with a focus on reinvigorating our assortment, strengthened our omni-channel platform, acquired new customers and further built our digital and data capabilities to better serve our customers. This transformation enabled our significant sales and profitability growth.

Today, we are reaping the fruits of these efforts and our strategy is clear moving forward. We are enhancing and refreshing our existing locations with what we believe are exceptional assortments, service and experience. We are driving digital connectivity with our customers to increase engagement and accelerate omni-channel growth. We are expanding our digital presence into new markets and categories where we see tremendous share opportunity and we believe we have a compelling competitive advantage. In addition to driving growth, we remain focused on delivering cost and operational efficiencies across all major areas. The path to where we find ourselves now has not come without its challenges. For example, our momentum was temporarily interrupted in fiscal year 2020 by the unanticipated headwind of incremental U.S. tariffs on Chinese imports that we estimate, before mitigation, would have amounted to \$75 million of additional annual costs. In addition, we had \$1,363.5 million of total debt outstanding as of November 2, 2019, but were able to use internally generated cash flow to opportunistically retire and repay \$433.8 million in principal amount in the year since then, resulting in a substantially reduced total debt balance of \$929.7 million as of October 31, 2020. We also realize there will be continuous challenges, including the competitive industry in which we operate and the persistent uncertainty surrounding the ongoing COVID-19 pandemic. However, we believe that our growth strategies, along with the transformational investments and initiatives of the last five years, strategically position us to drive further long-term value creation.

Nothing of course can be done without an extremely capable and inspired organization led by our high-performing senior leadership team with deep industry experience. At JOANN, we work every day to build and nourish what we affectionately call our "Green Culture." To us, being "Green" is about constant and relevant renewal of the business by putting the customer first, being highly accountable and collaborative, and always serving the best interests of the business. We like to say that it isn't about any one person being right, it's about getting it right.

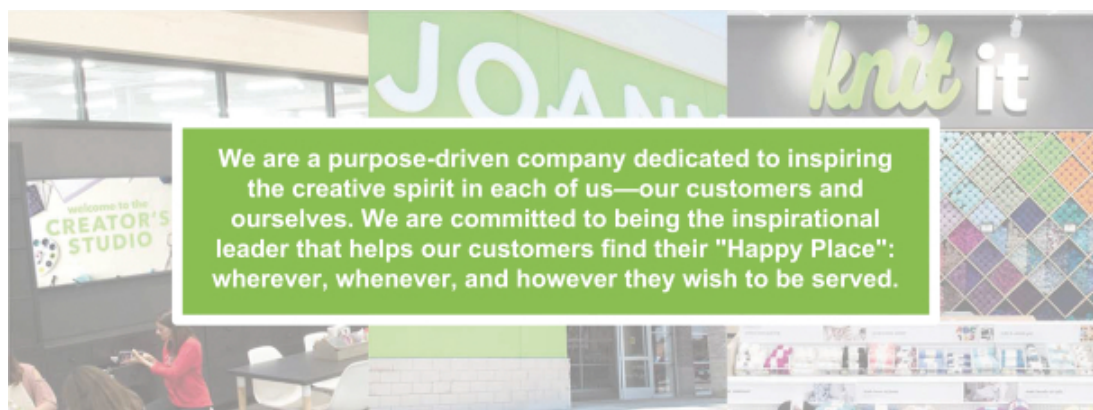
I am incredibly proud of the progress we have made over the past few years. JOANN has been one of the fastest growing specialty retailers in the United States thus far in fiscal year 2021 and I believe we have a long runway for growth ahead of us. We would love for you to come along on that journey and find your "Happy Place" as a shareholder of JOANN.

**Wade Miquelon**

President and Chief Executive Officer

## PROSPECTUS SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus. Because this is only a summary, it does not contain all the information that may be important to you. You should read the entire prospectus carefully, especially “Risk Factors” beginning on page 30 of this prospectus, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 69 of this prospectus, and our consolidated financial statements and related notes included elsewhere in this prospectus, before deciding to invest in our common stock.*



### JOANN Overview

JOANN is the nation’s category leader in Sewing and one of the fastest growing players in the arts and crafts category. The Creative Products industry is a large and growing market, which according to a 2017 Association for Creative Industries (AFCI) study is in excess of \$40 billion. The industry is currently experiencing a significant acceleration for product demand in response to multiple secular themes that have been further solidified during the COVID-19 pandemic, such as heightened DIY customer behavior, amplified participation from both new and existing customers and increased digital engagement, of which we are a key beneficiary because we have positioned ourselves and our go-forward strategies to capitalize on increased demand for Creative Products. As a well-established and trusted brand for over 75 years, we believe we have a deep understanding of our customers, what inspires their creativity and what fuels their incredibly diverse projects. Since 2016, we have embarked on a strategy to transform JOANN, which has helped us pivot from a traditional retailer to a fully-integrated, digitally-connected provider of Creative Products.



As the nation’s category leader in Sewing with approximately one-third market share, based on our internal research estimates of market share of the Creative Products industry that primarily consist of an annual survey of Creative Product consumers as of July 31, 2020, we believe we offer the broadest selection of products while being committed to providing the most inspiration, helpful service and education to our customers. While we continue to gain market share and solidify this leadership position in Sewing, which represented 49% of our total net sales in the last twelve months ended October 31, 2020, we have also been growing share and believe

we have further significant share opportunity in the arts and crafts category. We are well-positioned in the marketplace and have multiple competitive advantages, including our broad assortment, established omni-channel platform, multi-faceted digital interface with customers and skilled and knowledgeable team members. We offer an extensive assortment, which at its peak, averages more than 95,000 SKUs in stores and over 245,000 SKUs online, across Creative Product categories. Over 50% of our in-store net sales cannot be directly comparison-shopped because of our strong and growing own-brand portfolio, including our copyrighted or proprietary fabric patterns and designs and factory direct relationships. We have expanded access to this broad assortment through e-commerce and digital capabilities that complement our physical network, drive customer engagement and deliver an exceptional customer experience while supporting consistently strong gross margins. Through our omni-channel platform, we serve our customers in a differentiated manner by offering several convenient fulfillment options, including BOPIS, curbside pick-up and ship-to-home offerings. Our omni-channel platform operates at a large scale, having generated \$423 million in net sales in the twelve months ended October 31, 2020, including \$377 million in net sales in the thirty-nine weeks ended October 31, 2020 and following \$126 million, \$103 million and \$87 million in net sales in fiscal years 2020, 2019 and 2018, respectively. Our data-driven digital capabilities further reinforce our relationship with our customers. Customers connect with us through our newly re-designed mobile-first website, *joann.com*, and our widely-used mobile application with over 11.8 million downloads. As of the end of the third quarter of fiscal year 2021, we had over 69 million addressable customers in our vast database, over 16 million customers in our email database and 4.5 million customers in our SMS text database. These points of differentiation are reinforced by our knowledgeable, friendly and trusted team members, a significant number of whom are sewing and craft enthusiasts, who offer a service-oriented experience for our customers that we believe cannot be replicated by mass retailers or pure play online players.

We appeal to an expansive customer base ranging across all ages, demographics and skill levels. We serve the DIY customer, including those who make to give or donate their creations, and supply small business owners with components to create and sell their own merchandise. We estimate this group makes up approximately one-quarter of our customers and typically resells on online marketplaces such as Etsy, eBay, Shopify and other platforms, which have also experienced significant growth in 2020. Our customers are passionate and creative, using their hearts, hands and minds in their sewing, crafting and decorating activities. We believe our customers' enthusiasm drives the JOANN culture, as exemplified by our "Make to Give" program. We strive to support our community of creators, and they create to support their communities by donating or gifting the items they make, which range from blankets for hospitalized children, homeless persons, and shelter pets, to masks for hospitals, schools and friends. We estimate that over 70% of JOANN customers make to give or donate their creations. Our loyal core customer base is key to our sales growth, and over the last twelve months ended October 31, 2020, our top three million customers averaged ten purchases each. Additionally, in fiscal year 2021, our new customer base has grown faster and is spending more than in prior years. Since February 1, 2020, we have acquired over eight million new customers, many who initially purchased fabric to make their own masks but have expanded their shopping behavior across our diversified merchandise categories in subsequent transactions. Customers typically purchase from JOANN with a project in mind that requires several component items. In that vein, we believe our physical footprint is an advantage, as most customers regularly want to explore what is new, see how various items and colors work together, see how a fabric drapes, feel the texture and seek help from our experienced team members.

In 2016, we accelerated our journey to transform JOANN by reinventing the in-store and digital customer experience. We recruited talent at every level of the company and across all key business areas to complement our existing expertise. This undertaking has resulted in significant enhancements to our value proposition, including reinvigorating our core merchandise assortment, refreshing our branding, developing a location refresh prototype and improving the customer experience. We improved our assortment by conducting a systematic review of all categories at a product-level and all layouts at a location-level in order to optimize sales and gross margin. We have also expanded our data-driven digital footprint, which includes our extensive digital

marketing assets, CRM system, social media platforms and e-commerce capabilities. We better understand our customers through our centralized database that brings together how each customer interacts in our physical and digital properties and provides a holistic view of their behavior. We are able to utilize this data to drive engagement with our brand, create loyalty and inspire, educate and ensure we are increasing our share of customer spend through timely and relevant marketing. By using data and digital contact channels, including email and SMS digital display, and leveraging our mobile application, we are able to contact customers with personalized content and provide the convenience to shop wherever and however they choose. We believe that these core initiatives and transformational investments have driven our performance and increased customer engagement over the last several years and strategically position us to continue to create long-term value. This momentum was temporarily interrupted in fiscal year 2020 by the unanticipated headwind of incremental U.S. tariffs on Chinese imports that we estimate, before mitigation, would have amounted to \$75 million of additional annual costs, as these tariffs applied to a broad range of our products. However, after working to partially offset their effects and having incorporated the balance of these tariffs into our cost base, we are driving strong operating profit growth across both our locations and e-commerce platform as well as achieving margin expansion.



Our momentum through the COVID-19 pandemic has been further supported by heightened DIY customer behavior, significant increases in the number of new and current customers participating in new categories and the continued rise of online marketplaces. As a result, according to Earnest Research, we and the other two largest specialty players in the Creative Products industry have seen on average 22% growth in year-over-year sales since May 3, 2020. Over the same period, we have experienced outsized growth, gained share and enhanced our strong foundation, increasing total comparable sales by 38% since May 3, 2020 while adding over eight million new customers to our marketing database since February 1, 2020. These new customers have already driven elevated repeat purchase levels both via our locations and e-commerce platform and represent further opportunities to cross-sell and become part of our ongoing customer base. For example, approximately 35% of first time purchasers made repeat purchases in the thirty-nine weeks ended October 31, 2020. These new customers tend to be younger and more affluent than existing customers in our database, and are large consumers of our rapidly growing sewing and craft technology categories which include machines and related supplies. These trends support our business, as we estimate that a typical customer who purchases a sewing or craft



technology machine will purchase an average of over \$500 of our products in the year following their machine purchase and over \$330 in the subsequent year. We are further encouraged by the retention of these new customers and their migration to shopping outside of the Sewing category. These new customers are regularly shopping across our other categories, with the fastest-growing cohort being new customers shopping the arts and crafts category. We believe that these underlying trends, along with our transformational investments and initiatives executed since 2016, strategically position us well to continue to drive long-term value creation.

**Third Quarter Year-to-Date Fiscal Year 2021 Sales Growth by Customer Tier**



### Recent Financial Performance

We believe our strong financial results are a reflection of our consistent and disciplined culture of innovation and reinvestment, creating a differentiated business model in the Creative Products industry. Comparing fiscal year 2020, fiscal year 2019 and fiscal year 2018, we achieved the following results:

- net sales of \$2,241.2 million, \$2,324.8 million and \$2,314.3 million in fiscal year 2020, 2019, and 2018, respectively. Excluding the estimated impact of the 53rd week in fiscal year 2018, net sales were \$2,277.2 million;
- net (loss) income of \$(546.6) million, \$35.3 million and \$96.5 million in fiscal year 2020, 2019, and 2018, respectively; and
- Adjusted EBITDA of \$153.4 million, \$252.0 million and \$257.4 million in fiscal year 2020, 2019, and 2018, respectively. Excluding the estimated impact of the 53rd week in fiscal year 2018, Adjusted EBITDA was \$249.0 million.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion on the impact of U.S. tariffs on Chinese imports in fiscal year 2020 and “—Summary Consolidated Financial and Operating Data” for a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income (loss).

Through improvements in merchandising, marketing, supply chain, sourcing and customer experience, we have significantly increased our more recent financial results. Our success in the thirty-nine weeks ended October 31, 2020 has been broad-based across our geographic regions, merchandise categories, customers and channels. Comparing the thirty-nine weeks ended October 31, 2020 and November 2, 2019, we achieved the following results:

- increase in net sales from \$1,545.6 million to \$1,921.5 million, representing period-over-period growth of 24.3%, and net sales in the twelve months ended October 31, 2020 of \$2,617.1 million;
- total comparable sales growth of 24.6%;

- increase in gross margin from \$777.0 million to \$971.7 million, representing period-over-period growth of 25.1% and gross margin rate expansion of 30 basis points, with gross margin in the twelve months ended October 31, 2020 of \$1,300.0 million, and a 49.7% gross margin rate in the same time period;
- increase in net (loss) income from \$(188.5) million to \$174.0 million, and net loss in the twelve months ended October 31, 2020 of \$(184.1) million;
- increase in Adjusted EBITDA from \$72.8 million to \$217.2 million, representing period-over-period growth of 198.4%, and Adjusted EBITDA in the twelve months ended October 31, 2020 of \$297.8 million; and
- retired and repaid \$433.8 million in principal amount of debt from November 2, 2019 to October 31, 2020, resulting in us having \$929.7 million in principal amount of debt as of October 31, 2020.

See “—Summary Consolidated Financial and Operating Data” for a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income (loss) and for a discussion of how we calculate total comparable sales growth.

### Our Opportunity

The Creative Products industry is a large and growing market, which according to a 2017 Association for Creative Industries (AFCI) study is in excess of \$40 billion. The industry is currently experiencing a significant acceleration in response to multiple secular themes that have been further solidified during the COVID-19 pandemic, such as heightened DIY customer behavior, amplified participation from both new and existing customers, and increased digital engagement, of which we are a key beneficiary because we have positioned ourselves and our go-forward strategies to capitalize on increased demand for Creative Products. Participation includes a broad range of activities such as sewing, quilting, apparel making, crafting and home decorating. This historically stable industry has been growing over the past five years, as consumer demand in individual product categories shifts from time to time and as trends evolve. We maintain approximately one-third market share in Sewing, while being competitive as one of the fastest growing players in the more fragmented arts and crafts category.

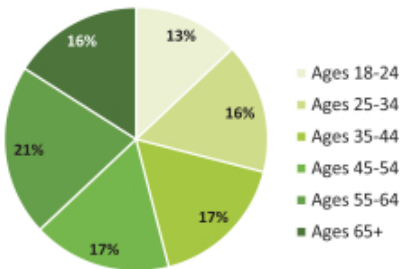
The Creative Products industry spans a diverse set of merchandise, as customers search for a variety of supplies to support their projects. In addition, customers appreciate a specialty retail environment where they have the flexibility to leverage in-store service for instruction and inspiration and shop across channels at their convenience. As a result, the Creative Products industry is highly fragmented. However, there are a limited number of players that can meet the customers’ dynamic needs. For instance, based on our internal market research, we estimate pure play e-commerce players represent less than 10% market share of the Creative Products industry, while the remainder of the industry is covered by mass merchandisers, specialty retailers and independent retailers. We believe that we are the only specialty player that can serve customers holistically with an expansive Creative Products assortment, service-oriented experience and integrated omni-channel capabilities.

The Creative Products industry has historically demonstrated stable growth, and we aim to continue to benefit from the following sustainable tailwinds:

- ***Heightened DIY Customer Behaviors.*** The industry benefits from the increasing participation in the DIY ethos across demographics. In recent years, especially during the COVID-19 pandemic, DIY customer behaviors have been heightened by the following long-term trends:

- **Engaging Customers across Demographics.** DIY activities appeal to a large and broad customer base and participation in DIY activities does not diminish as women age, creating more consistent demand throughout their lifetime. Customers across demographics choose to engage with retailers through different channels. We believe players in the Creative Products industry must have a robust omni-channel platform to attract and retain this diverse customer base.

DIY Participation by Age Category<sup>(1)</sup>



(1) For females

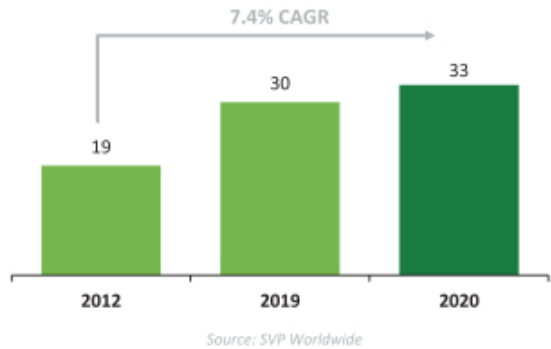
Source: According to internal company research

- **Increasing Desire for Personalization.** Customers, especially Millennials and Generation Z, increasingly desire Creative Products that express their individuality and make a personal statement. Such growing demand for unique and personalized products has stimulated the demand for DIY supplies and customization services.
- **Growing Digital Presence and Engagement.** Digital arts and crafts marketplaces, such as Etsy, eBay, Shopify and other platforms, are becoming increasingly popular among makers and customers who buy their finished designs. This burgeoning ecosystem creates a growing demand for Creative Product supplies. These marketplaces, combined with social media platforms, serve as a critical source for inspiration and instruction for customers. The growing presence of these platforms enables more engaged customer communities, serving as a connection point where they share their interests and creativity with a wider audience.
- **Accelerated Customer Participation Expected to Persist.** According to our internal research, a survey published by Bloomberg and Morning Consult, and SVP Worldwide, the COVID-19 pandemic has accelerated participation in DIY activities, as customers have taken a more proactive role in homesteading-style and home improvement projects. Since May 3, 2020, over half of Creative Products industry participants have specifically taken on a new type of creative project and the industry has grown year-over-year sales by an average of 22%. With more free time, customers have also capitalized on the opportunity to learn new skills, creating elevated demand for supplies. This newfound self-reliance has helped build DIYers’ confidence, and they are recognizing the emotional and functional benefits of making, driving continued interest far beyond the pandemic.
- **Consistent and Recession Resilient Customer Demand.** We estimate that the Creative Products industry has experienced growth of over 4% in the last five years according to our internal research as of July 31, 2020. It offers versatile products at attainable price points that create fun, engaging and affordable activities for customers, who become habitual and dedicated to their own creative projects over time. The affordable nature of the Creative Products industry provides resilience in recessions as customers become more value conscious and self-sufficient. According to the

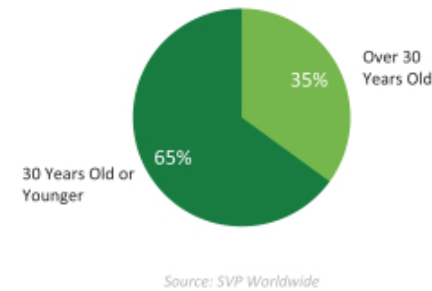
Bloomberg and Morning Consult survey, approximately 30% of Americans participated in sewing or clothing repairs during the COVID-19 pandemic. We also believe the emotional benefits customers receive from making, such as empowerment upon finishing a project, a connection with their communities through making to give or donate and improved mental health as a result of doing something they are passionate about, will continue to drive demand.

We believe that Sewing, in particular, will sustain its growing momentum. According to SVP Worldwide, sewists are typically more passionate about their hobby than other enthusiasts. In addition, the number of sewists has increased significantly driven by the entrance of Millennials, having grown at a CAGR of 7.4% since 2012. As of September 2020, 65 million people in the United States can sew or participate in sewing without instruction, and over half of these participants own a sewing machine. We believe that growth in this category, like the broader Creative Products industry, has been supported by changing consumer demographics. SVP Worldwide estimates that sewists are getting younger, with 65% being 30 years old or younger with an average age decreasing from 48 in 2004 to 37 in 2020.

Total Active U.S. Sewists by Year (Millions of People)



Percentage of New U.S. Sewists by Age Range (As of 2020)

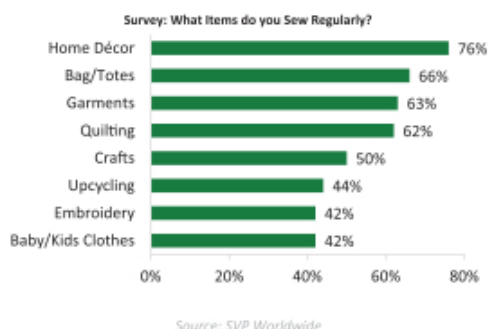


We believe the existing and sustained growth of the sewist population will drive sales in the category. According to SVP Worldwide, the average sewist owns at least three sewing machines and plans to buy a new machine every two to five years. When customers buy sewing machines, they tend to purchase complementary consumable items, which drives potential recurring purchases. In addition, according to SVP Worldwide, 20% of consumers who purchased a sewing machine in 2020 were first time purchasers, further building upon the base of potential future demand from sewists. This population of sewists is also highly engaged in the craft and spends a significant amount of time sewing, with approximately half of U.S. sewists spending between 5 to 19 hours a week on projects. While the Sewing category was stable and growing before the COVID-19 pandemic, 92% of consumers who purchased a sewing

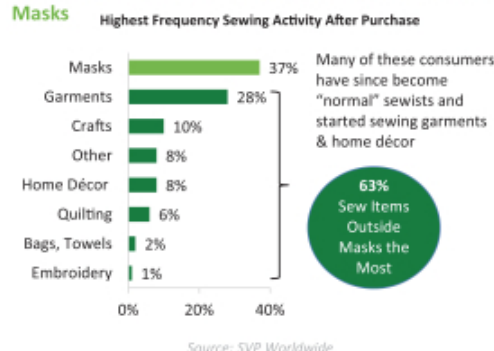


machine in 2020 expect to sew as much as they had in the past or more in the future. We believe these tailwinds and increased engagement will sustain participation and accelerate category and Creative Products industry growth.

#### Home Décor is the #1 Sewing Project for U.S. Sewists



#### Sewists who Purchased During COVID Sew More than Masks



### Our Competitive Strengths

We believe our proven merchandising, marketing and customer experience capabilities combined with our sourcing and supply chain expertise have enabled, and will continue to support, our strong and profitable growth. Our business model has multiple competitive strengths including:

#### Category Leader in an Attractive Market with a Large, Growing and Wide-Ranging Customer Base

We are the nation's category leader in Sewing with approximately one-third market share, and one of the fastest-growing players in the arts and crafts category. Based on our estimates of market share of the Creative Products industry that primarily consist of an annual survey of Creative Product consumers as of July 31, 2020, our market share in the highly fragmented arts and crafts category has grown by approximately 50 basis points over the past five years. Approximately 70% of Sewing industry shoppers rank us ahead of our competitors on availability of the products they need, selection and quality, according to our internal research. Similarly, in arts and crafts, industry customers' ratings for our quality, selection, availability and price double once they shop our locations and e-commerce platform.

In contrast to other leisure activities, our customers' engagement in sewing and crafting projects represents a recurring activity that is vibrant across all ages and demographics. Our core customer is an upper forties, college-educated woman with a higher-than-average household income (median household income of over \$62,000) and who is a reliable enthusiast for many of our key categories. We believe our core customer's higher discretionary income and favorable demographic trends, as the number of women aged between 45 and 79 is expected to grow faster than the overall population over the next five years according to 2017 U.S. Census data estimates, will continue to build our loyal customer base. Our appeal to Millennial and Generation Z customers has also increased. Females in the younger than 35 years old age group are the fastest growing demographic in our industry today, representing a 400 basis point increase in demographic share over the past year from 40% to 44% based on internal research. Customers of all ages, demographics and skill levels have demonstrated their enthusiasm for Creative Products by actively exchanging project ideas, tips and techniques through our online community on [joann.com](#). With nearly four million combined followers across social media applications, including Facebook, Instagram, Twitter, Pinterest and YouTube, we are connecting with new customers and bolstering our interaction with existing customers.

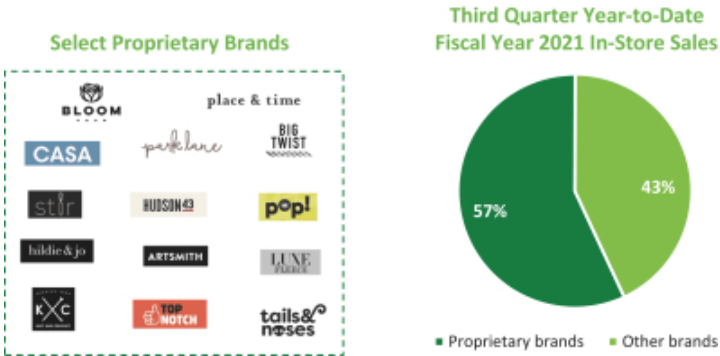
Finally, we are also a go-to source for small business owners who rely on our products to create, donate or sell their own merchandise. We believe that the growth of online marketplaces, such as Etsy, eBay, Shopify

and other platforms, is driving the expansion of our customer base, and the success of online marketplaces is directly linked to our growth, with approximately one-quarter of our customers using our products for their online marketplace-based businesses. These customers often buy in bulk and benefit from being a part of the JOANN community through access to our helpful educational content, project inspiration and our knowledgeable team members and customers. These customers span all ages and demographics and sell products through various channels such as retail stores, trade fairs, entertainment venues and online, including participating in the growing digital marketplaces.

**Differentiated Value Proposition**

Our customer value proposition is a critical driver of our business. The key components include:

*Broad Assortment across a Wide Variety of Categories.* We believe we have the most comprehensive, innovative product assortment available in our industry, especially within Sewing. This breadth of assortment across our various categories is a key competitive advantage given that our customers’ interests and projects are often widely varied and not confined solely to one activity. As of October 31, 2020, we had 857 locations, which we believe are also critical to success in the Creative Products category and a key enabler to our omni-channel growth. In an industry that requires high SKU intensity to be successful, we carry one of the industry’s broadest selections of Creative Products, which at its peak, averages more than 95,000 SKUs in stores and over 245,000 SKUs online. We believe this dynamic is analogous to hardware and home improvement concepts, in that customers are project-focused and require all component supplies and prefer knowledgeable assistance in order to successfully complete their shopping mission. We also believe this is why we have an advantage versus solely online players in addressing a customer base that prioritizes variety, customization and customer support. We continue to improve our assortment by conducting systematic reviews of all categories at a product-level and all layouts at a location-level in order to optimize sales and gross margins. We consistently innovate with proprietary brands and products that appeal to our customers by working with our suppliers to introduce new items and styles to our assortments. As of October 31, 2020, over 50% of net sales related to items that are non-comparative or exclusive to JOANN and cannot be directly cross-shopped with our direct competitors and mass retailers. We believe that we strike a customer-focused balance between our proprietary products and the well-known national brands that our customers have also come to know and love.



*Unique and Inspiring Shopping Environment.* We provide our customers with an engaging and exciting shopping experience that spurs inspiration and creativity. We encourage customers to interact with our merchandise, to experiment with potential designs and to see the actual product they will purchase. In many locations, we also offer differentiated in-store services such as digital printing, laser-cutting and engraving and educational programs in dedicated classrooms to further inspire and enable our customers. In select locations, our customers can rent sewing and crafting technology such as a quilting long-arm or a Glowforge laser-cutting

machine. To support our growing group of seller customers, in 2018 we launched JOANN+, a digital program providing devoted service for small-to-medium sized businesses and high volume makers. With this program, our customers are able to enjoy volume discount pricing, dedicated customer service contacts and a streamlined shipping and return experience. We continue to explore a variety of other ways to engage these makers and build loyalty including through our small maker forums, maker grant programs, and showcasing across any number of our digital marketing and social media assets.

***Helpful and Knowledgeable Team Members.*** Our team members, who we refer to as “Friendly Clever Allies,” are knowledgeable, friendly and trusted and offer a service-oriented experience for our customers. According to our internal research, JOANN leads all competitors on “knowledgeable staff” and “can get the help I need” ratings. A significant number of our team members are enthusiastic sewists and crafters themselves and bring first-hand knowledge and experience with our products which we believe are difficult to replicate. These team members live by the “No Quit” mantra, “We Got This,” and this helpful and resourceful attitude resonates with our customers. Our team members are encouraged to advise customers in creating and completing creative projects, which offers a service-focused experience that we believe allows our customers to be more informed and engaged in projects.

### **Combining a Robust Digital Platform and Strategic Physical Network**

Since early 2017, we have built a large, growing, profitable and well-connected omni-channel platform comprised of robust digital capabilities and a nationwide physical network. From fiscal year 2018 to fiscal year 2020, we increased our omni-channel net sales by a CAGR of 20% and by 369% in the thirty-nine weeks ended October 31, 2020 compared to the same period in fiscal year 2020. As a result of our investments and our ability to be nimble, we doubled the number of locations with ship-to-home capabilities and were able to continue serving our customers on our established platforms during the COVID-19 pandemic. Our physical network is critical to being able to execute on digital opportunities in the Creative Products space given its visual, tactile and project-based nature. We strive to make every customer’s trip to JOANN a trip to their “Happy Place.” We believe that the enthusiastic and highly engaged nature of our customer is why we have seen sales lifts as high as 24% in our refresh prototypes that elevate assortments, service and in-store experience. Our strong performance is also driven by our ability to engage customers through our robust omni-channel capabilities as they become cross-category repeat purchasers during their in-person trips to our locations and visits to our e-commerce platform.

Our recently upgraded e-commerce mobile first platform, driven by Salesforce Commerce Cloud, as well as our custom mobile application, provide exceptional functionality and user experience, offering premier digital navigation, speed, assortment, content, and personalization features. Our website traffic has increased by 125% through the thirty-nine weeks ended October 31, 2020, with site conversion increasing by 300 basis points compared to the same period in fiscal year 2020. Our website traffic and conversion has remained strong, with increases in traffic and conversion from December 2019 to December 2020 of 89% and 118 basis points, respectively. Through the thirty-nine weeks ended October 31, 2020, our mobile application has been

downloaded approximately two million times. We currently have 11.8 million downloads of the application and more than 25% of omni-channel sales were generated through purchases made within our mobile application.



Through our physical network, we have the ability to consistently fulfill and deliver a growing assortment of products directly to consumers, in addition to convenient services such as BOPIS, curbside pick-up and ship-to-home. For the last twelve months and the thirty-nine weeks ended October 31, 2020, over 70% and approximately 79% of *joann.com* orders, respectively, were fulfilled by our locations, either as BOPIS, curbside pick-up or ship-to-home. In addition, in the thirty-nine weeks ended October 31, 2020, approximately 40% of online demand sales were generated via BOPIS. Since the time that the majority of COVID-19 restrictions on in-store traffic were lifted through October 31, 2020, approximately 25% of our BOPIS program customers have made an additional purchase upon pick-up, resulting in an average increase to their orders of \$28 or approximately 100%. We believe our locations, which are in close proximity to our customers, provides us a significant last-mile cost advantage. Unlike internet pure play and regional competitors, we can route e-commerce orders to a local store, significantly reducing the overall cost and time to service orders. During the thirty-nine weeks ended October 31, 2020, omni-channel sales accounted for 20% of our total net sales compared to 4% for fiscal year 2018.

**Digital Platform and Digital Assets Enable Scalable Profitable Growth**

As of October 31, 2020, our total customer database included 69 million unique customers, which represents an overall growth of 43% since the end of fiscal year 2018, including 13% growth in fiscal year 2019, 11% growth in fiscal year 2020 and 15% growth in the first three quarters of fiscal year 2021. Within that database, we maintain an active email file of over 16 million customers, which has grown by 32% in the first three quarters of fiscal year 2021 and 76% since the end of fiscal year 2018. Customers receiving email marketing have historically been our highest value customers in terms of net sales, with the average email customer generating over 40% more in net sales as compared to our non-email customers. In 2019, we significantly upgraded our capabilities to better target and engage customers with personalized offers. We have developed a robust CRM platform creating a holistic view of customer behavior, which helps drive recurring purchases. We currently run over 40,000 product and customer journey campaigns with defined, tailored content to each individual customer based on purchase history. Due to the success of the initiative, we can identify specific database customers for more than 70% of our net sales, without the burden of a costly loyalty program.



Our highly effective, performance-based marketing team leverages this information to profitably acquire new customers, drive repeat purchases and grow lifetime value across channels.

This customer engagement is reinforced by our strong presence on social media, with nearly four million total followers across social media platforms, including our fastest-growing channel, YouTube, which has increased followers by 171% for fiscal year 2021. We further use digital education and inspiration to engage customers on new projects and inspire creative activities. We augment customer engagement through social media and our e-commerce platform by also leveraging our wholly-owned subsidiary, Creativebug, a large craft subscription learning platform with approximately 150,000 paid monthly users. Our customers have access to thousands of projects and videos that can take them from a skill-building novice to an expert sewist or maker. When a creative customer is seeking advice, education or inspiration, we are there for them.

We have multiple techniques to convert new customers into long-term, repeat customers across their current Creative Products activities and encourage them to enter new categories or advance in their existing category. We not only do this through social media and digital education, but also through proprietary and targeted journey mapping, exciting and compelling digital marketing offers, as well as leveraging multiple inspirational and educational digital assets. We believe this integrated, multi-channel approach resonates with our customers, as omni-channel represents 20% of our net sales for the thirty-nine weeks ended October 31, 2020 versus 4% for fiscal year 2018.

### **Strong Cash Flow Generation and Solid Balance Sheet**

We have demonstrated an ability to generate significant free cash flow due to our high gross margins, controlled operating expenses, moderate working capital requirements and low annual maintenance capital expenditures. We have used a portion of our free cash flow to build a strong balance sheet by consistently reducing net leverage. We retired and repaid \$433.8 million in principal amount of debt from November 2, 2019 to October 31, 2020, resulting in us having outstanding debt of \$929.7 million as of October 31, 2020. In addition to deleveraging, we have continued to make a number of investments in our information technology systems which, coupled with the continued disciplined management of inventory and costs, promote additional operating efficiencies. We anticipate that these efficiencies will allow for continued investment in the business while improving our net leverage moving forward.

Our operating model is highly scalable and enables capital efficient growth. For the five fiscal years ended February 1, 2020, our gross margin rate was 50.2% and selling, general and administrative expenses were held to minimal growth with a CAGR of less than 1%. Those strong operating metrics combined with low maintenance capital spending and a focus on working capital efficiencies have driven the generation of \$494.9 million in net cash provided by operating activities from the beginning of fiscal year 2016 through October 31, 2020, and \$265.9 million of free cash flow during the same time period. These results are sustained by a cash-generative and convenient real estate portfolio that stretches over 49 states, with 98-99+% of all locations having consistently delivered positive Four-Wall Cash Flow over the same period.

See “—Summary Consolidated Financial and Operating Data” for the definition of free cash flow, and a reconciliation of free cash flow to net cash provided by operating activities.

### **Proven Leadership Team and Passionate, Performance-Driven Culture**

We are a purpose-driven company dedicated to inspiring the creative spirit in each of us—our customers and ourselves. Our company is led by an accomplished and experienced senior management team with significant public market experience and a proven track record in our industry. Our senior management team has an average of 18 years of retail experience, and their understanding of the intricacies of selling SKU-intensive, lower-ticket merchandise facilitates the execution of our growth strategies. Our President and CEO, Wade

Miquelon, who has been with JOANN for almost five years, brings 30 years of experience including CFO and President of International for Walgreens, CFO and EVP for Tyson Foods and as CFO for Procter and Gamble's Western European and AAI regions (ASEAN/Australasia/India). Our CFO, Matt Susz, has 30 years of experience including 24 years at JOANN, with leadership roles in accounting, financial and strategic planning, internal audit, treasury, IT and operations. Other members of the executive team bring substantial experience and skills in operations (retail and e-commerce), marketing, merchandising, product development, supply chain, legal, human resources and information technology. We have a high-performing and customer-centric culture and our team members tend to be very loyal, a loyalty born out of a true passion for the industry we operate in and the kinds of customers that we serve.

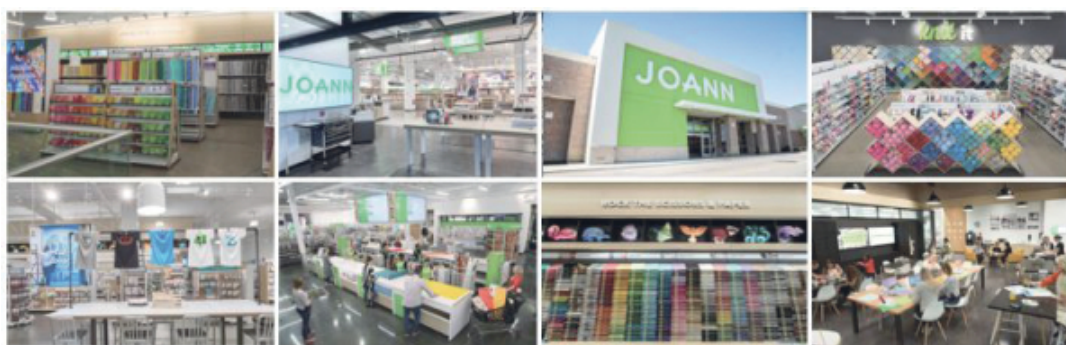
### Our Growth Strategies

We believe we are well positioned to drive sustainable growth and profitability over the long term by executing on the following strategies:

#### Refreshing Our Locations with Enhanced Customer Experience

We have successfully developed and launched a range of refresh options for our locations over the past three years. Our design process is structured and tailored to the needs of our new and existing customers to ensure all elements are appealing to them. Our options span across three core areas:

- *Experiential Design Elements*—More engaging graphics, lighting, signage, customer work-spaces and merchandise fixtures
- *Content Improvements*—Merchandising assortments and service offerings optimized for each location
- *Service Enhancements*—Team member training and engagement, technology-supported management of service wait times and ease of check-out



The investment for each refresh project is tailored to each location's needs and unit economics. We have four general levels of investment and project scope tailored to what would benefit each location, with future investment expected to range from \$150,000 for the lightest-touch refreshes to \$3 million for the relatively few but most-extensive refreshes. Refinement of our prototype location refresh program has been achieved through the 24 pilot projects completed to date.

Based on the positive outcomes and learnings from these pilots as well as additional improvements being developed, we believe we can achieve an average net sales uplift ranging from 5% to 25% from projects

where we refresh an existing location. We have identified just over 50% of our existing locations that are targets over the next seven to ten years for refresh projects at varying levels of scope.

In over half of the refresh projects completed to date, we have also relocated to an improved site within the trade area. Those relocations deliver our higher end of scope for experiential design elements, as those are more efficient to provide in a new building. We also typically increase the size of the location to an average of 25,000 square feet, and therefore expand the assortment breadth we can offer the customer. We have identified 20% of our current locations that are targets for relocation that we believe will result in net sales uplifts ranging from 15% to 75% compared to the current location. We will execute on these opportunities as leases expire on the current locations over the next seven to ten years.

During the COVID-19 pandemic, we were required to limit the presence of external contractors in most of the United States. As a result, we have been focused on scope refinement and project cost engineering of our prototype to optimize our expected return on investment. We expect to complete 10 to 15 projects over the second and third quarters of fiscal year 2022, with a more robust number of projects to be completed annually in fiscal year 2023 and beyond.

#### **Driving Ubiquitous Customer Engagement that Offers *Exceptional* Experience and Accelerated Omni-Channel Growth**

We have extended the JOANN brand beyond our locations and actively engage with our customers across various digital touch-points to wherever and however they choose. Our customers want options, and our robust omni-channel solutions provide a seamless e-commerce shopping experience. We have heavily invested in, and successfully built, our valuable digital assets in the past years, including our large email and SMS text databases and established social media presence. We have successfully leveraged these digital assets with our strong CRM capabilities to further accelerate our digital customer engagement. We have added more new customers to our digital databases in the thirty-nine weeks ended October 31, 2020 than in any prior full year. We plan to continue our customer acquisition momentum with several digital initiatives, from driving traffic to *joann.com* to expanding our presence in social media platforms. For example, YouTube has been a popular digital platform for our customers when they search for instructions and project inspiration. We have grown our subscriber base on YouTube by 171% for fiscal year 2021. Videos on our YouTube channel have been viewed nearly 67 million times in that span, or more than a 1,200% increase compared to fiscal year 2020.

We will also continue to enhance our omni-channel shopping experience. We successfully upgraded our e-commerce platform in 2020, including improved search engine optimization and user experience, particularly on mobile devices. Today, our customers can easily shop over 245,000 SKUs available as of December 2, 2020 on our e-commerce platform with convenient fulfillment services such as BOPIS, curbside pick-up and ship-to-home. We believe that a broad online product assortment is critical to customer experience as it provides the ability to complete a consolidated purchase across multiple Creative Products categories. We intend to further expand our assortment across various product categories. We plan to improve our supply chain capabilities to provide our customers with a streamlined, worry-free omni-channel shopping experience. We have launched several initiatives to actively increase our fulfillment rate and optimize the cost structure for our omni-channel service offering, which are aimed at improving customer satisfaction.

We strive to provide a seamless transition when our customers engage across our locations and digital platform. Our mobile application has various functions that improve our customers' shopping experience, no matter where they are. For example, we have recently launched a new digital initiative, "We Got This," where our team members can assist our customers, in-aisle at our locations, to order additional items and make bulk purchases on our mobile application. We are also adding QR codes across our locations to efficiently connect our

customers to our vast digital library of projects, sources of inspiration and assortments. By scanning QR codes on their mobile devices, our customers can more easily access our digital content while they are shopping in-person.

We intend to further deepen our customer engagement with digital education and learning services, as our customers constantly search for project inspiration and instructions online. For example, we plan to continue to grow our YouTube channel to provide rich content for customers searching for quick tips and short tutorials. We also expect to expand our high quality education offering to customers who are interested in skill building and learning. We intend to offer more affordable and innovative digital creative education across multiple platforms, including Creativebug, to offer subscription-based access to thousands of arts and crafts classes.

### Expanding Our Digital Presence into New Markets and Categories with Substantial Share Opportunity

Our customers can shop over 245,000 SKUs available as of December 2, 2020 on our e-commerce platform. By enhancing our central fulfillment capabilities, we intend to further broaden our assortment in product categories that offer substantial share opportunity and also improve our fulfillment rates.

We believe there is significant demand from customers outside the United States. For example, according to SVP Worldwide, approximately 77% of all sewing machine sales globally take place outside of the United States. To capture this opportunity, we intend to expand our robust e-commerce platform to multiple international countries. We receive numerous inquiries every year from international customers hoping to purchase from us, and approximately five million international visitors actively engage our website annually without any marketing initiatives. We have engaged an experienced external provider to launch multi-country international sales. They will support us in managing both the consumer-facing and back-office aspects of this initiative. We believe the breadth of our assortment, purchasing power and pricing levels will allow us to provide a strong value proposition to our customers in many other countries.

We have an innovative management team that has helped develop a robust pipeline of digitally-led initiatives that we believe will strengthen and expand the JOANN brand both domestically and internationally.

<p>Digital Education</p>	<p><b>creativebug</b> (Acquired in April 2017)</p>	<ul style="list-style-type: none"> <li>Subscription-based service offering customers unlimited access to a library of thousands of online arts and crafts instructional videos</li> <li>~150,000 paid subscriber base that has increased ~4x in the past three years</li> </ul>
<p>Customizable Fabric</p>	<p><b>weaveup</b> (Invested in December 2019)</p>	<ul style="list-style-type: none"> <li>Proprietary partnership with WeaveUp offers cutting-edge digital printing solutions for fabric and other customization tools</li> <li>Allows customers to access, adapt and print a library of proprietary fabric designs using reactive dye digital printing machines</li> </ul>
<p>Digital Sewing Technology</p>	<p><b>ditto</b> (Expected late fiscal year 2022)</p>	<ul style="list-style-type: none"> <li>Our upcoming proprietary sewing technology expected to revolutionize the current cumbersome fabric cutting process</li> <li>Will allow customers to digitally access a large pattern library and have fabric accurately cut to their desire in minutes</li> </ul>

We believe digital printing is a rapidly-growing technology that provides unlimited design and color options, no minimum quantities and a much more environmentally-friendly production process. We intend to deepen our penetration in digital printing by providing our customers with easy-to-use and innovative technology that significantly enhances the current creative process. In November 2020, we re-launched *Customizable Fabric* as a digital printing platform through our proprietary partnership with *WeaveUp*, a technology company offering cutting-edge digital printing solutions for fabric and other customization tools. Customers around the world can also easily make alterations to the designs on the platform, which can be printed on a wide range of fabrics using

high-quality reactive dye digital printing machines. Through our partnership with, and investment in, *WeaveUp*, we also expect to accelerate new product development and supply chain savings in the Sewing category.

We intend to create a more convenient experience for our sewists with innovative digital solutions. We have developed and patented a proprietary technology named *Ditto* that we believe could revolutionize the sewing process. The technology is expected to solve the most common pain point reported by our customers: the pinning and cutting of sewing patterns on fabric. Our research has shown that by changing the current cumbersome fabric cutting process, it is likely that sewists will increase their overall sewing activity. We expect the commercial launch of this technology to be in late calendar year 2021.

### **Delivering Operational Excellence and Margin Improvement**

We work to build operational efficiencies to consistently improve our customer value proposition and financial operating margins. We will continue to focus on three core competencies that we have continuously refined with experience that drive sustained operational excellence.

Product Sourcing. Our most significant cost saving initiative is product sourcing. Through the leadership of our U.S.-based sourcing and product development team as well as our Shanghai sourcing office that was established in 2018, we have accelerated our ability to migrate product assortments to factory direct sourcing. This expands our ability to lower costs while delivering new and innovative products to our customers, and we estimate that we have achieved more than \$60 million in cost savings through this process from fiscal year 2018 to fiscal year 2020. As our penetration of direct sourcing will still be below 50% of our total merchandise receipts in fiscal year 2021, there is substantial opportunity to generate additional savings through this program.

Indirect Procurement. Over the past two years, we have taken a more strategic approach, including investment in leadership and supporting talent, for our indirect procurement. This team is charged with managing supplier negotiations as well as eliminating waste and inefficiencies across approximately \$250 million of annual addressable indirect spend from operating supplies to merchandise fixtures, facilities services, printing and technology costs. Through fiscal year 2022, this team will be focused on 66 separate sourcing efforts, contract negotiations and process improvement projects across nearly all of our business disciplines that represent \$70 million to \$80 million in current annual spend. Our goal is to generate reductions in the range of 8% to 12% of such current annual spending levels.

Supply Chain. We have a series of supply chain initiatives that we believe will support our continued e-commerce growth and reduce fulfillment costs for customer orders, while significantly reducing our supply chain costs and improving customer and team member satisfaction. Many of these initiatives will simplify and streamline processes and systems that impact the team members that serve customers in our locations. We believe this will ultimately provide more time to engage with our customers in-store, shorten customer online order fulfillment times, and reduce overall labor costs.

### **The Impact of COVID-19 on our Business**

As a result of initial COVID-19 restrictions, approximately half of our locations were temporarily closed, either completely or to in-store traffic, from mid-March 2020 through mid-June 2020. By mid-June 2020, all locations were fully operational and open to walk-in traffic. Throughout the entirety of the third quarter of fiscal year 2021, all locations remained opened other than for temporary deep cleanings required to maintain sanitation protocols or for weather and other related hazards. Since that time, certain state and local governments continue to impose retail closure orders and capacity restrictions, impacting some of our locations. In addition, during the pandemic, we negotiated the deferral of certain cash payments with our landlords; however, the majority of these deferred payments will be remitted over the course of fiscal year 2022. Our COVID-19 related costs for the thirty-nine weeks ended October 31, 2020 were \$48.4 million.

Further, certain trends relating to the COVID-19 pandemic have meaningfully benefited the Sewing industry, which in many cases has been deemed essential by federal, state and local authorities. Broader Creative Product sales have accelerated meaningfully as customers spend more time doing DIY activities at home, have an increased desire to learn new skills and take on projects, and engage in personal protective equipment-making activities for personal use, to sell or to share with the community. While it is difficult to estimate the sales to date that have been attributable to PPE-making with precision, we have been able to note significant changes in normal sales trends in categories that support that effort. These categories include cotton fabric, certain sewing supplies such as elastic, and sewing machines. Those favorable impacts to our sales were partially offset by mandated store closures and reduced sales in categories such as special occasion fabrics and seasonal décor and entertaining, which have been negatively impacted by broad restrictions on customer gatherings and celebrations. We estimate the net result of those impacts amounted to a one-time annualized benefit to our sales of 8% to 9% for fiscal year 2021. However, we view the significant number of new customers and increased engagement by new and current customers as a very encouraging signal for the future of our business. We also believe the rapid adoption by customers of our digital and omni-channel offerings is a highly scalable platform we can leverage to both increase sales and reduce costs in the coming years. Still, we remain cautious and vigilant to the extent that the possible sustained spread or resurgence of the pandemic, and any government response thereto, increases the uncertainty regarding future economic conditions that could impact our business in the future. For the duration of the pandemic and beyond, we remain committed to executing on a mission-driven purpose and delivering industry leading growth. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors—Risks Related to our Business—Our business is subject to continued uncertainty with respect to the ongoing COVID-19 pandemic.”

#### **Recent Developments**

##### **Preliminary Results as of January 30, 2021 and for the Fourth Quarter of Fiscal Year 2021 and Fiscal Year 2021**

We have not yet completed our closing procedures for fiscal year 2021. Presented below are certain estimated preliminary financial results and key operating metrics as of January 30, 2021 and for the fourth quarter of fiscal year 2021 and for fiscal year 2021. These amounts are based on the information available to us at this time. For certain of these results and metrics, we have provided estimated ranges, rather than specific amounts, because these results are preliminary and subject to change. As such, our actual results may differ from the estimated preliminary results presented in this prospectus and will not be finalized until after we complete our normal quarter-end and year-end accounting procedures, including the execution of our internal control over financial reporting, which may occur after the consummation of this offering. Our preliminary results set forth below reflect our management’s best estimate of the impact of events during the quarter.

These estimates should not be viewed as a substitute for our full interim or annual financial statements prepared in accordance with GAAP. Accordingly, you should not place undue reliance on these preliminary financial results. These estimated preliminary results should be read in conjunction with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” sections and our consolidated financial statements, including the notes thereto, included elsewhere in this prospectus.

Additionally, the estimates reported below include Adjusted EBITDA, which is not a recognized financial measure under GAAP. Our 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 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. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. Adjusted EBITDA may not



be comparable to similarly titled measures used by other companies in our industry or across different industries. We also reference Credit Facility Adjusted EBITDA because it is a measure that is calculated in accordance with our Credit Facilities and used to determine our compliance with certain ratios in our Credit Facilities, tested each quarter on the basis of the preceding four quarters. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The preliminary financial results included in this prospectus have been prepared by, and are the responsibility of, our management. Ernst & Young LLP has not audited, reviewed, compiled, or applied agreed-upon procedures with respect to the preliminary financial results and key operating metrics. Accordingly, Ernst & Young LLP does not express an opinion or any other form of assurance with respect thereto.

The following are our estimated preliminary financial results for the 13 weeks ended January 30, 2021:

- Net sales are estimated to be \$840.8 million, an increase of \$145.2 million or 20.9% as compared to our net sales of \$695.6 million for the fourth quarter of fiscal year 2020. Total comparable sales grew by 21.2% in the fourth quarter of fiscal year 2021;
- Gross margin rate is estimated to be 46.9%, compared to 47.2% for the fourth quarter of fiscal year 2020;
- Net income (loss) is estimated to be between \$36.9 million and \$38.9 million compared to \$(358.1) million for the fourth quarter of fiscal year 2020; and
- Adjusted EBITDA is estimated to be between \$104.7 million and \$106.7 million compared to \$80.6 million for the fourth quarter of fiscal year 2020.

Our total comparable sales growth of 21.2% for the quarter resulted from a 13% increase in average transaction value and a 6% increase in transactions in our locations along with increases in third party fulfilled e-commerce sales and freight revenue on e-commerce orders. Increases in average transaction value were primarily driven by higher average unit retail values as sales of higher ticket items in our sewing and craft technology categories remained very strong. Omni-channel net sales grew by 194% in the fourth quarter as compared to the same period in the prior year and represented 16% of total sales. The decline in gross margin rate was primarily driven by higher freight expense associated with the increased volume of e-commerce orders, higher import costs due to the recent rise in container fees and the expedited delivery of critical merchandise, as well as additional shrink and clearance activity. These increases were partially offset by the reduction of our promotional offers and lower product costs obtained through our strategic sourcing efforts.

The change in net income was primarily attributable to a \$351.4 million impairment of goodwill recorded in the fourth quarter of fiscal year 2020, which were driven primarily by the incremental tariffs on Chinese imports, for which there was no comparable impairment in the fourth quarter of fiscal year 2021. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion on the impact of U.S. tariffs on Chinese imports in fiscal year 2020.

Our increase in Adjusted EBITDA was primarily driven by our growth in total comparable sales and our ability to leverage costs against that higher sales volume.

The following are our preliminary estimated financial results and key operating metrics for the fiscal year ended January 30, 2021:

- Net sales are estimated to be \$2,762.3 million, an increase of \$521.1 million, or 23.3%, as compared to our net sales of \$2,241.2 million for fiscal year 2020. Total comparable sales grew by 23.5% in fiscal year 2021;

- Gross margin rate is estimated to be 49.5%, compared to 49.3% for fiscal year 2020;
- Net income (loss) is estimated to be between \$210.9 million and \$212.9 million, compared to \$(546.6) million for fiscal year 2020; and
- Adjusted EBITDA is estimated to be between \$321.9 million and \$323.9 million, compared to \$153.4 million for fiscal year 2020.

Our total comparable sales growth of 23.5% for the fiscal year resulted from an 18% increase in average transaction value and a 4% increase in transactions in our locations along with increases in third party fulfilled e-commerce sales and freight revenue on e-commerce orders. Increases in average transaction value were primarily driven by higher average unit retail values as well as increases in the average number of items purchased per transaction. Omni-channel net sales grew by 305% in fiscal year 2021 as compared to fiscal year 2020 and represented 19% of total sales. The improvement in gross margin rate was primarily driven by the reduced depth of our promotional offers and the lower product costs obtained through our strategic sourcing efforts, which were partially offset by incremental U.S. tariffs on Chinese imports, higher freight expense associated with the increased volume of e-commerce orders and increases in clearance activity and shrink. We also experienced increases in costs related to the COVID-19 pandemic, including import costs to expedite delivery of critical merchandise and costs of donated products related to our community support efforts.

Additional improvement in net income was further impacted by \$481.8 million of goodwill impairment charges recorded in fiscal year 2020, as described above, for which there was no comparable impairment in fiscal year 2021.

Our increase in Adjusted EBITDA was primarily driven by our growth in total comparable sales and our ability to leverage costs against that higher sales volume.

Our cash and cash equivalents as of January 30, 2021 were \$27.4 million, an increase of \$3.0 million as compared to \$24.4 million as of February 1, 2020. Long-term debt, net as of January 30, 2021 was \$786.3 million, a decrease of \$423.9 million as compared to \$1,210.2 million as of February 1, 2020. For the four quarters ended January 30, 2021, our net cash provided by operating activities was \$327.1 million and our Credit Facility Adjusted EBITDA for the four quarters ended January 30, 2021 was between \$327.4 million and \$329.4 million. As of January 30, 2021, our ratio of consolidated net debt to Credit Facility Adjusted EBITDA was 3.0 to 1.0, and of consolidated senior secured debt to Credit Facility Adjusted EBITDA was 2.7 to 1.0. For more information regarding why we believe Credit Facility Adjusted EBITDA is material to an investor's understanding of our financial condition and liquidity, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

We had 855 locations as of January 30, 2021 and 867 locations as of February 1, 2020.

The following tables provide a preliminary reconciliation of Adjusted EBITDA and Credit Facility Adjusted EBITDA for the periods presented:

(in millions)	13-Weeks Ended January 30, 2021		13-Weeks Ended February 1, 2020	Fiscal Year Ended January 30, 2021		Fiscal Year Ended February 1, 2020
	Low (estimated)	High (estimated)	(actual)	Low (estimated)	High (estimated)	(actual)
Net cash provided by operating activities				\$ 327.1	\$ 327.1	
Non-cash operating lease expense				(152.4)	(152.4)	
Depreciation and amortization excluding content cost amortization (2)				(80.0)	(80.0)	
Deferred income taxes				3.9	3.9	
Stock-based compensation expense				(1.5)	(1.5)	
Amortization of deferred financing costs and original issue discount				(3.7)	(3.7)	
Debt related gain (1)				155.1	155.1	
Loss on disposal and impairment of fixed assets				(3.4)	(3.4)	
Goodwill and trade name impairment (6)				—	—	
Change in operating assets and liabilities				(34.2)	(32.2)	
Net income (loss)	\$ 36.9	\$ 38.9	\$ (358.1)	\$ 210.9	\$ 212.9	\$ (546.6)
Income tax provision	10.4	10.4	34.9	28.0	28.0	12.1
Interest expense, net	14.0	14.0	24.3	69.0	69.0	101.9
Debt related gain (1)	(2.2)	(2.2)	(3.8)	(155.1)	(155.1)	(3.8)
Depreciation and amortization (2)	20.4	20.4	20.3	80.6	80.6	78.0
Strategic initiatives (3)	2.1	2.1	1.2	6.2	6.2	9.0
COVID-19 costs (4)	16.6	16.6	—	65.0	65.0	—
Technology development expense (5)	2.2	2.2	2.7	5.8	5.8	6.4
Stock-based compensation expense	0.4	0.4	0.3	1.5	1.5	1.2
Loss on disposal and impairment of fixed and operating lease assets	2.0	2.0	0.6	5.6	5.6	1.0
Goodwill and trade name impairment (6)	—	—	356.4	—	—	486.8
Sponsor management fee (7)	0.5	0.5	1.2	1.3	1.3	5.0
Other (8)	1.4	1.4	0.6	3.1	3.1	2.4
Adjusted EBITDA	<u>\$104.7</u>	<u>\$106.7</u>	<u>\$ 80.6</u>	<u>\$ 321.9</u>	<u>\$ 323.9</u>	<u>\$ 153.4</u>
Location pre-opening and closing costs excluding loss on disposal of fixed assets	\$ 0.5	\$ 0.5	\$ 2.4	\$ 5.5	\$ 5.5	\$ 9.2
Credit Facility Adjusted EBITDA				\$ 327.4	\$ 329.4	

- (1) “Debt related (gain) loss” represents gains associated with debt repurchases below par and write off of unamortized fees and original issue discount associated with debt refinancing.
- (2) “Depreciation and amortization” represents depreciation, amortization of intangible assets, amortization of favorable and unfavorable lease rights, and amortization of content costs.
- (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, including costs (i) to design a new prototype and assortment optimization process for locations, (ii) related to our efforts to initially evaluate and implement opportunities to offset the significant costs incurred due to the new U.S. tariffs on merchandise produced in China, (iii) to start up a new technology product that would traditionally be incurred by our vendors, (iv) to evaluate our opportunity in

new potential lines of business, (v) to analyze improved supply chain capabilities, (vi) related to one-time legal and accounting fees associated with our planned initial public offering and (vii) to establish our foreign sourcing office.

- (4) “COVID-19 costs” represents premium pay for location team members (including cleaning and location capacity management labor), incremental seasonal clearance associated with location closures, donations for our mask making initiative and additional location cleaning supplies.
- (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) Based on our evaluation for impairment of the carrying amount of goodwill and trade name on our balance sheet. Impairment recorded was driven predominantly by the result of negative total comparable sales and declining margins, primarily resulting from the incremental U.S. tariffs on Chinese imports, along with a weaker than expected peak selling season. See Note 6—Goodwill and Other Intangible Assets to our unaudited financial statements included elsewhere in this prospectus for further details.
- (7) “Sponsor management fee” represents management fees paid to our sponsor, LGP (or advisory affiliates thereof), in accordance with our management services agreement, which will terminate upon the consummation of this offering. Following the consummation of this offering, LGP will not provide managerial services to us in any form.
- (8) “Other” represents one-time severance, certain legal, executive leadership transition and business transition expenses.

### **Summary Risk Factors**

We are subject to a number of risks, including risks that may prevent us from achieving our business objectives or that may adversely affect our business, financial condition and results of operations. You should carefully consider the risks discussed in the section titled “Risk Factors,” including the following risks, before investing in our common stock:

- evolving U.S. trade regulations and policies, including with China and other Asian countries, have in the past and may in the future have a material and adverse effect on our business, financial condition and results of operations;
- our inability to respond effectively to competitive pressures, changes in the retail markets and customer expectations could result in lost market share, which could have a material and adverse effect on our business, financial condition and results of operations;
- our business is subject to continued uncertainty with respect to the ongoing COVID-19 pandemic;
- failure to attract, develop, motivate and retain qualified team members and effectively manage overall labor costs, including potential increases in minimum wages, could limit our growth and materially and adversely affect our business, financial condition and results of operations;
- failure to manage inventory effectively, predict new consumer trends or effectively react to changes in consumer buying habits could materially and adversely affect our business, financial condition and results of operations;
- we increasingly depend on e-commerce, and our failure to successfully manage this channel and deliver a convenient omni-channel shopping experience to our customers could have a material and adverse effect on our business, financial condition and results of operations;

- increased costs related to the production of our merchandise or disruptions in our distribution network could materially and adversely affect our business, financial condition and results of operations;
- our reliance on foreign suppliers increases our risks of not obtaining adequate, timely and cost effective merchandise, as well as risks involved in foreign operations and foreign currency translation;
- the seasonality of our sales may negatively impact our operating results;
- we may face risks related to our indebtedness, which included \$929.7 million of outstanding debt as of October 31, 2020;
- failure to adequately maintain the security of and prevent unauthorized access to our electronic and other confidential information, including customer and team member personal information, could materially and adversely affect our business, financial condition and results of operations;
- intentional or accidental disruptions to our information systems, including our mobile application and primary e-commerce website, or our failure to adequately support, maintain, secure and upgrade these systems could materially and adversely affect our business, financial condition and results of operations; and
- because LGP owns a significant percentage of our common stock, it may control all major corporate decisions and its interests may conflict with your interests as an owner of our common stock and our interests.

Our business also faces a number of other challenges and risks discussed throughout this prospectus. You should read the entire prospectus carefully, especially “Risk Factors” beginning on page 30 of this prospectus, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 69 of this prospectus, and our consolidated financial statements and related notes included elsewhere in this prospectus, before deciding to invest in our common stock.

### **Our Corporate Information**

JOANN Inc. (formerly known as Jo-Ann Stores Holdings Inc.) is the issuer in this offering. Our principal operating subsidiary is Jo-Ann Stores, LLC (formerly Jo-Ann Stores, Inc.), which was previously an independent publicly traded corporation until its acquisition on March 18, 2011 by a subsidiary of Needle Holdings LLC (formerly known as Needle Holdings, Inc.), a company incorporated on December 16, 2010 by LGP for the purpose of the acquisition. On September 19, 2012, Jo-Ann Stores Holdings Inc. was formed solely for the purpose of reorganizing the corporate structure of Needle Holdings LLC and its wholly owned subsidiary Jo-Ann Stores, LLC, and on October 16, 2012, Needle Holdings LLC became our wholly owned subsidiary. Upon consummation of this offering, assuming the sale of 5,468,750 shares in this offering by the Selling Shareholders and 5,468,750 shares by us, LGP will own approximately 69% of our shares of common stock. See “Principal and Selling Shareholders.”

Our principal executive office is located at 5555 Darrow Road, Hudson, Ohio 44236 and our telephone number at that address is (330) 656-2600. We maintain a website at [www.joann.com](http://www.joann.com). We have included our website address in this prospectus as an inactive textual reference only. The information contained on, or that can be accessed through, our website is not a part of, and should not be considered as being incorporated by reference into, this prospectus.

## THE OFFERING

<b>Common stock offered by us</b>	5,468,750 shares.
<b>Common stock offered by the Selling Shareholders</b>	5,468,750 shares.
<b>Common stock to be outstanding after this offering</b>	40,371,130 shares (or 42,011,755 shares, if the underwriters exercise in full their option to purchase additional shares of common stock).
<b>Option to purchase additional shares from us</b>	1,640,625 shares.
<b>Use of proceeds</b>	We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$78.2 million, assuming an initial public offering price of \$16.00 per share (the midpoint of the price range set forth on the cover page of this prospectus). We intend to use the net proceeds we receive in this offering to pay down outstanding borrowings on our Second Lien Facility and the remainder, if any, to pay down outstanding borrowings on our ABL Facility. See “Use of Proceeds.” We will not receive any of the proceeds from the sale of shares of common stock by the Selling Shareholders.
<b>Dividend policy</b>	As a public company we anticipate paying a quarterly dividend at a rate initially equal to \$0.40 per share on our common stock to holders of our common stock. Our ability to pay dividends on our common stock is limited by the agreements governing our Credit Facilities. See “Dividend Policy.”
<b>Proposed Nasdaq symbol</b>	“JOAN.”
<b>Controlled company</b>	Following this offering, we will be a “controlled company” within the meaning of the corporate governance rules of Nasdaq. See “Management—Director Independence and Controlled Company Exception.”
<b>Risk factors</b>	Investing in our common stock involves a high degree of risk. See “Risk Factors” beginning on page 30 of this prospectus for a discussion of factors you should carefully consider before investing in our common stock.
<b>Reserved share program</b>	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 6% of the shares offered by this prospectus for sale to some of our directors, officers, employees, business associates and related persons. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.



The number of shares of common stock to be outstanding after this offering excludes:

- 3,086,467 shares of common stock issuable upon the exercise of options outstanding under the 2012 Plan, as of October 31, 2020 at a weighted average exercise price of \$6.11 per share;
- 1,187,035 additional shares of common stock reserved for future issuance under our 2021 Plan, which will become effective once the registration statement of which this prospectus forms a part is declared effective, as well as any shares of common stock that become available pursuant to provisions in the 2021 Plan that automatically increase the share reserve under our 2021 Plan, as described in “Executive Compensation—Equity Plans;” such amount excludes the IPO Option Grants and IPO RSU Grants described below;
- 656,656 shares of common stock issuable upon the exercise of stock options to be granted under the 2021 Plan upon the pricing of this offering with an exercise price per share equal to the initial public offering price per share, which we refer to as the IPO Option Grants;
- 156,309 shares of our common stock issuable as restricted stock units to be granted under our 2021 Plan immediately following the effectiveness of the applicable Form S-8 registration statement, which we refer to as the IPO RSU Grants; and
- 400,000 additional shares of common stock reserved for future issuance under our ESPP, which will become effective once the registration statement of which this prospectus forms a part is declared effective as well as any shares common stock that become available pursuant to provisions in the ESPP that automatically increase the share reserve under our ESPP, as described in “Executive Compensation—Equity Plans.”

Unless otherwise indicated, all information contained in this prospectus:

- assumes an initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- assumes the underwriters’ option to purchase additional shares will not be exercised;
- gives effect to a 85.8808880756715-for-1.00 stock split effected on March 3, 2021; and
- gives effect to our amended and restated certificate of incorporation and our amended and restated bylaws.

## SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

We present below our summary consolidated statements of operations and of cash flow data for the fiscal years ended February 1, 2020, February 2, 2019, and February 3, 2018, and our consolidated balance sheet data as of February 1, 2020 and February 2, 2019. We have derived this information from our audited consolidated financial statements included elsewhere in this prospectus. We also present our consolidated balance sheet data as of February 3, 2018. We have derived this information from our audited consolidated financial statements not included in this prospectus.

We also present below our summary consolidated statements of operations and of cash flow data for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, and our consolidated balance sheet data as of October 31, 2020 and November 2, 2019. We have derived this information from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared our unaudited consolidated financial statements on the same basis as our audited consolidated financial statements and have included all adjustments, consisting only of normal recurring adjustments that, in our opinion, are necessary to fairly state the financial information set forth in those statements.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read the summary consolidated financial and operating data presented below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

(In millions)	Thirty-Nine Weeks Ended		Fiscal Year-Ended (a)		
	October 31, 2020 (unaudited)	November 2, 2019 (unaudited)	February 1, 2020	February 2, 2019	February 3, 2018
<b>Statements of consolidated income data:</b>					
Net sales	\$ 1,921.5	\$ 1,545.6	\$ 2,241.2	\$ 2,324.8	\$ 2,314.3
Cost of sales	949.8	768.6	1,135.9	1,148.3	1,130.3
Selling, general and administrative expenses	818.2	723.0	977.4	951.4	943.4
Depreciation and amortization	59.8	57.3	77.5	76.0	78.8
Goodwill and trade name impairment	—	130.4	486.8	—	—
Operating profit (loss)	93.7	(133.7)	(436.4)	149.1	161.8
Interest expense, net	55.0	77.6	101.9	101.1	95.4
Debt related (gain) loss	(152.9)	—	(3.8)	2.4	0.9
Income (loss) before income taxes	191.6	(211.3)	(534.5)	45.6	65.5
Income tax provision (benefit)	17.6	(22.8)	12.1	10.3	(31.0)
Net income (loss)	\$ 174.0	\$ (188.5)	\$ (546.6)	\$ 35.3	\$ 96.5
<b>Consolidated statements of cash flows data:</b>					
Net cash provided by (used for) operating activities	\$ 185.8	\$ (170.4)	\$ (33.9)	\$ 99.0	\$ 97.7
Net cash used for investing activities	(28.2)	(64.8)	(79.5)	(49.7)	(50.8)
Net cash (used for) provided by financing activities	(148.8)	210.5	86.3	(25.1)	(42.3)
<b>Balance sheets data:</b>					
Cash and cash equivalents	\$ 33.2	\$ 26.8	\$ 24.4	\$ 51.5	\$ 27.3
Total current assets	799.6	877.7	719.8	710.0	642.1
Goodwill	162.0	513.4	162.0	643.8	643.8
Total assets	2,519.6	2,830.6	2,301.3	2,070.8	2,035.6
Total current liabilities	651.4	541.4	498.2	394.9	347.2
Long-term debt, net	921.6	1,337.2	1,210.2	1,106.3	1,123.0
Total shareholders’ equity (deficit)	3.5	185.6	(172.0)	373.2	338.6

(In millions)	Thirty-Nine Weeks Ended		February 1, 2020	Fiscal Year-Ended (a)	
	October 31, 2020 (unaudited)	November 2, 2019 (unaudited)		February 2, 2019	February 3, 2018
Other financial and operating data:					
Total comparable sales versus prior year (b)	24.6%	(3.3)%	(3.6)%	1.9%	(1.4)%
Adjusted EBITDA (c)	\$ 217.2	\$ 72.8	\$ 153.4	\$ 252.0	\$ 257.4
Location pre-opening and closing costs excluding loss on disposal of fixed assets	5.0	6.8	9.2	6.0	4.4
Free cash flow (d)	160.5	(230.1)	(103.4)	58.0	59.2
Total capital expenditures, net of landlord contributions (e)	25.3	59.7	69.5	41.0	38.5
Gross margin rate	50.6%	50.3%	49.3%	50.6%	51.2%
Adjusted EBITDA as a percentage of net sales (c)	11.3%	4.7%	6.8%	10.8%	11.1%
Total retail locations	857	867	867	869	865
Total retail location square footage	18,823	18,963	18,963	18,956	18,870

- (a) All years include 52 weeks except for the fiscal year ended February 3, 2018, which includes 53 weeks. See “Basis of Presentation.”
- (b) We define total comparable sales as net sales for locations that have been open for at least 13 months as well as net sales for locations that have not been remodeled, 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). Further, in a 53-week year, net sales of the first 52 weeks are compared to the comparable 52 weeks of the prior period.
- (c) We define Adjusted EBITDA as net income (loss) plus income tax provision (benefit), interest expense, net, debt related (gain) loss, other income and depreciation and amortization, as 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 costs related to strategic initiatives, COVID-19 costs, technology development expense, stock-based compensation expense, loss on disposal and impairment of fixed and operating lease assets, goodwill and trade name impairment, sponsor management fees and other one-time costs. We describe these adjustments reconciling net income (loss) to Adjusted EBITDA in the applicable table below.

We present Adjusted EBITDA, which is not a recognized financial measure under GAAP, 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. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA following this offering, and any such modification may be material. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

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; to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies; to make budgeting decisions; to compare our performance against that of other peer companies using similar measures; and because our Credit Facilities use measures similar to Adjusted EBITDA to measure our compliance with certain covenants.

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 expenditure 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 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
- other companies in our industry may calculate Adjusted EBITDA differently than we do.

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

(In millions)	Thirty-Nine Weeks Ended		February 1, 2020	Fiscal Year Ended (1)	
	October 31, 2020	November 2, 2019		February 2, 2019	February 3, 2018
Net income (loss)	\$ 174.0	\$ (188.5)	\$ (546.6)	\$ 35.3	\$ 96.5
Income tax provision (benefit)	17.6	(22.8)	12.1	10.3	(31.0)
Interest expense, net	55.0	77.6	101.9	101.1	95.4
Debt related (gain) loss (2)	(152.9)	—	(3.8)	2.4	0.9
Other income	—	—	—	—	—
Depreciation and amortization (3)	60.2	57.7	78.0	76.2	78.6
Strategic initiatives (4)	4.1	7.8	9.0	7.3	3.4
COVID-19 costs (5)	48.4	—	—	—	—
Technology development expense (6)	3.6	3.7	6.4	3.9	3.5
Stock-based compensation expense	1.1	0.9	1.2	0.6	1.0
Loss on disposal and impairment of fixed and operating lease assets	3.6	0.4	1.0	3.2	1.4
Goodwill and trade name impairment (7)	—	130.4	486.8	—	—
Sponsor management fee (8)	0.8	3.8	5.0	5.0	5.0
Other (9)	1.7	1.8	2.4	6.7	2.7
Adjusted EBITDA	<u>\$ 217.2</u>	<u>\$ 72.8</u>	<u>\$ 153.4</u>	<u>\$ 252.0</u>	<u>\$ 257.4</u>

(1) All years include 52 weeks except for the fiscal year ended February 3, 2018, which includes 53 weeks. See “Basis of Presentation.”

(2) “Debt related (gain) loss” represents gains associated with debt repurchases below par and write off of unamortized fees and original issue discount associated with debt refinancings.

(3) “Depreciation and amortization” represents depreciation, amortization of intangible assets, amortization of favorable and unfavorable lease rights, and amortization of content costs.

(4) “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, including costs (i) to design a new prototype and assortment

optimization process for locations, (ii) related to our efforts to initially evaluate and implement opportunities to offset the significant costs incurred due to the new U.S. tariffs on merchandise produced in China, (iii) to start up a new technology product that would traditionally be incurred by our vendors, (iv) to evaluate our opportunity in new potential lines of business, (v) to analyze improved supply chain capabilities, (vi) related to one-time legal and accounting fees associated with our planned initial public offering and (vii) to establish our foreign sourcing office.

- (5) “COVID-19 costs” represents premium pay for location team members (including cleaning and location capacity management labor), incremental seasonal clearance associated with location closures, donations for our mask making initiative and additional location cleaning supplies.
- (6) “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.
- (7) Based on our evaluation for impairment of the carrying amount of goodwill and trade name on our balance sheet. Impairment recorded was driven predominantly by the result of negative total comparable sales and declining margins, primarily resulting from the incremental U.S. tariffs on Chinese imports, along with a weaker than expected peak selling season. See Note 6 —Goodwill and Other Intangible Assets to our unaudited financial statements included elsewhere in this prospectus for further details.
- (8) “Sponsor management fee” represents management fees paid to our sponsor, LGP (or advisory affiliates thereof), in accordance with our management services agreement, which will terminate upon the consummation of this offering. Following the consummation of this offering, LGP will not provide managerial services to us in any form.
- (9) “Other” represents one-time severance, certain legal, executive leadership transition and business transition expenses.
- (d) We present free cash flow because we believe it assists lenders, investors and analysts in evaluating our ability to maintain and generate incremental liquidity. Free cash flow should not be considered as an alternative to net cash provided by operating activities as a liquidity measure. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments made on capital lease obligations or cash payments for business investments and acquisitions. Free cash flow is not a measurement of financial performance under GAAP, may have limitations as an analytical tool and should not be considered in isolation from, or as an alternative to, net income, net cash provided by operating activities or any other measure of performance derived in accordance with GAAP. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows.

The following is a reconciliation of our net cash provided by operating activities to free cash flow for the periods presented:

(Dollars in millions)	<u>Thirty-Nine Weeks Ended</u>		<u>February 1, 2020</u>	<u>Fiscal Year-Ended (1)</u>			<u>January 30, 2016</u>
	<u>October 31, 2020</u> (unaudited)	<u>November 2, 2019</u> (unaudited)		<u>February 2, 2019</u>	<u>February 3, 2018</u>	<u>January 28, 2017</u>	
Net cash provided by operating activities	\$ 185.8	\$ (170.4)	\$(33.9)	\$99.0	\$97.7	\$90.2	\$56.1
Less: total capital expenditures	28.7	64.8	78.6	48.4	44.0	30.1	40.6
Plus: landlord contributions	3.4	5.1	9.1	7.4	5.5	6.7	9.3
Free cash flow	\$ 160.5	\$ (230.1)	\$(103.4)	\$58.0	\$59.2	\$66.8	\$24.8

(1) All years include 52 weeks except for the fiscal year ended February 3, 2018, which includes 53 weeks. See “Basis of Presentation.”

- (e) We consider total capital expenditures, net of landlord contributions to be a useful non-GAAP measure as it most accurately reflects our actual total cash outlay for capital expenditures to open new locations and complete remodel and relocation projects for existing locations.

The following is a reconciliation of our total capital expenditures to our total capital expenditures, net landlord contributions for the periods presented:

(In millions)	<u>Thirty-Nine Weeks Ended</u>		<u>February 1, 2020</u>	<u>Fiscal Year-Ended</u>	
	<u>October 31, 2020</u>	<u>November 2, 2019</u>		<u>February 2, 2019</u>	<u>February 3, 2018</u>
Total capital expenditures	\$ 28.7	\$ 64.8	\$ 78.6	\$ 48.4	\$ 44.0
Less: landlord contributions	3.4	5.1	9.1	7.4	5.5
Total capital expenditures, net of landlord contributions	\$ 25.3	\$ 59.7	\$ 69.5	\$ 41.0	\$ 38.5



## RISK FACTORS

*You should carefully consider the risks described below, together with all of the other information included in this prospectus, including our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. Furthermore, the potential impact of the COVID-19 pandemic on our business operations and financial results and on the world economy as a whole may heighten the risks described below.*

### Risks Related to Our Business

***Evolving U.S. trade regulations and policies, including with China and other Asian countries, have in the past and may in the future have a material and adverse effect on our business, financial condition and results of operations.***

Our products are sourced from a wide variety of suppliers, including from suppliers overseas, particularly in China and other Asian countries. In addition, some of the products that we purchase from vendors in the United States also depend, in whole or in part, on suppliers located outside the United States. Any restrictions or tariffs imposed on products that we or our suppliers import for sale in the United States would adversely and directly impact our cost of goods sold. In addition, changes in U.S. trade regulations and policies could have an adverse impact on trade relations between the United States and certain foreign countries, which could materially and adversely affect our relationships with our international suppliers and reduce the supply of goods available to us. Further, we cannot predict the extent to which the United States will adopt changes to existing trade regulations and policies, which creates uncertainties in planning our sourcing strategies and forecasting our margins. For example, in 2018 and 2019, the United States imposed significant tariffs on various products imported from China, including certain products we source from China. The United States has also stated that further tariffs may be imposed on additional products imported from China if a trade agreement is not reached. On January 15, 2020, a “phase one” trade deal was signed between the United States and China and was accompanied by a decision from the United States to cancel a plan to increase tariffs on an additional list of products from China. However, given the limited scope of the phase one agreement, concerns over the stability of bilateral trade relations remain. In addition, the 2020 U.S. presidential election and the resulting transition in the administration has resulted in additional uncertainty regarding the future of U.S. trade relations. At this time, there is no assurance that a broader trade agreement will be successfully negotiated between the United States and China to reduce or eliminate the existing tariffs.

If additional tariffs are imposed on our products, or other retaliatory trade measures are taken, our costs could increase and we may be required to raise our prices, which could materially and adversely affect our results. For example, in fiscal year 2020, we raised our prices on certain products primarily in response to increased incremental U.S. tariffs on Chinese imports and subsequently experienced reduced demand for such products and traffic to our locations. Before mitigation, we estimate that incremental U.S. tariffs on Chinese imports in fiscal year 2020 would have amounted to \$75 million of additional annual costs, as these tariffs applied to a broad range of our products. Primarily, as a result of the actual and threatened U.S. tariffs on Chinese imports which led to our negative total comparable sales and declining margins, we impaired our recorded goodwill by \$481.8 million in fiscal year 2020. Although we have undertaken efforts, including shifting sourcing of programs where appropriate to suppliers outside of China, negotiating with domestic suppliers paying the incremental tariffs on our behalf to absorb a portion of those costs and where possible adjusting materials used to construct our products to qualify for a Harmonized Tariff Code where the Section 301 tariffs do not apply, to mitigate the negative impact of tariff-related cost increases, these efforts may be unsuccessful and/or their implementation could result in further increased costs and disruptions to our operations, further impairment charges and a loss of customers and/or suppliers. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion.

***Our inability to respond effectively to competitive pressures, changes in the retail markets and customer expectations could result in lost market share, which could have a material and adverse effect on our business, financial condition and results of operations.***

Our inability to respond effectively to competitive pressures, changes in the retail markets and customer expectations could result in lost market share, which could have a material and adverse effect on our business, financial condition and results of operations. Competition is intense in the Creative Products industry. We compete with all of these players for customer attention, shopping visits, exclusive vendor relationships, leadership talent and in some cases front line employees and retail locations. In order to retain and grow our market share, we must remain competitive in the areas of product assortment, price, convenience and customer service. In addition, the retail industry in general is subject to rapid technological change, which may increase the amount of capital we spend in the future as we work to sustain and grow our technological infrastructure and digital commerce capabilities in order to remain competitive. Moreover, we ultimately compete against alternative sources of entertainment and leisure activities for our customers that are unrelated to the Creative Product industry.

We compete with select mass merchants, including Walmart, Inc. and Target Corporation, which dedicate a portion of their selling space to selling Creative Products items. We also compete with specialty retailers in the Creative Products industry, such as The Michaels Companies, Inc. and Hobby Lobby Stores, Inc., as well as smaller regional and local operators. In addition to e-commerce options offered by the retailers mentioned above, we compete with companies that sell fabrics and crafts only over the internet, such as Amazon.com or its subsidiary Fabric.com. Some of our competitors may be larger, more experienced and offer additional products that we cannot offer economically. For example, some of our competitors may offer more options for free and/or expedited shipping for e-commerce sales than we offer. Some competitors have greater financial resources and technology capabilities, better access to merchandise, access to capital markets and debt financing and greater market penetration than we do.

The performance of our competitors as well as changes in their pricing and promotional policies, marketing activities, new location openings, merchandising and operational strategies could impact our sales and profitability. Additionally, as our competitors continue to offer online ordering, ship to home and pickup in-store fulfillment, there is risk that we could lose market share, which could have a material and adverse effect on our business, financial condition and results of operations.

***Our business is subject to continued uncertainty with respect to the ongoing COVID-19 pandemic.***

In an effort to mitigate the continued spread of the strain of coronavirus disease known as COVID-19, federal, state and local governments, as well as certain private entities, mandated various restrictions, including shelter-in-place orders, stay-at-home orders, travel restrictions, as well as capacity restrictions in our locations and required enhanced cleaning protocols. As a result of these restrictions, approximately half of our locations were temporarily closed, either completely or to in-store traffic, from mid-March 2020 through mid-June 2020. Since that time, certain state and local governments continue to impose retail closure orders and capacity restrictions, impacting some of our locations. In addition, during the pandemic, we negotiated the deferral of certain cash payments with our landlords; however, the majority of these deferred payments will be remitted over the course of fiscal year 2022. Our COVID-19 related costs for the thirty-nine weeks ended October 31, 2020 were \$48.4 million. There remains significant uncertainty surrounding the overall impact of the COVID-19 pandemic on our business, including the risk of required capacity restrictions or closing of our locations if certain restrictions are reinstated by state and local authorities. There is no assurance that we will be deemed an essential business or otherwise receive an exemption to the restrictions. As such, we are unable to accurately predict the future impact that the pandemic will have on our business, financial condition and results of operations. Additional potential future impacts include those related to:

- our ability to meet obligations to our business partners, including under our Credit Facilities and lease obligations;

- interruption and delays in our supply chain for key merchandise and operating supplies;
- the failure of third parties on which we rely, including our suppliers, to meet their obligations to us, which may be caused by their own financial or operational difficulties, travel restrictions and border closures, or disruptions with sourcing raw materials, manufacturing, delivery, shipping, exports or imports;
- the impact on future consumer demand for our products and services through the remainder of the pandemic or in subsequent periods;
- the impact on our workforce, including limitations on travel and work locations, quarantines, implementing a smaller workforce, changes in pay and temporary leaves of absence;
- increased operating costs to execute on our commitment to provide a safe operating environment in our locations, distribution centers and corporate offices;
- the continued cancellation of in-person group events such as educational classes;
- any additional government and regulatory restrictions that limit or close operating facilities, such as temporary closures of our locations, the limitation of operating hours and number of customers permitted to shop at one time, or restrict operations of our business partners, suppliers or customers; and
- credit availability and cost due to disruptions and volatility in the financial markets.

The ultimate impact of the COVID-19 pandemic on our business will be dependent on, among other things, the duration of quarantines and other global travel restrictions, the severity of the virus, the duration of the outbreak and the public's response to the outbreak. The COVID-19 pandemic may also have the effect of heightening other risks disclosed in this "Risk Factors" section.

***Certain trends relating to the COVID-19 pandemic have positively impacted our business, but there can be no assurances that these impacts will be sustained through the remainder of the pandemic or in subsequent periods.***

Certain trends relating to the COVID-19 pandemic have positively impacted certain of our merchandise categories and consumer demand for our products and services. As a result of the COVID-19 pandemic and the related stay-at-home orders, we have experienced a significant increase in e-commerce demand and consumer demand for certain products, such as mask-making. While we expect our customers' purchases for projects that were in direct response to the pandemic to decline following the pandemic, it is difficult to ascertain with precision our sales attributable to mask-making and other such projects, and there can be no assurances that these positive trends during the COVID-19 pandemic will be sustained through the remainder of the pandemic or in subsequent periods. We estimate, however, that the net result of COVID-19 impacts on our business to have been a one-time annualized benefit to our sales of 8% to 9% for fiscal year 2021. If the one-time net positive impacts on our business related to COVID-19 are not sustained through the remainder of the pandemic or in subsequent periods, and if customers' purchases for projects in direct response to the pandemic decline more than expected, our total comparable sales growth and results of operations could be adversely impacted.

***Failure to attract, develop, motivate and retain qualified team members and effectively manage overall labor costs, including potential increases in minimum wages, could limit our growth and materially and adversely affect our business, financial condition and results of operations.***

Our success depends in part upon our ability to attract, develop, motivate and retain large numbers of qualified store support center, distribution center and retail location support personnel who understand and appreciate our culture and are able to adequately represent our brand. The majority of our team members are in entry-level and part-time positions in our locations with historically high rates of turnover. In order to successfully operate our physical network, we are reliant on the ability to recruit, develop, motivate and retain significant numbers of location managers and location team members who are capable of consistently providing

a high level of customer service, as demonstrated by their enthusiasm for our brand, knowledge of our merchandise and the creative projects they support. Our operations and prospects could be adversely affected if we cannot attract and retain qualified management and team members.

Our ability to meet our labor needs while controlling our costs is subject to external factors such as unemployment levels, prevailing wage rates, rising health care and other insurance costs, uncertainty about federal health care policies, minimum wage legislation, unionization of our workers, changes in employment legislation and regulations and changing demographics. As of October 31, 2020, 1.3% of our team members were unionized, all of which work at our Hudson, Ohio distribution center. Our team members' participation in labor unions could put us at increased risk of labor strikes and disruptions of our operations. In addition, changes in minimum wage laws and other employment laws can have a significant impact on our costs and customer experience if we fail to increase our wages competitively. In particular, in recent years, there have been significant increases in minimum wages in many jurisdictions, with more increases already anticipated in future years. As of October 31, 2020, we employed approximately 27,700 team members, approximately 80% of whom are part-time and paid at or above, but near, applicable minimum wages. Additionally, many of our salaried team members are paid at rates that could be impacted by changes to minimum pay levels for exempt roles. Any increases at the federal, state or municipal level to the minimum pay rate required to remain exempt from overtime pay may adversely affect our business or results of operations. Furthermore, market competition may create further pressure for us to increase the wages paid to our team members or the benefits packages that they receive. If we experience market-driven increases in wage rates or in benefits or if we fail to increase our wages or benefits packages competitively, our ability to attract and retain team members could suffer. Consistently low unemployment rates may increase the likelihood or impact of such market pressures. Any failure to meet our staffing needs, any material increases in team member turnover rates or any increases in overall labor and health care costs could have a material and adverse effect on our business, financial condition and results of operations.

***Failure to manage inventory effectively, predict new consumer trends or effectively react to changes in consumer buying habits could materially and adversely affect our business, financial condition and results of operations.***

Due to the nature of our business, we purchase much of our inventory well in advance of each selling season. Therefore, our success depends in part on our ability to anticipate and respond in a timely manner to changing customer demands, preferences and buying habits. If we misjudge consumer preferences or demands or fail to timely and effectively react to changes in trends or overall consumer demand, we could have excess inventory that may need to be held for a long period of time, written down, sold at prices lower than expected or discarded in order to clear excess inventory at the end of a selling season. Conversely, if we underestimate consumer demand, we may experience shortages of key items and may not be able to provide products to our customers to meet their demand. Given the project and component nature of our business, these shortages could materially and adversely affect sales of other related products and even conversion of traffic to sales within our locations and on our mobile application and website. We also sometimes experience long lead times for manufacturing and delivery of our products, particularly those that we source directly from foreign suppliers, which further increases inventory carrying costs. A failure to manage our inventory effectively, including a failure to manage inventory theft or loss rates, could have a material and adverse effect on our business, financial condition and results of operations. Additionally, any failure to identify and act upon new Creative Products trends prior to our competitors could provide a competitive advantage to our competitors and have a material and adverse effect on our business, financial condition and results of operations.

In addition, our locations are generally located in strip and "big box" shopping centers, providing us with additional traffic beyond marketing efforts. Shopping center traffic may be adversely affected by, among other things, economic downturns, rising fuel costs, gasoline shortages, the closing of anchor locations, shopping center occupancy rates and mix, new shopping centers and other retail developments, perceived safety of particular shopping centers or changes in customer shopping preferences. A decline in the popularity of visiting shopping centers among our target customers could have a material and adverse effect on customer traffic and our business in general. Additionally, in response to the COVID-19 pandemic, we, or in some cases, key anchor tenants, have experienced mandatory and elective temporary closures in certain shopping centers where our locations are. A continuing reduction in traffic to shopping centers may likely lead to a decrease in our net sales and results of operations, which could have a material and adverse effect on our financial condition and results of operations.

***The seasonality of our sales may negatively impact our operating results.***

Our business is highly seasonal, with a significant amount of sales and earnings occurring in the third and, in particular, the fourth fiscal quarters. Our inventory levels and related short-term financing needs also are seasonal, with the greatest requirements occurring during our second and third fiscal quarters as we increase our inventory in preparation for our peak selling season. Our peak selling season generally runs from September through December. Accordingly, the results of a single fiscal quarter, particularly the third and fourth fiscal quarters, should not be relied on as an indication of our annual results or future performance. In addition, any factors that impact our third and fourth fiscal quarter operating results could have a disproportionate effect on our results of operations for the entire fiscal year. If for any reason our third and fourth fiscal quarter results were substantially below expectations, our operating results for the full year would be materially and adversely affected, and we could have substantial excess inventory, including seasonal merchandise, that we would have limited time to liquidate.

***We increasingly depend on e-commerce, and our failure to successfully manage this channel and deliver a convenient omni-channel shopping experience to our customers could have a material and adverse effect on our business, financial condition and results of operations.***

Expanding e-commerce is an important part of our strategy to grow our omni-channel operations and to potentially access international markets. See “—Certain trends relating to the COVID-19 pandemic have positively impacted our business, but there can be no assurances that these impacts will be sustained through the remainder of the pandemic or in subsequent periods.” Omni-channel retailing is rapidly evolving and we must keep pace with customer preferences and expectations. In addition, dependence on e-commerce and omni-channel fulfillment subjects us to certain other risks, including:

- the failure to successfully implement new systems, system enhancements and internet platforms and keep pace with frequent changes to technology requirements;
- the failure of our technology infrastructure or the computer systems that operate our mobile application and website, causing, among other things, application and website downtimes, telecommunications issues or other technical failures;
- inefficiencies or disruptions that prevent us from efficiently and affordably delivering products to our customers;
- increased competition; and
- our third party service providers’ ability to protect customer data required to transact business on our digital platforms.

Our customers are increasingly using mobile devices, computers and other devices to shop online for products that we carry. Omni-channel retailing is rapidly evolving and we must keep pace with customer preferences and expectations. There are various risks associated with omni-channel retailing, including the need to keep pace with frequent technology changes, internet security risks and an increased level of competition. Failure to identify and effectively respond to changing consumer tastes, preferences and spending patterns on a timely basis could materially and adversely affect our relationship with our customers and the demand for our products.

Our failure to successfully address and respond to these risks and uncertainties could materially and adversely affect sales, increase costs, diminish our growth prospects and damage the reputation of our brand, each of which could have a material and adverse effect on our business, financial condition and results of operations.

***General economic factors may materially and adversely affect our business, financial condition and results of operations.***

General economic conditions may adversely affect our business, financial performance and results of operations. Consumer demand for the products that we sell, as well as our overall cost structure, could be adversely affected by higher interest rates, higher fuel and other energy costs, inflation, deflation, recession, competitive labor markets, lack of available consumer credit, higher consumer debt levels, lack of consumer confidence in future economic conditions, changes in tax laws, overall economic slowdown and/or other economic factors. Our sales generally represent discretionary spending by our customers and thus we may be more susceptible to factors negatively affecting consumer demand than others selling less discretionary products. Lower consumer demand for our products would cause our revenues, and possibly our profitability, to decline, while a prolonged economic downturn could have a material and adverse effect on our business, financial condition and results of operations.

***We may not be able to maintain or negotiate favorable lease terms.***

We lease substantially all of our locations. If lower cost commercial strip shopping center locations are unavailable, whether due to large scale redevelopment of shopping centers or otherwise, we may experience difficulties entering into new leases on favorable terms. In addition, we lease substantially all of our locations generally for extended terms with a typical initial term of 10 years, and we had an average remaining term of obligation of 4.5 years as of October 31, 2020. The majority of our leases contain provisions for base rent and a small number of our leases contain provisions for base rent plus percentage rent based on sales in excess of an agreed upon minimum annual sales level. Although we have the right to terminate some of our leases under specified conditions by making specified payments, we may not be able to terminate a particular lease if or when we would like to do so, which could prevent us from closing or relocating certain underperforming locations. If we decide to close locations, we generally are required to continue paying rent and operating expenses for the balance of the lease term, or to pay to exercise rights to terminate, and the performance of any of these obligations may be expensive. When we assign or sublease vacated locations, we may remain liable on the lease obligations if the assignee or sub-lessee does not perform. Accordingly, we are subject to the risks associated with leasing locations, which can have a material and adverse effect on us.

If we are unable to renew, renegotiate or replace our leases or enter into leases for new locations on favorable terms, our growth and profitability could be harmed, which could have a material and adverse effect on our business, financial condition and results of operations.

***We are required to make significant lease payments for our leases, which may strain our cash flow.***

We depend on net cash provided by operating activities to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash provided by operating activities, and sufficient funds are not otherwise available to us from borrowings under our Credit Facilities or from other sources, we may not be able to service our operating lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which would harm our business.

***Increased costs related to the production of our merchandise or disruptions in our distribution network could materially and adversely affect our business, financial condition and results of operations.***

There are various costs related to the production of our merchandise. Any increase in such costs could have a negative impact on our business. For example, fluctuations in the prices of raw materials or other costs related to the production of our merchandise could cause our product costs to increase. Increases in our merchandise costs or in the prices of the raw materials used to create our merchandise, such as cotton, petroleum or wool used in the production of fabric and other products, could result in significant cost increases for those products. In addition, significant increases in energy costs or wages used in the production of our merchandise



may cause our suppliers to increase the merchandise cost to us, which could have a material and adverse effect on our business, financial condition and results of operations.

Similarly, disruptions in our distribution network could negatively affect our ability to meet customer demand both in our locations and through our e-commerce business. We operate three distribution centers to support our business. The majority of our inventory is shipped directly from suppliers to our distribution centers where the inventory is then processed, sorted, picked and shipped to our locations. We rely in large part on the orderly operation of this receiving and distribution process, which depends on adherence to shipping schedules and effective management of our distribution network. If any facility is severely damaged or experiences disruptions in operations due to natural disasters or other catastrophic events, labor disagreements, information system issues, shipping problems or any other reasons, our other distribution centers would likely not be able to support the resulting additional distribution demands. In addition, we utilize a variety of fulfillment sources to deliver our e-commerce orders. We rely heavily on the orderly operations of each fulfillment source to receive and manage our inventory, process online orders and deliver directly to customers on a timely basis. Any disruptions in operations whether due to natural disasters, public health epidemics or pandemics, including the ongoing COVID-19 pandemic, catastrophic events, receiving issues, shipping problems, transitioning between fulfillment sources, other operational problems or inefficiencies or any other reasons could have a direct material and adverse effect on our business, financial condition and results of operations, in addition to potentially creating a customer perception issue that could independently have a material and adverse effect on our business, financial condition and results of operations.

We also rely upon various means of transportation, including shipments by air, sea, rail and truck, to deliver products to our distribution centers from vendors, from our distribution centers to our locations, for direct shipments from vendors to locations and to fulfill our customers' online orders. Any disruptions to the transportation system or increases in transportation costs, for example, due to labor shortages or capacity constraints in the transportation industry, disruptions to the national and international transportation infrastructure, strikes or slow-downs by port or transportation company employees, fuel shortages or transportation cost increases (such as increases in ocean shipping, trucking, or consumer package delivery rates; fuel costs or port fees) could have a material and adverse effect on our business, financial condition and results of operations. Our results of operations may also be adversely affected if we are unable to secure, or are able to secure only at significantly higher costs, adequate transportation resources to meet our needs.

Our ability to meet our strategic goals depends on our ability to identify and implement improvements to our supply chain, including merchandise ordering, transportation, direct sourcing initiatives, distribution center capacity and efficiency and receipt processing, as well as the expansion of our international distribution network. If we are unable to successfully implement enhancements to our distribution systems and processes and fail to achieve the efficiencies required for us to meet our strategic goals, including by increasing our penetration of direct to factory buying relationships to reduce cost and improve product innovation, this could disrupt our supply chain, which could have a material and adverse effect on our business, financial condition and results of operations.

***Our reliance on foreign suppliers increases our risks of not obtaining adequate, timely and cost effective merchandise, as well as risks involved in foreign operations and foreign currency translation.***

We are heavily dependent on foreign suppliers, particularly manufacturers located in China and other Asian countries. For example, during fiscal year 2020, we purchased approximately 38% of our products directly from manufacturers located in foreign countries and we anticipate that this percentage may increase in coming years. In addition, many of our domestic suppliers purchase most of their products from foreign suppliers. This reliance increases the risk that we will not have adequate and timely supplies of various products due to local political, economic, social or environmental conditions (including acts of terrorism, the outbreak of war or the occurrence of a natural disaster, public health epidemic or pandemic, like the ongoing COVID-19 pandemic), transportation delays (including dock strikes and other work stoppages), restrictive actions by foreign

governments, or changes in U.S. laws and regulations affecting imports or domestic distribution. Reliance on foreign manufacturers also increases our exposure to trade infringement claims. In addition, as part of our global sourcing strategy, we have undertaken efforts to diversify the countries from where we source products, which exposes us to increased risks associated with sourcing products from countries where we have limited or no prior operating experience, such as risks associated with complying with unfamiliar laws and regulations (including uncertainty regarding the interpretation, application and enforceability of laws and regulations relating to contract and intellectual property rights), ensuring that our suppliers comply with fair labor practices and human rights laws, ensuring that we comply with the Foreign Corrupt Practices Act and other anti-corruption laws and regulations, adapting to local cultures, standards and practices and overcoming limited personnel and lack of resources in foreign countries. Any of these risks could cause us to materially alter our business practices related to sourcing and/or impact our profitability resulting in a material and adverse effect on our business, financial condition and results of operations.

If any of our suppliers have practices that are not legal or accepted in the United States, consumers may develop a negative view of us, our brand image could be damaged, and we could become the subject of boycotts by our customers and/or interest groups. Further, if our suppliers violate labor or other laws of their own country, these violations could cause disruptions or delays in their shipments of merchandise. We conduct periodic audits at various suppliers and have terminated relationships with suppliers from time to time based on the results of those audits. However, there is no guarantee that we can identify all issues from such audits and therefore we rely in part on suppliers' representations certifying their compliance with applicable laws. If our goods are manufactured using illegal or unacceptable labor practices in these countries, or other countries from which our suppliers source the product we purchase, our ability to supply merchandise for our locations without interruption, our brand image and, consequently, our sales may be materially and adversely affected.

Additionally, reductions in the value of the U.S. dollar or revaluation of the Chinese currency, or other foreign currencies, could ultimately increase the prices that we pay for our products. Further, all of our products manufactured overseas and imported into the United States are subject to duties collected by the U.S. Customs Service. We may be subjected to additional duties, significant monetary penalties, the seizure and forfeiture of the products we are attempting to import or the loss of import privileges if we or our suppliers are found to be in violation of U.S. laws and regulations applicable to the importation of our products. If duties were to be significantly increased, it could have a material and adverse effect on our business, financial condition and results of operations.

***We may not be able to achieve the expected benefits from the implementation of marketing initiatives.***

We may not be able to successfully execute our marketing initiatives, such as changes in the appearance, content and distribution of our advertising, our continued focus on digital marketing (including social media, mobile applications and web tactics such as display marketing, brand partnerships and digital video), new vendor programs and improved merchandising processes, and may fail to realize the intended benefits and growth prospects associated with these initiatives. For example, we may be unable to leverage and grow our digital customer database and social media marketing due to lack of engagement or technology challenges.

Product assortment, price, convenience and customer service have a significant influence on consumers' choices among competing products and brands. We may fail to meet assumptions underlying estimates of expected revenue growth or overall cost savings from marketing initiatives or renovations of our locations, particularly if economic conditions deteriorate. If we misjudge consumer response to our existing or future promotional activities, our business, results of operations and financial condition could suffer, which could have a material and adverse effect on our business, financial condition and results of operations.

***Our continued growth depends on our ability to successfully implement our strategic initiatives, which are subject to a variety of risks and uncertainties.***

We are in the process of implementing a location refresh initiative focused on improving the profitability of our existing locations by renovating those locations and enhancing the product offerings within those locations. This initiative has required and will continue to require significant incremental capital expenditures, and the capital required to implement the initiative across our remaining locations may be more than we expect. Additionally, the success of our location refresh initiative depends on the availability of enhanced locations, our ability to grow market share relative to our direct competitors in the same area as our refreshed locations, cost of materials or labor required to execute our refresh projects and ongoing economic viability of the areas where our refreshed locations operate, many of which are outside of our control. Further, as a result of the COVID-19 pandemic, we delayed several of our location refresh projects and may continue to experience additional costs and delays.

We have also implemented a number of cost savings initiatives, including investing in product sourcing initiatives, talent for our indirect spend procurement function and supply chain initiatives to support our e-commerce growth. There can be no assurance that our location refresh initiative, our cost savings initiatives or any future strategic initiatives will be successful, will result in the expected benefits or will be achieved on the anticipated timeframe, or at all. If we are unable to successfully implement our strategic initiative on favorable terms or at all, or if our initiatives are unsuccessful, our business, financial condition and results of operations could be materially and adversely affected.

***Any inability to balance merchandise bearing our proprietary brands with the third-party branded merchandise we sell may have an adverse effect on our sales and gross margin.***

Our proprietary branded merchandise represents a significant portion of our net sales. Our proprietary branded merchandise generally has a higher gross margin than the comparable third-party branded merchandise we offer. As a result, we may determine that it is best for us to continue to hold or increase the penetration of our proprietary brands in the future. However, carrying our proprietary brands may limit the amount of third-party branded merchandise we can carry and, therefore, there is a risk that the customers' perception that we offer the appropriate breadth of assortment for many major brands could decline. By maintaining or increasing the amount of our proprietary branded merchandise, we are also exposed to greater risk, as we may fail to anticipate trends correctly. In addition, to the extent our proprietary brands underperform, our overall brand and reputation may be harmed. These risks, if they occur, could have a material and adverse effect on our business, financial condition and results of operations.

***Any difficulty executing or integrating an acquisition, business combination or other strategic transaction could materially and adversely affect our business, financial condition and results of operations.***

We have made strategic acquisitions and investments in the past to help drive our growth and pursue strategic initiatives, and we intend to pursue similar opportunities in the future. Any difficulty in executing or integrating an acquisition, business combination or other strategic transaction may result in our inability to achieve anticipated benefits from these transactions in the time frame that we anticipate, or at all, which could adversely affect our business or results of operations. Such transactions may also disrupt the operation of our current activities and divert management's attention from other business matters. In addition, our Credit Facilities place certain limited constraints on our ability to make an acquisition or enter into a business combination, and future borrowing agreements could place tighter constraints on such actions.

***Loss of key senior management executives could have a material and adverse effect on our business, financial condition and results of operations.***

We are dependent on the services, abilities and experiences of our key senior management team to execute on our business and operating strategies. The loss of one or more key senior executives could hinder our

ability to implement our strategic and operational plans and may have a material effect on us. If we found it necessary to replace one or more key senior executives, delays in hiring the new executive(s) or our inability to effectively integrate the newly-hired executive(s) into our business processes, controls, systems and culture may also have a material and adverse effect on our business, financial condition and results of operations.

***Our total assets include intangible assets, goodwill and substantial amounts of property and equipment. Changes in estimates or projections used to assess the fair value of these assets, the ongoing effective use of those assets in our business or operating results underlying those assets that do not fully support their value, may cause us to incur impairment charges that could materially and adversely affect our business, financial condition and results of operations.***

Our total assets include intangible assets, goodwill and substantial amounts of property and equipment. Under current accounting guidelines, we must assess, at least annually, whether the value of goodwill and other intangible assets has been impaired. For example, during fiscal year 2020 and in connection with our annual impairment assessment of goodwill and trade name impairment, we recognized a non-cash goodwill impairment charge of \$481.8 million and a non-cash trade name impairment charge of \$5.0 million, which were driven primarily by the incremental U.S. tariffs on Chinese imports, along with a weaker than expected peak selling season. See “Risk Factors—Risks Related to our Business—Evolving U.S. trade regulations and policies, including with China and other Asian countries, have in the past and may in the future have a material and adverse effect on our business, financial condition and results of operations” for further discussion regarding tariffs.

We can make no assurances that we will not record any additional impairment charges in the future. Any future reduction or impairment of the value of tangible assets, goodwill, our trade name or other intangible assets will similarly result in charges against earnings, which could materially and adversely affect our reported business, financial condition and results of operations in future periods.

***Failure to comply with various regulations may result in damage to our business.***

Various federal and state laws govern our relationship with, and other matters pertaining to, our team members, including wage and hour laws, laws governing independent contractor classifications, requirements to provide meal and rest periods or other benefits, family leave mandates, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, insurance and workers’ compensation rules and anti-discrimination laws. Any claim that alleges a failure by us to comply with any of the foregoing laws and regulations may subject us to fines, penalties, injunctions, litigation and/or potential criminal violations, which could adversely affect our reputation, business, financial condition and operating results. We have been party to such lawsuits in the past, including in class action lawsuits, and may be subjected to similar suits in the future. In addition, any changes to existing employment laws or regulations or any new employment laws or regulations that are adopted may make it more difficult and costly for us to operate our business and in turn adversely affect our operating results.

Our global operations also expose us to risks and challenges associated with conducting business internationally, including with our foreign suppliers, and our results of operations may be adversely affected by our efforts to comply with U.S. laws which apply to international operations, such as the Foreign Corrupt Practices Act, U.S. economic sanctions laws and U.S. export control laws, as well as the laws of other countries, including laws related to product safety and consumer protection, privacy and taxation. Economic sanctions laws in the United States may prohibit us from transacting with or in certain countries and with certain individuals or companies. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control administers and enforces laws, Executive Orders and regulations establishing certain U.S. economic and trade sanctions. As we expand our global presence, we expect our exposure to these risks and challenges to increase, such as with respect to compliance with foreign data privacy laws and tax laws.

Federal, state and foreign governments have enacted or may enact laws or regulations regarding privacy and data security and the collection and use of personal information. We strive to comply with all such laws and regulations; it is possible, however, that these requirements may change, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, may conflict with other rules or may conflict with our practices. Further, security breaches in our information systems could result in a violation of applicable U.S., state and/or international privacy and other laws, and subject us to private litigation and governmental investigations and proceedings, any of which could result in our exposure to material civil or criminal liability. Compliance with current and future applicable U.S., state and international privacy, cybersecurity and related laws can be costly and time-consuming. Significant capital investments and other expenditures could also be required to remedy cybersecurity incidents and prevent future breaches, including costs associated with additional security technologies, personnel, experts and call centers and credit monitoring services for those whose data has been breached. Our cyber insurance coverage may not be sufficient to cover such costs. These costs, which could be material, could adversely impact our results of operations in the period in which they are incurred and may not meaningfully limit the success of future attempts to breach our information technology systems. Our failure, or our vendors' failure, to comply with the regulatory requirements concerning privacy and enhanced regulatory and litigation activity focused on privacy and data security issues could also have a material and adverse effect on our business, financial condition and results of operations.

Additionally, we are regularly involved in various litigation matters that arise in the ordinary course of our business, including liability claims, employment-related claims, contract disputes, claims arising under consumer protection laws and regulations and allegations that we have infringed third party intellectual property rights.

***Our marketing programs, e-commerce initiatives and use of consumer information are governed by an evolving set of laws and enforcement trends and unfavorable changes in those laws or trends, or our failure to comply with existing or future laws, could materially and adversely affect our business, financial condition and results of operations.***

The success of our marketing and e-commerce initiatives are dependent on our ability to collect, maintain, process and use data obtained through our interactions with customers online. Our use of this information is subject to evolving federal, state and foreign laws and enforcement trends. Failure to comply with existing and future laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of data for marketing purposes, may impede our ability to effectively engage customers via personalized marketing tactics, increase our potential monetary liability, damage our reputation and adversely affect our business and operating results. We are impacted, in particular, by the California Consumer Privacy Act, or CCPA, which became effective on January 1, 2020 and is intended to enhance privacy rights and consumer protection for residents of California. Furthermore, in November 2020, California voters passed the California Privacy Rights and Enforcement Act of 2020, which amends and expands the CCPA with additional data privacy compliance requirements that may adversely impact our business, and establishes a regulatory agency dedicated to enforcing these requirements. In the event that we are unable to timely comply with the new compliance demands, or new compliance regimes as a result of expanding our business, significant fines or penalties could result and could adversely affect our reputation and have a material and adverse effect on our business, financial condition and results of operations.

***As we are subject to U.S. federal, state, and local income taxation, and, to a much lesser extent, Chinese taxation, any adverse developments in applicable tax laws could have a material and adverse effect on our business, financial condition and results of operations. Our effective tax rate could also change materially as a result of various evolving factors, including changes in income tax law resulting from the recent presidential and congressional elections in the United States.***

We are subject to income taxation at the federal level and by most states and certain municipalities because of the scope of our retail operations and our corporate and financing structure. In addition, income earned by our foreign sourcing office in Shanghai is subject to Chinese taxation. In determining our income tax

liability for these jurisdictions, we must monitor changes to the applicable tax laws and related regulations. While our existing corporate and financing structure have been implemented in a manner we believe is in compliance with current prevailing laws, one or more U.S. states or foreign jurisdictions could also seek to impose incremental or new taxes on us. In addition, as a result of the recent presidential and congressional elections in the United States, there could be significant changes in tax law and regulations that could result in additional federal income taxes being imposed on us. No specific tax legislation or regulations have yet been proposed and the likelihood and nature of any such legislation or regulations is uncertain. Any adverse developments in these laws or regulations, including legislative changes, judicial holdings or administrative interpretations, could have a material and adverse effect on our business, financial condition and results of operations.

#### **Risks Related to Our Reliance on Third Parties**

***A disruption in relationships with third parties could materially and adversely affect our business, financial condition and results of operations.***

We rely on third parties to support our business, including, among other things, portions of our technology development and support and certain payment processing services. If we are unable to contract with third parties having the specialized skills needed to support those strategies or integrate their products and services with our business, if we fail to properly manage those third parties, or if they fail to meet our performance standards and expectations, including with respect to data security, then our reputation, sales, and results of operations could be adversely affected. In addition, we could face increased costs or be limited in finding replacement providers or hiring and retaining team members to provide these services in-house.

***Significant failures by suppliers from whom our products are sourced and the need to transition to other qualified suppliers could materially and adversely affect our business, financial condition and results of operations.***

Our business success is highly dependent on our ability to find qualified suppliers who can deliver products and services in a timely and efficient manner and in compliance with our vendor standards and all applicable laws and regulations. Many of our suppliers are small companies with limited resources that lack financial flexibility. Some of our suppliers are susceptible to cash flow issues, production difficulties, quality control issues and problems in delivering agreed-upon quantities of products or services meeting the contractual requirements, on schedule and in compliance with regulatory requirements, including those of the Consumer Product Safety Improvement Act of 2008 and state product safety laws. We may be unable, if necessary, to return products to these suppliers and obtain refunds of our purchase price or obtain reimbursement or indemnification from them if their products or services prove defective, not in compliance with contractual or regulatory requirements or in violation of third party intellectual property rights. In addition, many of our product suppliers require extensive advance notice of our requirements in order to supply products in the quantities we desire. This long lead time requires us to place orders far in advance of the time when certain products will be offered for sale, exposing us to shifts in demand. In addition, some of our suppliers may be unable to withstand a downturn in economic conditions. The inability of key suppliers to access financing, or their insolvency, could lead to their failure to deliver merchandise or services. If we are unable to procure products and services when needed, our sales and cash flows could be negatively impacted. Significant failures on the part of our key suppliers could have a material and adverse effect on our business, financial condition and results of operations.

The products we sell are sourced from a wide variety of domestic and international vendors. Global sourcing has become an increasingly important part of our business, as we have undertaken efforts to increase the amount of product we source directly from overseas manufacturers who may be new to our supplier network. Our ability to find qualified suppliers who meet our standards and supply products in a timely and efficient manner could be a significant challenge, especially with respect to goods sourced from outside the United States. Any issues related to transitioning suppliers or delays in identifying suppliers from additional countries to execute our global sourcing strategy could materially and adversely affect our revenue and gross profit.

***Product recalls and/or product liability, as well as changes in product safety and other consumer protection laws, may materially and adversely affect our business, financial condition and results of operations.***

We are subject to regulations by a variety of federal, state and international regulatory authorities, including the Consumer Product Safety Commission. As of October 31, 2020, we were utilizing approximately 680 merchandise suppliers. Since a majority of our merchandise is manufactured in foreign countries, one or more of our vendors may not adhere to product safety requirements or our quality control standards, and we may not identify the deficiency before merchandise ships to our locations. Any issues of product safety, including but not limited to those manufactured in foreign countries, could cause us to recall some of those products. If our vendors fail to manufacture or import merchandise that adheres to our quality control standards, our reputation and brands could be damaged, potentially leading to increases in customer litigation against us. Furthermore, to the extent we are unable to replace any recalled products, we may have to reduce our merchandise offerings, resulting in a decrease in sales, especially if a recall occurs near or during a seasonal period. If our vendors are unable or unwilling to recall products failing to meet our quality standards, we may be required to recall those products at a substantial cost to us. Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain merchandise, or additional labor costs associated with readying merchandise for sale. Long lead times on merchandise ordering cycles increase the difficulty for us to plan and prepare for potential changes to applicable laws.

**Risks Related to Our Capital Structure, Indebtedness and Capital Requirements**

***We may face risks related to our indebtedness, which included \$929.7 million of outstanding debt as of October 31, 2020.***

Our indebtedness and lease obligations could adversely affect our ability to raise additional capital to fund our operations, limit our flexibility in operating our business, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under the debt instruments. We had \$929.7 million in debt outstanding as of October 31, 2020. We also had \$159.4 million available for borrowing under our ABL Facility, before giving effect to the amendment and restatement of our ABL Facility on November 25, 2020. In addition, in July 2018, we executed an interest rate cap agreement, which, as of October 31, 2020, applied to an aggregate notional value of \$682.9 million of our term debt, which is intended to mitigate interest rate risk associated with future changes in interest rates for borrowings on our term loans. Regardless of our attempts to mitigate our exposure to interest rate fluctuations through the interest rate cap agreement, we still have exposure for the uncapped amounts under the term loans, which remain subject to a variable interest rate. As a result, an increase in interest rates could result in a substantial increase in interest expense. In fiscal year 2020, our total interest expense was \$101.9 million and in the thirty-nine weeks ended October 31, 2020, our total interest expense was \$55.0 million.

Our indebtedness and lease obligations could have important consequences to us, including:

- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions, investments and general corporate or other purposes;
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors that are less leveraged;
- increasing our vulnerability to general economic and industry conditions;
- exposing us to the risk of increased interest rates as the borrowings under our Credit Facilities are at variable rates of interest;



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- requiring a portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities; and
- making it more difficult for us to satisfy our obligations with respect to our debt, and any failure to comply with the obligations under our debt instruments, including restrictive covenants, could result in an event of default under the agreements governing our indebtedness.

The occurrence of any one of these events could have an adverse effect on our business, financial condition, results of operations and ability to satisfy our obligations under our indebtedness. In addition, we may incur additional indebtedness in the future, subject to the terms of our Credit Facilities, which could magnify the risks that we currently face.

***The terms of our Credit Facilities impose operating and financial restrictions on us that may impair our ability to respond to changing barriers and economic conditions.***

The agreements governing our Credit Facilities contain a number of restrictive covenants imposing significant operating and financial restrictions on us, including restrictions that may limit our ability to:

- pay dividends on, repurchase, or make distributions in respect of our capital stock or make other restricted payments;
- incur additional indebtedness or issue certain disqualified stock and preferred stock;
- create liens;
- make investments, loans and advances;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates;
- prepay certain junior indebtedness;
- make certain changes to our lines of business; and
- designate our subsidiaries as unrestricted subsidiaries.

In addition, the credit agreement governing our ABL Facility requires that we maintain a minimum fixed charge coverage ratio if excess availability is less than a specified percentage of the lesser of (i) the borrowing base and (ii) our maximum revolving commitments at any time. Our ability to meet this requirement can be affected by events beyond our control, and we may not be able to meet this ratio. A breach of any of these covenants could result in an event of default under our Credit Facilities and/or other agreements containing cross-default provisions, which could result in our lenders accelerating our debt by declaring amounts outstanding under our debt instruments, including accrued interest, to be immediately due and payable. If we are unable to pay those amounts, the lenders under our Credit Facilities could proceed against the collateral granted to them to the extent such collateral secures such indebtedness. We may not be able to generate sufficient cash to service our indebtedness or satisfy our obligations upon an event of default, and may not be able to refinance any of our indebtedness on commercially reasonable terms or at all.

In addition, our variable rate indebtedness may use LIBOR as a benchmark for establishing the interest rate applicable to the indebtedness. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. On July 27, 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether new methods of calculating LIBOR will be established such that it

continues to exist after 2021. The Alternative Reference Rates Committee has proposed the Secured Overnight Financing Rate, or SOFR, as its recommended alternative to LIBOR, and the Federal Reserve Bank of New York began publishing SOFR rates in April 2018. SOFR is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. It is unknown whether SOFR or any potential alternative reference rate will attain market acceptance as replacements for LIBOR and, as such, the potential effect on our results from operations is unknown.

***We may require additional capital to meet our financial obligations and support business growth, and this capital may not be available on acceptable terms or at all.***

Based on our current plans and market conditions, we believe that cash flows generated from our operations and borrowing capacity under our Credit Facilities will be sufficient to satisfy our anticipated cash requirements in the ordinary course of business for the foreseeable future. However, we intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges. Accordingly, we may need to engage in equity or debt financings in addition to our Credit Facilities to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could include restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

***We are a holding company with no operations of our own, and we depend on our subsidiaries for cash.***

We are a holding company and do not have any material assets or operations other than ownership of equity interests of our subsidiaries. Our operations are conducted almost entirely through our subsidiaries, and our ability to generate cash to meet our obligations or to pay dividends, if any, is highly dependent on the earnings of, and receipt of funds from, our subsidiaries through dividends or intercompany loans. The ability of our subsidiaries to generate sufficient cash flow from operations to allow us and them to make scheduled payments on our debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control.

#### **Risks Related to Intellectual Property, Information Technology and Data Privacy**

***If we are unable to adequately protect our intellectual property rights, our business, financial condition and results of operations may be materially and adversely affected.***

Our success depends in large part on our brand image and our ability to build and maintain brand loyalty. Our company's name, logo, domain name and our proprietary brands and our registered and unregistered trademarks are valuable assets that serve to differentiate us from our competitors. We currently rely on a combination of trademark, trade dress, patent, copyright and unfair competition laws to establish and protect our intellectual property rights. We cannot assure you that the steps taken by us to protect our proprietary rights will be adequate to prevent infringement of our trademarks and other proprietary rights by others, including imitation and misappropriation of our brand. We cannot assure you that obstacles related to securing additional intellectual property rights will not arise as we expand our products and geographic scope. The unauthorized use or misappropriation of our intellectual property could damage our brand identity and the goodwill we have created for our company, which could cause our sales to decline. We cannot guarantee that the operation of our business does not, and will not in the future, infringe or violate the rights of third parties. Litigation may be necessary to protect or enforce our intellectual property rights, or to defend against third party claims. Any such litigation, regardless of merit, is inherently uncertain and could be time-consuming and result in substantial costs and

diversion of our resources, causing a material and adverse effect on our business, financial condition and results of operations. If we cannot protect our intellectual property rights, our brand identity and the goodwill we created for our company may diminish, causing our sales to decline. If we are found to infringe or violate the rights of a third party, we may be forced to stop offering, or to redesign, certain products or services, to pay damages or royalties, and to enter into licensing agreements, which may not be available on commercially reasonable terms, or at all.

Most of our intellectual property has not been registered outside of the United States and we cannot always prohibit other companies from using our unregistered trademarks in foreign countries. Use of our trademarks in foreign countries by others could materially and adversely affect our identity in the United States and cause our sales to decline.

***Failure to adequately maintain the security of and prevent unauthorized access to our electronic and other confidential information, including customer and team member personal information, could materially and adversely affect our business, financial condition and results of operations.***

We are dependent upon automated information technology processes, and a large portion of our business operations is conducted electronically, increasing the risk of interception or attack that could cause loss or misuses of data, system failure or disruption of operations. As part of our normal business activities, we collect and store certain confidential information, including personal information with respect to customers and team members. We share some of this information with vendors who assist us with certain aspects of our business. Moreover, the success of our e-commerce operations depends upon the secure transmission of confidential and personal data over public networks, including the use of cashless payments. We and/or our third-party vendors, some of our competitors and other companies have in the past experienced data security breaches involving team member and customer personal and financial information, including fraudulent activity on payment cards, and we could suffer a similar attack in the future. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Improper activities by unauthorized third parties, unidentified security vulnerabilities within applications or platforms we utilize, exploitation of encryption technology, new data-hacking tools and discoveries and other events or developments may result in a future compromise or breach of our networks, or those of third parties with whom we do business, payment card terminals or other payment systems. The techniques used by criminals to obtain unauthorized access to systems or sensitive data change frequently and often are not recognized until after being launched against a target, and accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures and there may be a significant delay between the initiation of an attack on our systems and our recognition of the attack. New or changing risk profiles related to data security could require that we expend significant additional resources to enhance our information security systems.

Any failure on the part of us or our vendors to maintain the security of our confidential data and our team members' and customers' personal information, including via the penetration of our network and the misappropriation of confidential and personal information, could result in business disruption, theft of funds and other monetary loss, weaker than expected sales, significant negative media attention, damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large costs, and also could result in deterioration in our team members' and customers' trust and confidence in us and other competitive disadvantages, and thus have a material and adverse impact on us. Investigations into a data breach, including how it occurred, its consequences and our responses, by state and federal agencies would possibly lead to fines, other monetary relief and/or injunctive relief that could materially increase our data security costs, adversely impact how we operate our information systems and collect and use customer information, and put us at a competitive disadvantage with other retailers. Furthermore, payment card networks with payment cards impacted by a data breach may pursue claims against us, either directly or through our acquiring banks.

In addition, while we currently qualify for self-assessment of compliance with the Payment Card Industry Data Security Standard, or PCI DSS, a failure to maintain our PCI DSS certification could result in our inability to accept credit and debit card payments or subject us to penalties and thus could have a material and adverse effect on our business, financial condition and results of operations.

***Intentional or accidental disruptions to our information systems, including our mobile application and primary e-commerce website, or our failure to adequately support, maintain, secure and upgrade these systems could materially and adversely affect our business, financial condition and results of operations.***

We depend on a variety of information systems for the efficient functioning of our business and rely on continued and unimpeded access to the internet and we have in the past experienced disruptions of these information systems, resulting in disruptions to our business including the ability for customers to transact on our website and in our locations. We are heavily dependent upon our mobile application as a means of generating online and in-store sales, along with growing customer engagement and perception of our brand. Our mobile application is hosted by a third party and supported by another outside development firm. In addition, *joann.com*, our website platform, is operated using a software-as-a-service, or SaaS, model provided to us by an independent third party. We also rely on our order management system, which is provided by a third party, to route all of our e-commerce orders for proper fulfillment. Any failures or interruption of our mobile application, website or order management system, or incidents or failures experienced by our third party service providers, could harm our ability to serve our customers through these channels, which could adversely affect our business and operating results.

In addition, we rely on our information systems to effectively process transactions, manage inventory and purchase, sell and ship goods on a timely basis. We also rely on measures designed into these systems to manage and maintain the privacy of customer, vendor and other third party data, summarize and analyze results and maintain cost-efficient operations. Intentional or accidental disruptions to our information systems or our failure to adequately support, maintain and upgrade these systems could harm sales and have a material and adverse impact on us. To the extent we have implemented and continue to implement SaaS solutions and run applications on infrastructure hosted by third parties in the future, we will be subject to increased reliance on external partners and unique risks related to change management and loss of data.

Any material disruption or slowdown of our systems could, among other things, cause information to become lost or inaccurate, cause delays or other problems for our internal operations and customers and generate negative publicity. We may experience operational problems with our information systems as a result of power outages, computer and telecommunication failures, database corruption, denial-of-service attacks, viruses and other malicious software programs, security breaches, natural disasters, cyber-attacks, acts of war and terrorist and criminal activities, employee usage errors or other causes. Cyber incidents may result in loss of sensitive data, intellectual property or funds. Techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, therefore, we may be unable to implement adequate preventive measures. If our computer systems are damaged or cease to function properly, we may have to make a significant investment to recover, fix or replace them or to increase our cyber security protections, and we may suffer interruptions in our operations in the interim, damage to our reputation, legal and financial exposure and potentially a material and adverse effect on us. In addition, such interruptions could negatively impact customer experience and customer confidence. We also rely heavily on our information technology staff. Our inability to meet staffing needs could adversely impact our technology and business initiatives and maintenance on existing systems, which could have a material and adverse effect on our business, financial condition and results of operations.

***We are subject to payment-related risks.***

We accept payments using a variety of methods, including cash, check, credit card, debit card, gift cards and direct debit from a customer's bank account. For existing and future payment options that we offer to our

customers, we may become subject to additional regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in significant costs and reduce the ease of use of our payment options), as well as fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide certain payment processing services, including the processing of credit cards, debit cards, electronic checks and gift cards. In each case, it could disrupt our business if these companies become unwilling or unable to provide these services to us. We also are subject to payment card association operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card-issuing banks' costs, subject to fines and higher transaction fees, and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments and our business, financial condition and operating results could be materially and adversely affected.

### **Risks Related to Our Common Stock and This Offering**

***There is no existing market for our common stock and we do not know if one will develop to provide you with adequate liquidity. If our stock price fluctuates after this offering, you could lose a significant part of your investment.***

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in us will lead to the development of a trading market on Nasdaq, or otherwise or how active and liquid that market may come to be. If an active trading market does not develop, you may have difficulty selling any of the common stock that you buy.

Negotiations between us, the Selling Shareholders and the underwriters will determine the initial public offering price for our common stock, which may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering. The market price of our common stock may be influenced by many factors including:

- variations in our operating results compared to market expectations or any guidance given by us, or changes in our guidance or guidance practices;
- changes in the preferences of our customers;
- low total comparable sales growth and gross margins compared to market expectations;
- delays in the planned execution of our refresh and assortment optimization projects and other key strategic initiatives;
- the failure of securities analysts to cover us after this offering or changes in financial estimates by the analysts who cover us, our competitors or the retail industry in general;
- economic, legal and regulatory factors unrelated to our performance;
- changes in consumer spending or the economy;
- increased competition or stock price performance of our competitors;
- announcements by us or our competitors of new locations, capacity changes, strategic investments or acquisitions;

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- actual or anticipated variations in our or our competitors' operating results, and our competitors' growth rates;
- future sales of our common stock or the perception that such sales may occur;
- changes in senior management or key personnel;
- changes in laws or regulations, or new interpretations or applications of laws and regulations that are applicable to our business;
- lawsuits, enforcement actions and other claims by third parties or governmental authorities;
- action by institutional shareholders or other large shareholders;
- events beyond our control, such as war, terrorist attacks, transportation and fuel prices, natural disasters, severe weather and widespread illness or pandemics, including developments relating to the COVID-19 pandemic; and
- the other factors listed in this "Risk Factors" section.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above the initial offering price. In addition, our stock price may be volatile. The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. Accordingly, these broad market fluctuations, as well as general economic, political and market conditions, such as recessions or interest rate changes, may significantly reduce the market price of the common stock, regardless of our operating performance. In the past, following periods of market volatility, shareholders have instituted securities class action litigation. If we were to become involved in securities litigation, it could result in substantial costs and divert resources and our management's attention from other business concerns, regardless of the outcome of such litigation.

***Because LGP owns a significant percentage of our common stock, it may control all major corporate decisions and its interests may conflict with your interests as an owner of our common stock and our interests.***

We are controlled by LGP, which currently owns approximately 95% of our common stock and will own approximately 69% after the consummation of this offering. Accordingly, LGP currently controls the election of our directors and could exercise a controlling interest over our business, affairs and policies, including the appointment of our management and the entering into of business combinations or dispositions and other corporate transactions. Pursuant to the Shareholders Agreement, LGP will be entitled to designate individuals to be included in the slate of nominees recommended by our board of directors for election to our board of directors. So long as LGP owns, in the aggregate, (i) at least 50% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, LGP will be entitled to nominate five directors, (ii) less than 50%, but at least 40% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will be entitled to nominate four directors, (iii) less than 40% but at least 30% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will be entitled to nominate three directors, (iv) less than 30%, but at least 20% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will be entitled to nominate two directors, (v) less than 20%, but at least 10% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will be entitled to nominate one directors and (vi) less than 10% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will not be entitled to nominate a director. See "Certain Relationships and Related Party Transactions—Shareholders Agreement." The directors LGP elects have the authority to incur additional debt, issue or repurchase stock, declare dividends and

make other decisions that could be detrimental to shareholders. Even if LGP were to own or control less than a majority of our total outstanding shares of common stock, it will be able to influence the outcome of corporate actions so long as it owns a significant portion of our total outstanding shares of common stock.

LGP may have interests that are different from yours and may vote in a way with which you disagree and that may be adverse to your interests. In addition, LGP's concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our common stock to decline or prevent our shareholders from realizing a premium over the market price for their common stock.

Additionally, LGP is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us or supply us with goods and services. LGP may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Shareholders should consider that the interests of LGP may differ from their interests in material respects.

***We are a “controlled company” within the meaning of Nasdaq’s rules and, as a result, will qualify for, and may rely on, exemptions from certain corporate governance requirements.***

Following the consummation of this offering, LGP will continue to control a majority of our outstanding common stock. As a result, we expect to be a “controlled company” within the meaning of Nasdaq’s corporate governance standards. A company of which more than 50% of the voting power is held by an individual, a group or another company is a “controlled company” within the meaning of Nasdaq’s rules and may elect not to comply with certain corporate governance requirements of Nasdaq, including:

- the requirement that a majority of our board of directors consist of independent directors;
- the requirement that we have a nominating and corporate governance committee that is comprised entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities;
- the requirement that we have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

Following this offering, we intend to rely on all of the exemptions listed above. For at least a period following this offering, we intend to utilize all of these exemptions. As a result, we will not have a majority of independent directors and our nominating and corporate governance and compensation committees will not consist entirely of independent directors. As a result, our board of directors and those committees may have more directors who do not meet Nasdaq’s independence standards than they would if those standards were to apply. The independence standards are intended to ensure that directors who meet those standards are free of any conflicting interest that could influence their actions as directors. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

***Sales of a substantial number of shares of our common stock in the public market by our existing shareholders could cause our stock price to fall.***

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Substantially all of our existing shareholders are subject to lock-up agreements with the underwriters of this offering that restrict the shareholders’ ability to transfer shares of our common stock for 180 days from the date of this prospectus, subject to certain exceptions. The lock-up



agreements limit the number of shares of common stock that may be sold immediately following the public offering. After this offering, we will have 40,371,130 outstanding shares of common stock based on the number of shares outstanding as of October 31, 2020. Subject to limitations, 29,433,630 shares will become eligible for sale upon expiration of the lock-up period, as calculated and described in more detail in the section entitled “Shares Eligible for Future Sale.” In addition, 1,553,328 shares issued or issuable upon exercise of options vested as of the expiration of the lock-up period will be eligible for sale at that time. Further, the representatives of the underwriters may, in their sole discretion, release all or some portion of the shares subject to the lock-up agreements at any time and for any reason. See “Shares Eligible for Future Sale” for more information. Sales of a substantial number of such shares upon expiration of the lock-up agreements, the perception that such sales may occur, or early release of these agreements, could have a material and adverse effect on the trading price of our common stock.

Moreover, after this offering, holders of approximately 69% of our outstanding common stock will have rights, subject to certain conditions such as the 180-day lock-up arrangement described above, to require us to file registration statements for the public sale of their shares or to include their shares in registration statements that we may file for ourselves or other shareholders. Registration of these shares under the Securities Act, except for shares held by our affiliates as defined in Rule 144 under the Securities Act. Any sales of securities by these shareholders could have a material and adverse effect on the trading price of our common stock.

***You will incur immediate dilution as a result of this offering.***

If you purchase common stock in this offering, you will pay more for your shares than the amounts paid by existing shareholders for their shares. As a result, you will incur immediate dilution of \$27.37 per share, representing the difference between the assumed initial public offering price of \$16.00 per share (the midpoint of the estimated initial public offering price range set forth on the cover of this prospectus) and our as adjusted net tangible book value (deficit) per share after giving effect to this offering. See “Dilution.”

***Because our executive officers hold or may hold restricted shares or option awards that will vest upon a change of control, these officers may have interests in us that conflict with yours.***

Our executive officers hold or may hold restricted shares and options to purchase shares that would automatically vest upon a change of control. As a result, these officers may view certain change of control transactions more favorably than an investor due to the vesting opportunities available to them and, as a result, may have an economic incentive to support a transaction that may not be viewed as favorable by other shareholders.

***We may change our dividend policy at any time.***

Although following this offering we initially expect to pay quarterly dividends at a rate initially equal to \$0.40 per share on our common stock to holders of our common stock, we have no obligation to pay any dividend, and our dividend policy may change at any time without notice. The declaration and amount of any future dividends is subject to the discretion of our board of directors in determining whether dividends are in the best interest of our shareholders based on our financial performance and other factors and are in compliance with all laws and agreements applicable to the declaration and payment of cash dividends by us. In addition, our ability to pay dividends on our common stock is currently limited by the covenants of our Credit Facilities and may be further restricted by the terms of any future debt or preferred securities. See “Dividend Policy” and Note 2 to our audited financial statements and Note 2 to our unaudited financial statements included elsewhere in this prospectus. Future dividends may also be affected by factors that our board of directors deems relevant, including our potential future capital requirements for investments, legal risks, changes in federal and state income tax laws or corporate laws and contractual restrictions such as financial or operating covenants in our debt arrangements. As a result, there can be no assurance that we will not need to reduce or eliminate the payment of dividends on our common stock in the future, and any return on investment in our common stock

may be solely dependent upon the appreciation of the price of our common stock on the open market, which may not occur.

***Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our shareholders, and may prevent attempts by our shareholders to replace or remove our current management.***

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws, as well as provisions of the DGCL could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our shareholders, including transactions in which shareholders might otherwise receive a premium for their shares. These provisions include:

- establishing a classified board of directors such that not all members of the board are elected at one time;
- allowing the total number of directors to be determined exclusively (subject to the rights of holders of any series of preferred stock to elect additional directors) by resolution of our board of directors and granting to our board the sole power (subject to the rights of holders of any series of preferred stock or rights granted pursuant to the shareholders' agreement) to fill any vacancy on the board;
- providing that our stockholders may remove members of our board of directors only for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of our then-outstanding stock, following such time as LGP ceases to own, or no longer has the right to direct the vote of, at least 50% of the voting power of our common stock;
- authorizing the issuance of "blank check" preferred stock by our board of directors, without further shareholder approval, to thwart a takeover attempt;
- prohibiting shareholder action by written consent (and, thus, requiring that all shareholder actions be taken at a meeting of our shareholders), if LGP ceases to own, or no longer has the right to direct the vote of, at least 50% of the voting power of our common stock;
- eliminating the ability of shareholders to call a special meeting of shareholders, except for LGP, so long as LGP owns, or has the right to direct the vote of, at least 50% of the voting power of our common stock;
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at annual shareholder meetings; and
- requiring the approval of the holders of at least two-thirds of the voting power of all outstanding stock entitled to vote thereon, voting together as a single class, to amend or repeal our certificate of incorporation or bylaws if LGP ceases to own, or no longer has the right to direct the vote of, at least 50% of the voting power of our common stock.

In addition, while we have opted out of Section 203 of the DGCL, our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain "business combinations" with any "interested stockholder" for a three-year period following the time that the shareholder became an interested stockholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction that resulted in the shareholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the shareholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least two-thirds of our outstanding voting stock that is not owned by the interested stockholder.

Generally, a “business combination” includes a merger, asset or stock sale or other transaction provided for or through us resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who owns 15% or more of our outstanding voting stock and the affiliates and associates of such person. For purposes of this provision, “voting stock” means any class or series of stock entitled to vote generally in the election of directors. Our amended and restated certificate of incorporation will provide that LGP, its affiliates and any of its direct or indirect designated transferees (other than in certain market transfers and gifts) and any group of which such persons are a party do not constitute “interested stockholders” for purposes of this provision.

Under certain circumstances, this provision will make it more difficult for a person who qualifies as an “interested stockholder” to effect certain business combinations with us for a three-year period. This provision may encourage companies interested in acquiring us to negotiate in advance with our board of directors in order to avoid the shareholder approval requirement if our board of directors approves either the business combination or the transaction that results in the shareholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions that our shareholders may otherwise deem to be in their best interests. See “Description of Capital Stock.”

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors of your choosing and cause us to take corporate actions other than those you desire.

***Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware or federal district courts of the United States will be the sole and exclusive forum for certain types of lawsuits, which could limit our shareholders’ abilities to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated certificate of incorporation and amended and restated bylaws will require, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our shareholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or the amended and restated certificate of incorporation or the proposed bylaws, or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware (or the federal district court for the District of Delaware or other state courts of the State of Delaware if the Court of Chancery in the State of Delaware does not have jurisdiction). The amended and restated certificate of incorporation and amended and restated bylaws will also require that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; however, there is uncertainty as to whether a court would enforce such provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Although we believe these provisions benefit us by providing increased consistency in the application of applicable law in the types of lawsuits to which they apply, the provisions may have the effect of discouraging lawsuits against our directors and officers. These provisions would not apply to any suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

## General Risks

***Our business, financial condition and results of operations may be materially and adversely affected by various litigation and regulatory proceedings.***

We are subject to litigation and regulatory proceedings in the normal course of business and could become subject to additional claims in the future. These proceedings have included, and in the future may include, matters involving personnel and employment issues, workers' compensation, personal and property injury, disputes relating to acquisitions, governmental investigations and other proceedings. Some historical and current legal proceedings and future legal proceedings may purport to be brought as class actions on behalf of similarly situated parties including with respect to employment-related matters. We cannot be certain of the ultimate outcomes of any such claims, and resolution of these types of matters against us may result in significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could materially and adversely affect our business, financial condition and results of operations.

***Inadequacy of our insurance coverage could have a material and adverse effect on our business, financial condition and results of operations.***

We maintain third party insurance coverage against various liability risks and risks of property loss, including data security breach and directors' and officers' liability insurance coverage. Potential liabilities associated with those risks or other events could exceed the coverage provided by such arrangements resulting in significant uninsured liabilities, which could have a material and adverse effect on our business, financial condition and results of operations.

***If securities or industry analysts do not publish or cease publishing research or reports about us, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.***

The trading market for our common stock will depend in part on the research and reports that third-party securities analysts publish about us and our industry. One or more analysts could downgrade our common stock or issue other negative commentary about us or our industry. In addition, we may be unable or slow to attract research coverage. Alternatively, if one or more of these analysts cease coverage of us, we could lose visibility in the market. As a result of one or more of these factors, the trading price of our common stock could decline.

***Becoming a public company will increase our compliance costs significantly and require the expansion and enhancement of a variety of financial and management control systems and infrastructure and the hiring of significant additional qualified personnel.***

Prior to this offering, we have not been subject to the reporting requirements of the Exchange Act, or the other rules and regulations of the SEC, or any securities exchange relating to public companies. We are working with our legal, independent accounting and financial advisors to identify those areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. These areas include financial planning and analysis, tax, corporate governance, accounting policies and procedures, internal controls, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, significant changes in these and other areas. However, the expenses that will be required in order to adequately prepare for being a public company could be material. Compliance with the various reporting and other requirements applicable to public companies will also require considerable time and attention of management and will also require us to successfully hire and integrate a significant number of additional qualified personnel into our existing finance, legal, human resources and operations departments.

***We will be exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act.***

We are in the process of evaluating our internal controls systems to allow management to report on, and our independent registered public accounting firm to audit, our internal controls over financial reporting. We will be performing the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and, if required, the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We will be required to comply with Section 404 in full (including an auditor attestation on management's internal controls report) in our annual report on Form 10-K for the year following our first annual report required to be filed with the SEC (subject to any change in applicable SEC rules). Furthermore, upon completion of this process, we may identify control deficiencies of varying degrees of severity under applicable SEC and PCAOB rules and regulations that require remediation. As a public company, we will be required to report, among other things, control deficiencies that constitute a "material weakness" or changes in internal controls that, or that are reasonably likely to, materially affect internal controls over financial reporting. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting.

To comply with the requirements of being a public company, we have undertaken various actions, and may need to take additional actions, such as implementing and enhancing our internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. Additionally, when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, if we are required to make restatements of our financial statements, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy, completeness or reliability of our financial reports and the trading price of our common stock may be adversely affected, and we could become subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities, which could require additional financial and management resources. In addition, if we fail to remedy any material weakness, our financial statements could be inaccurate and we could face restricted access to the capital markets.

***If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenues and expenses that are not readily apparent from other sources. If our assumptions change or if actual circumstances differ from our assumptions, our results of operations may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

***Natural disasters, geo-political events and other highly disruptive events could materially and adversely affect our business, financial condition and results of operations.***

The occurrence of one or more natural disasters, such as fires, hurricanes, tornados, tsunamis, floods and earthquakes, geo-political events, such as civil unrest in a country in which our suppliers are located or terrorist or military activities disrupting transportation, communication or utility systems or other highly disruptive events, such as nuclear accidents, public health epidemics or pandemics (such as the ongoing COVID-19 outbreak), unusual weather conditions or cyberattacks, could adversely affect our operations and financial performance. Such events could result in physical damage to or destruction or disruption of one or more of our properties (including our corporate offices, distribution centers and locations) or properties used by third parties in connection with the supply of products or services to us, the lack of an adequate workforce in parts or all of our operations, supply chain disruptions, data, utility and communications disruptions, fewer customers visiting our locations, including due to quarantines or public health crises, the inability of our customers to reach or have transportation to our locations directly affected by such events and the inability to operate our e-commerce business. In addition, these events could cause a temporary reduction in consumer sales or the ability to sell our products or could indirectly result in increases in the costs of our insurance if they result in significant loss of property or other insurable damage. These factors could also cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and global financial markets and economies. Any of these developments could have a material and adverse effect on our business, financial condition and results of operations.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. 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,” or “should,” or the negative thereof or other variations thereon or comparable terminology. Forward-looking statements include those we make regarding the following matters:

- the effects of potential changes to U.S. trade regulations and policies, including tariffs, on our business;
- developments involving our competitors and our industry;
- potential future impacts of the COVID-19 pandemic;
- 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;
- our ability to anticipate and effectively respond to disruptions or inefficiencies in our distribution network, e-commerce fulfillment function and transportation system;
- our ability to execute on our growth strategy to renovate and improve the performance of our existing locations;
- our ability to execute on our cost-saving initiatives;
- our ability to attract and retain a qualified management team and other team members while controlling our labor costs;
- the impact of our debt and lease obligations on our ability to raise additional capital to fund our operations and maintain flexibility in operating our business;
- 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 product supplies;
- our 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 LGP’s control of us as a public company; and
- the impact of evolving governmental laws and regulations and the outcomes of legal proceedings.

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. These and other important factors, including those discussed in this prospectus under the headings “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Furthermore, the potential impact of the COVID-19 pandemic on our business operations and financial results and on the world economy as a whole may heighten the risks and uncertainties that affect our forward-looking statements described above. 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 prospectus 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 prospectus. 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 prospectus, they may not be predictive of results or developments in future periods.

Any forward-looking statement that we make in this prospectus 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 prospectus.

## USE OF PROCEEDS

We estimate that the net proceeds to us from our sale of shares in this offering will be approximately \$78.2 million, based on the assumed initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and estimated offering expenses payable by us. We intend to use the net proceeds from this offering, including any net proceeds from the underwriters' exercise of the over-allotment option to purchase additional shares from us, to pay down outstanding borrowings on our Second Lien Facility and the remainder, if any, to pay down outstanding borrowings on our ABL Facility. As of January 30, 2021, there was \$72.8 million in outstanding borrowings under our Second Lien Facility. If the underwriters exercise their option to purchase additional shares in full, we estimate that the net proceeds to be received by us will be approximately \$102.7 million, after deducting underwriting discounts and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock in this offering by the Selling Shareholders. We have agreed to pay the expenses of the Selling Shareholders related to this offering other than the underwriting discounts and commissions.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately \$5.1 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and estimated offering expenses payable by us. Each increase (decrease) of 100,000 shares in the number of shares sold in this offering by us, as set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately \$1.5 million, assuming an initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and estimated offering expenses payable by us. The information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering determined at pricing.

Loans under the Second Lien Facility bear interest at a per annum rate equal to LIBOR plus a margin of 9.25% for Euro Rate Loans (as defined in the Second Lien Facility) and LIBOR plus a margin of 8.25% for the Base Rate Loans (as defined in the Second Lien Facility), maturing on May 21, 2024. Loans under the ABL Facility bear interest at a per annum rate of LIBOR plus 1.75%-2.25%, based on availability under the ABL Facility, maturing on the earliest of (x) five years after the First Amendment Effective Date (as defined in the ABL Facility), (y) 91 days prior to the scheduled maturity of the First Lien Term Facility (as defined in the ABL Facility) or (z) 91 days prior to the scheduled maturity of the Second Lien Term Facility (as defined in the ABL Facility).

Certain of the underwriters and/or their respective affiliates are lenders under the Second Lien Credit Facility and/or the ABL Facility and, as a result, will receive a portion of the net proceeds from this offering. See "Underwriting."

## **DIVIDEND POLICY**

As a public company we anticipate paying a quarterly dividend at a rate initially equal to \$0.40 per share on our common stock to holders of our common stock. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations, cash requirements, financial condition, contractual restrictions, restrictions imposed by applicable laws and other factors that our board of directors may deem relevant. Our business is conducted through our subsidiaries. Dividends, distributions and other payments from, and cash generated by, our subsidiaries will be our principal sources of cash to repay indebtedness, fund operations and pay dividends. Accordingly, our ability to pay dividends to our shareholders is dependent on the earnings and distributions of funds from our subsidiaries. In addition, the covenants in the agreements governing our existing indebtedness, including the Credit Facilities, significantly restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us, which in turn limits our ability to pay dividends on our common stock. Based on the status of the factors listed above, the anticipated size of our intended quarterly dividend, the current relationships with our operating subsidiaries and the status of our various operating and debt agreements, we believe that we have sufficient liquidity and authorization to be able to pay our intended dividend. See Note 2 to our audited and unaudited financial statements and “Description of Certain Indebtedness” appearing elsewhere in this prospectus, for descriptions of restrictions on our ability to pay dividends.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and our consolidated capitalization as of October 31, 2020:

- on an actual basis;
- on an as adjusted basis, to give effect to: (i) the filing and effectiveness of our amended and restated certificate of incorporation and amended and restated bylaws, (ii) the issuance and sale by us of 5,468,750 shares of our common stock in this offering at an assumed initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and estimated offering expenses payable by us and (iii) the application of the net proceeds from this offering as described in “Use of Proceeds.”

The information discussed below is illustrative only, and our cash and cash equivalents and capitalization following the consummation of this offering will adjust based on the actual initial public offering price and other terms of this offering determined at pricing. You should read the data set forth below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Description of Capital Stock,” “Description of Certain Indebtedness” and the consolidated financial statements and related notes included elsewhere in this prospectus.

(In millions, except per share data)	Actual	As Adjusted (1) (2)(3)
Cash and cash equivalents	\$ 33.2	\$ 33.2
Long-term debt, including current maturities:		
ABL Facility (4)	217.0	216.1
First Lien Facility	635.4	635.4
Second Lien Facility	77.3	—
Total debt	929.7	851.5
Shareholders’ equity (deficit):		
Preferred stock; \$0.01 par value per share; no shares authorized, issued and outstanding, actual; 5,000,000 shares authorized and no shares issued and outstanding as adjusted	—	—
Common stock; \$0.01 par value per share; 200,000,000 shares authorized, 36,822,658 shares issued and 34,902,380 shares outstanding, actual; 200,000,000 shares authorized, 42,291,408 shares issued and 40,371,130 shares outstanding as adjusted	0.3	0.4
Additional paid-in capital	124.3	202.4
Retained (deficit)	(107.3)	(107.3)
Accumulated other comprehensive loss	(0.5)	(0.5)
Treasury stock at cost; 1,920,278 shares outstanding actual, 1,920,278 shares outstanding as adjusted	(13.3)	(13.3)
Total shareholders’ equity	3.5	81.7
Total capitalization	\$ 933.2	\$ 933.2

- (1) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the as adjusted amount of each of cash and cash equivalents, additional paid-in-capital, total shareholders’ equity and total capitalization by \$5.1 million, assuming the number of shares offered by us, as set forth on the cover page of

this prospectus, remains the same, and after deducting underwriting discounts and estimated offering expenses payable by us. Similarly, each increase (decrease) of 100,000 shares in the number of shares sold in this offering by us, as set forth on the cover page of this prospectus, would increase (decrease) the as adjusted amount of each of cash and cash equivalents, additional paid-in-capital, total shareholders' equity and total capitalization by \$1.5 million, assuming the assumed initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and estimated offering expenses payable by us.

- (2) Our estimate of the net proceeds that we will receive from this offering reflects the deduction of an estimated \$3.5 million of expenses relating to the offering; however, as of March 4, 2021, we had already paid approximately \$1.7 million of such expenses.
- (3) We intend to use the net proceeds from this offering to repay outstanding borrowings under our Second Lien Facility and the remainder, if any, to repay outstanding borrowings under our ABL Facility. See "Use of Proceeds."
- (4) Subsequent to October 31, 2020, we entered into an amendment and extended the maturity date and increased our borrowing capacity under the ABL Facility to up to \$500.0 million.

The number of shares of common stock to be outstanding after this offering excludes:

- 3,086,467 shares of common stock issuable upon the exercise of options outstanding under the 2012 Plan as of October 31, 2020 at a weighted average exercise price of \$6.11 per share;
- 1,187,035 additional shares of common stock reserved for future issuance under our 2021 Plan, which will become effective once the registration statement of which this prospectus forms a part is declared effective, as well as any shares of common stock that become available pursuant to provisions in the 2021 Plan that automatically increase the share reserve under our 2021 Plan, as described in "Executive Compensation—Equity Plans;" which amount excludes the IPO Option Grants and IPO RSU Grants described below;
- 656,656 shares of common stock issuable upon the exercise of the IPO Option Grants to be granted under the 2021 Plan upon the pricing of this offering with an exercise price per share equal to the initial public offering price per share;
- 156,309 shares of our common stock underlying the IPO RSU Grants to be granted under the 2021 Plan immediately following the effectiveness of the applicable Form S-8 registration statement; and
- 400,000 additional shares of common stock reserved for future issuance under our ESPP, which will become effective once the registration statement of which this prospectus forms a part is declared effective as well as any shares of common stock that become available pursuant to provisions in the ESPP that automatically increase the share reserve under our ESPP, as described in "Executive Compensation—Equity Plans."

## DILUTION

If you purchase any of the shares offered by this prospectus, you will experience dilution to the extent of the difference between the offering price per share that you pay in this offering and our as adjusted net tangible book value (deficit) per share of our common stock immediately after this offering.

Net tangible book value (deficit) is total tangible assets less total liabilities, which is not included within shareholders' equity. Tangible assets represent total assets excluding goodwill and other intangible assets. Net tangible book value (deficit) per share is determined by dividing our net tangible book value (deficit) by the aggregate number of shares of common stock outstanding.

Our net tangible book value (deficit) as of October 31, 2020 was \$(537.4) million, or \$(13.31) per share of common stock.

After giving further effect to (i) our sale of shares of common stock in this offering at an assumed initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and (ii) the application of the net proceeds from this offering as described in "Use of Proceeds," our as adjusted net tangible book value as of October 31, 2020 would have been \$(459.2) million, or \$(11.37) per share. This represents an immediate increase in as adjusted net tangible book value of \$1.94 per share to our existing shareholders and an immediate dilution of \$27.37 per share to new investors purchasing shares of common stock in this offering. Dilution in as adjusted net tangible book value (deficit) represents the difference between the price per share paid by investors in this offering and our net tangible book value per share of immediately after the offering.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	\$ 16.00
Net tangible book value (deficit) per share as of October 31, 2020 before this offering	\$ (13.31)
Increase in as adjusted net tangible book value per share attributable to new investors purchasing common stock in this offering	1.94
As adjusted net tangible book value per share after this offering	(11.37)
Dilution per share to new investors purchasing common stock in this offering	\$ 27.37

Each \$1.00 increase (decrease) in the assumed initial offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our as adjusted net tangible book value by \$5.1 million, or \$0.13 per share, and the dilution per common share to new investors in this offering by \$0.87 per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and estimated offering expenses payable by us. An increase of 100,000 shares in the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, would increase the as adjusted net tangible book value per share by \$1.5 million and decrease the dilution per share to new investors by \$0.06, assuming no change in the assumed initial public offering price and after deducting estimated underwriting discounts and estimated offering expenses payable by us. A decrease of 100,000 shares in the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, would decrease the as adjusted net tangible book value per share by \$1.5 million and increase the dilution per share to new investors by \$0.07, assuming no change in the assumed initial public offering price and after deducting underwriting discounts and estimated offering expenses payable by us.

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Sales by the Selling Shareholders in this offering will reduce the number of shares held by existing shareholders to 29,433,630, or approximately 73% of the total shares of common stock outstanding after this offering, which will increase the number of shares held by new investors to 10,937,500, or approximately 27% of the total shares of common stock outstanding after this offering.

If the underwriters exercise their option to purchase additional shares in full, the as adjusted net tangible book value per share of our common stock after giving effect to this offering would be \$(10.35) per share, and the dilution in net tangible book value per share to investors in this offering would be \$(26.35) per share.

The following table summarizes, as of October 31, 2020, on an as adjusted basis, the number of shares of common stock purchased or to be purchased from us, the total consideration paid or to be paid to us and the average price per share paid by existing shareholders or to be paid by new investors purchasing shares of common stock in this offering at an assumed initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting the underwriting discounts and estimated offering expenses payable by us.

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average Price Per Share</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
Existing shareholders	34,902,380	86%	\$416,952,109	83%	\$ 11.95
New investors	5,468,750	14%	\$ 87,500,000	17%	\$ 16.00
<b>Total</b>	<b>40,371,130</b>	<b>100%</b>	<b>\$504,452,109</b>	<b>100%</b>	<b>\$ 12.50</b>

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) total consideration paid by new investors by \$5.5 million and total consideration paid by all shareholders and average price per share paid by all shareholders by \$5.5 million and \$0.14 per share, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and before deducting underwriting discounts and estimated offering expenses payable by us. An increase (decrease) of 100,000 shares in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase (decrease) total consideration paid by new investors by \$1.6 million and total consideration paid by all shareholders and average price per share paid by all shareholders by \$1.6 million and \$0.01 per share, respectively, assuming the assumed initial public offering price remains the same, and before deducting underwriting discounts and estimated offering expenses payable by us.

Except as otherwise indicated, the above discussion and tables assume the underwriters do not exercise their option to purchase additional shares in this offering. If the underwriters fully exercise their option to purchase 1,640,625 additional shares of our common stock from us in this offering, the as adjusted net tangible book value per share would be \$(10.35) per share and the dilution to new investors in this offering would be \$(26.35) per share. If the underwriters fully exercise their option, the number of shares held by new investors will increase to 12,578,125 shares of our common stock, or approximately 30% of the total number of shares of our common stock outstanding after this offering, including the shares to be sold by the Selling Shareholders.

The number of shares of common stock to be outstanding after this offering excludes:

- 3,086,467 shares of common stock issuable upon the exercise of options outstanding under the 2012 Plan as of October 31, 2020 at a weighted average exercise price of \$6.11 per share;
- 1,187,035 additional shares of common stock reserved for future issuance under our 2021 Plan, which will become effective once the registration statement of which this prospectus forms a part is declared effective as well as any shares of common stock that become available pursuant to provisions in the 2021 Plan that automatically increase the share reserve under our 2021 Plan, as



described in “Executive Compensation—Equity Plans;” such amount excludes the IPO Option Grants and IPO RSU Grants described below;

- 656,656 shares of common stock issuable upon the exercise of the IPO Option Grants to be granted under the 2021 Plan upon the pricing of this offering with an exercise price per share equal to the initial public offering price per share;
- 156,309 shares of our common stock underlying the IPO RSU Grants to be granted under the 2021 Plan immediately following the effectiveness of the applicable Form S-8 registration statement; and
- 400,000 additional shares of common stock reserved for future issuance under our ESPP, which will become effective once the registration statement of which this prospectus forms a part is declared effective as well as any shares of common stock that become available pursuant to provisions in the ESPP that automatically increase the share reserve under our ESPP, as described in “Executive Compensation—Equity Plans.”

To the extent any options are granted and exercised in the future, there may be additional economic dilution to new investors.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our shareholders.

## SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the following selected consolidated statements of operations and cash flow data for the fiscal years ended February 1, 2020, February 2, 2019 and February 3, 2018 and the consolidated balance sheet data for the fiscal years ended February 1, 2020 and February 2, 2019 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the following selected consolidated statements of operations and cash flow data for the fiscal years ended January, 28, 2017 and January 30, 2016 and the consolidated balance sheet data as of February 3, 2018, January 28, 2017 and January 30, 2016 from our audited consolidated financial statements not included in this prospectus.

We have derived the following selected consolidated statements of operations and of cash flow data for the thirty-nine weeks ended October 31, 2020 and November 2, 2019 and our consolidated balance sheet data as of October 31, 2020 and November 2, 2019 from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared our unaudited consolidated financial statements on the same basis as our audited consolidated financial statements and have included all adjustments, consisting only of normal recurring adjustments that, in our opinion are necessary to fairly state the financial information set forth in those statements.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read the selected consolidated financial data presented below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

<u>(In millions, except for share data)</u>	<u>Thirty-Nine Weeks Ended</u>		<u>Fiscal Year Ended (a)</u>					
	<u>October 31,</u>	<u>November 2,</u>	<u>February 1,</u>	<u>February 2,</u>	<u>February 3,</u>	<u>January 28,</u>	<u>January 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	
<b>Statements of consolidated income (loss) data:</b>								
Net sales	\$ 1,921.5	\$ 1,545.6	\$ 2,241.2	\$ 2,324.8	\$ 2,314.3	\$ 2,284.8	\$ 2,358.7	
Cost of sales	949.8	768.6	1,135.9	1,148.3	1,130.3	1,124.9	1,195.4	
Selling, general and administrative expenses	818.2	723.0	977.4	951.4	943.4	924.5	944.5	
Depreciation and amortization	59.8	57.3	77.5	76.0	78.8	80.2	87.7	
Goodwill and trade name impairment	—	130.4	486.8	—	—	—	—	
Operating profit (loss)	93.7	(133.7)	(436.4)	149.1	161.8	155.2	131.1	
Interest expense, net	55.0	77.6	101.9	101.1	95.4	97.9	100.1	
Debt related (gain) loss	(152.9)	—	(3.8)	2.4	0.9	6.8	(19.7)	
Other income	—	—	—	—	—	—	(0.7)	
Income (loss) before income taxes	191.6	(211.3)	(534.5)	45.6	65.5	50.5	51.4	
Income tax provision (benefit)	17.6	(22.8)	12.1	10.3	(31.0)	18.7	18.3	
Net income (loss)	\$ 174.0	\$ (188.5)	\$ (546.6)	\$ 35.3	\$ 96.5	\$ 31.8	\$ 33.1	
Earnings per common share:								
Basic	\$ 4.99	\$ (5.40)	\$ (15.67)	\$ 1.01	\$ 2.77	\$ 0.91	\$ 0.95	
Diluted	\$ 4.88	\$ (5.40)	\$ (15.67)	\$ 1.00	\$ 2.74	\$ 0.91	\$ 0.94	
Weighted-average common shares outstanding:								
Basic	34,902,380	34,877,288	34,882,306	34,852,196	34,857,305	34,901,407	34,761,945	
Diluted	35,666,429	34,877,288	34,882,306	35,297,708	35,188,523	35,158,948	35,238,577	

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	Thirty-Nine Weeks Ended				Fiscal Year Ended (a)			
(In millions, except for share data)	October 31, 2020	November 2, 2019	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016	
Consolidated statements of cash flows data:								
Net cash provided by (used for)								
operating activities	\$ 185.8	\$ (170.4)	\$ (33.9)	\$ 99.0	\$ 97.7	\$ 90.2	\$ 56.1	
Net cash used for investing activities	(28.2)	(64.8)	(79.5)	(49.7)	(50.8)	(30.1)	(39.9)	
Net cash (used for) provided by								
financing activities	(148.8)	210.5	86.3	(25.1)	(42.3)	(125.5)	(58.1)	
Balance sheets data:								
Cash and cash equivalents	\$ 33.2	26.8	\$ 24.4	\$ 51.5	\$ 27.3	\$ 22.7	\$ 88.1	
Total current assets	799.6	877.7	719.8	710.0	642.1	605.1	646.5	
Goodwill	162.0	513.4	162.0	643.8	643.8	640.0	640.0	
Total assets	2,519.6	2,830.6	2,301.3	2,070.8	2,035.6	2,029.0	2,123.5	
Total current liabilities	651.4	541.4	498.2	394.9	347.2	312.3	296.0	
Long-term debt, net	921.6	1,337.2	1,210.2	1,106.3	1,123.0	1,178.6	1,289.4	
Total shareholders' equity (deficit)	3.5	185.6	(172.0)	373.2	338.6	241.6	208.7	
Other financial and operating data:								
Adjusted EBITDA (b)	\$ 217.2	\$ 72.8	\$ 153.4	\$ 252.0	\$ 257.4	\$ 247.4	\$ 234.9	
Location pre-opening and closing costs								
excluding loss on disposal of fixed								
assets	5.0	6.8	9.2	6.0	4.4	5.5	5.7	
Adjusted EBITDA as a percentage of								
net sales (b)	11.3%	4.7%	6.8%	10.8%	11.1%	10.8%	10.0%	

(a) All years include 52 weeks except for the fiscal year ended February 3, 2018, which includes 53 weeks. See "Basis of Presentation."

(b) We define Adjusted EBITDA as net income (loss) plus income tax provision (benefit), interest expense, net, debt related (gain) loss, other income and depreciation and amortization, as 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 costs related to strategic initiatives, COVID-19 costs, technology development expense, stock-based compensation expense, loss on disposal and impairment of fixed and operating lease assets, goodwill and trade name impairment, sponsor management fees and other one-time costs. We describe these adjustments reconciling net income (loss) to Adjusted EBITDA in the applicable table below.

We present Adjusted EBITDA, which is not a recognized financial measure under GAAP, 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. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA following this offering, and any such modification may be material. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

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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; to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies; to make budgeting decisions; to compare our performance against that of other peer companies using similar measures; and because our Credit Facilities use measures similar to Adjusted EBITDA to measure our compliance with certain covenants.

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 expenditure 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 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
- other companies in our industry may calculate Adjusted EBITDA differently than we do.

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

(In millions)	Thirty-Nine Weeks Ended		Fiscal Year Ended (1)				
	October 31, 2020	November 2, 2019	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016
Net income (loss)	\$ 174.0	\$ (188.5)	\$ (546.6)	\$ 35.3	\$ 96.5	\$ 31.8	\$ 33.1
Income tax provision (benefit)	17.6	(22.8)	12.1	10.3	(31.0)	18.7	18.3
Interest expense, net	55.0	77.6	101.9	101.1	95.4	97.9	100.1
Debt related (gain) loss (2)	(152.9)	—	(3.8)	2.4	0.9	6.8	(19.7)
Other income	—	—	—	—	—	—	(0.7)
Depreciation and amortization (3)	60.2	57.7	78.0	76.2	78.6	79.3	86.2
Strategic initiatives (4)	4.1	7.8	9.0	7.3	3.4	0.6	1.4
COVID-19 costs (5)	48.4	—	—	—	—	—	—
Technology development expense (6)	3.6	3.7	6.4	3.9	3.5	1.1	—
Stock-based compensation expense	1.1	0.9	1.2	0.6	1.0	1.1	1.1
Loss on disposal and impairment of fixed and operating lease assets	3.6	0.4	1.0	3.2	1.4	2.0	6.4
Goodwill and trade name impairment (7)	—	130.4	486.8	—	—	—	—
Sponsor management fee (8)	0.8	3.8	5.0	5.0	5.0	5.0	5.0
Other (9)	1.7	1.8	2.4	6.7	2.7	3.1	3.7
Adjusted EBITDA	<u>\$ 217.2</u>	<u>\$ 72.8</u>	<u>\$ 153.4</u>	<u>\$ 252.0</u>	<u>\$ 257.4</u>	<u>\$ 247.4</u>	<u>\$ 234.9</u>

(1) All years include 52 weeks except for the fiscal year ended February 3, 2018, which includes 53 weeks. See “Basis of Presentation.”

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- (2) “Debt related (gain) loss” represents gains associated with debt repurchases below par and write off of unamortized fees and original issue discount associated with debt refinancings.
- (3) “Depreciation and amortization” represents depreciation, amortization of intangible assets, amortization of favorable and unfavorable lease rights, and amortization of content costs.
- (4) “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, including costs (i) to design a new prototype and assortment optimization process for locations, (ii) related to our efforts to initially evaluate and implement opportunities to offset the significant costs incurred due to the new U.S. tariffs on merchandise produced in China, (iii) to start up a new technology product that would traditionally be incurred by our vendors, (iv) to evaluate our opportunity in new potential lines of business, (v) to analyze improved supply chain capabilities, (vi) related to one-time legal and accounting fees associated with our planned initial public offering and (vii) to establish our foreign sourcing office.
- (5) “COVID-19 costs” represents premium pay for location team members (including cleaning and location capacity management labor), incremental seasonal clearance associated with location closures, donations for our mask making initiative and additional location cleaning supplies.
- (6) “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.
- (7) Based on our evaluation for impairment of the carrying amount of goodwill and trade name on our balance sheet. Impairment recorded was driven predominantly by the result of negative total comparable sales and declining margins, primarily resulting from the incremental U.S. tariffs on Chinese imports, along with a weaker than expected peak selling season. See Note 6—Goodwill and Other Intangible Assets to our unaudited financial statements included elsewhere in this prospectus for further details.
- (8) “Sponsor management fee” represents management fees paid to our sponsor, LGP (or advisory affiliates thereof), in accordance with our management services agreement, which will terminate upon the consummation of this offering. Following the consummation of this offering, LGP will not provide managerial services to us in any form.
- (9) “Other” represents one-time severance, certain legal, executive leadership transition and business transition expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations together with the "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information included in this discussion and analysis or set forth elsewhere in this prospectus, 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" and "Risk Factors" sections of this prospectus 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.*

*We report on the basis of a 52- or 53-week fiscal year, which ends on the Saturday closest to the last day of January. Accordingly, references herein to references herein to "fiscal year 2018" relate to the 53 weeks ended February 3, 2018, references herein to "fiscal year 2019" relate to the 52 weeks ended February 2, 2019 and references herein to "fiscal year 2020" relate the 52 weeks ended February 1, 2020. The third quarter of fiscal year 2021 ended on October 31, 2020, and the third quarter of fiscal year 2020 ended on November 2, 2019, and both three-quarter periods include thirty-nine weeks. References herein to "third quarter of fiscal year 2021" relate to the thirteen weeks ended October 31, 2020, "second quarter of fiscal year 2021" relate to the thirteen weeks ended August 1, 2020, "third quarter of fiscal year 2020" relate to the thirteen weeks ended November 2, 2019 and "second quarter of fiscal year 2020" relate to the thirteen weeks ended August 3, 2019.*

### JOANN Overview

JOANN is the nation's category leader in Sewing and one of the fastest growing players in the arts and crafts category. The Creative Products industry is a large and growing market, which according to a 2017 Association for Creative Industries (AFCI) study is in excess of \$40 billion. The industry is currently experiencing a significant acceleration for product demand in response to multiple secular themes that have been further solidified during the COVID-19 pandemic, such as heightened DIY customer behavior, amplified participation from both new and existing customers and increased digital engagement, of which we are a key beneficiary because we have positioned ourselves and our go-forward strategies to capitalize on increased demand for Creative Products. As a well-established and trusted brand for over 75 years, we believe we have a deep understanding of our customers, what inspires their creativity and what fuels their incredibly diverse projects. Since 2016, we have embarked on a strategy to transform JOANN, which has helped us pivot from a traditional retailer to a fully-integrated, digitally-connected provider of Creative Products.

As the nation's category leader in Sewing with approximately one-third market share, based on our internal research estimates of market share of the Creative Products industry that primarily consist of an annual survey of Creative Product consumers as of July 31, 2020, we believe we offer the broadest selection of products while being committed to providing the most inspiration, helpful service and education to our customers. While we continue to gain market share and solidify this leadership position in Sewing, which represented 49% of our total net sales in the last twelve months ended October 31, 2020, we have also been growing share and believe we have further significant share opportunity in the arts and crafts category. We are well-positioned in the marketplace and have multiple competitive advantages, including our broad assortment, established omni-channel platform, multi-faceted digital interface with customers and skilled and knowledgeable team members. We offer an extensive assortment, which at its peak, averages more than 95,000 SKUs in stores and over 245,000 SKUs online, across Creative Product categories. Over 50% of our in-store net sales cannot be directly comparison-shopped because of our strong and growing own-brand portfolio, including our copyrighted or proprietary fabric patterns and designs and factory direct relationships. We have expanded access to this broad assortment through e-commerce and digital capabilities that complement our physical network, drive customer engagement and deliver an exceptional customer experience while supporting consistently strong gross margins. Through our omni-channel platform, we serve our

customers in a differentiated manner by offering several convenient fulfillment options, including BOPIS, curbside pick-up and ship-to-home offerings. Our omni-channel platform operates at a large scale, having generated \$423 million in net sales in the twelve months ended October 31, 2020, including \$377 million in net sales in the thirty-nine weeks ended October 31, 2020 and following \$126 million, \$103 million and \$87 million in net sales in fiscal years 2020, 2019 and 2018, respectively. Our data-driven digital capabilities further reinforce our relationship with our customers. Customers connect with us through our newly re-designed mobile-first website, *joann.com*, and our widely-used mobile application with over 11.8 million downloads. As of the end of the third quarter of fiscal year 2021, we had over 69 million addressable customers in our vast database, over 16 million customers in our email database and 4.5 million customers in our SMS text database. These points of differentiation are reinforced by our knowledgeable, friendly and trusted team members, a significant number of whom are sewing and craft enthusiasts, who offer a service-oriented experience for our customers that we believe cannot be replicated by mass retailers or pure play online players.

In 2016, we accelerated our journey to transform JOANN by reinventing the in-store and digital customer experience. We recruited talent at every level of the company and across all key business areas to complement our existing expertise. This undertaking has resulted in significant enhancements to our value proposition, including reinvigorating our core merchandise assortment, refreshing our branding, developing a location refresh prototype and improving the customer experience. We improved our assortment by conducting a systematic review of all categories at a product-level and all layouts at a location-level in order to optimize sales and gross margin. We have also expanded our data-driven digital footprint, which includes our extensive digital marketing assets, CRM system, social media platforms and e-commerce capabilities. We better understand our customers through our centralized database that brings together how each customer interacts in our physical and digital properties and provides a holistic view of their behavior. We are able to utilize this data to drive engagement with our brand, create loyalty and inspire, educate and ensure we are increasing our share of customer spend through timely and relevant marketing. By using data and digital contact channels, including email and SMS digital display, and leveraging our mobile application, we are able to contact customers with personalized content and provide the convenience to shop wherever and however they choose. We believe that these core initiatives and transformational investments have driven our performance and increased customer engagement over the last several years and strategically position us to continue to create long-term value. This momentum was temporarily interrupted in fiscal year 2020 by the unanticipated headwind of incremental U.S. tariffs on Chinese imports that we estimate, before mitigation, would have amounted to \$75 million of additional annual costs, as these tariffs applied to a broad range of our products. However, after working to partially offset their effects and having incorporated the balance of these tariffs into our cost base, we are driving strong operating profit growth across both our locations and e-commerce platform as well as achieving margin expansion.

## **Factors Affecting Our Business**

*Overall economic trends.* The overall economic environment and related changes in consumer behavior have a significant impact on our business. Spending by customers on our products and services is primarily discretionary, and as a result generally positive economic conditions create increased discretionary household income that promotes higher levels of spending across our business. However, the creative activities we support tend to be lower cost than other leisure activities, which could protect us to a certain degree from economic downturns. Macroeconomic factors that can affect customer spending patterns, and thereby our results of operations, include employment rates, availability of consumer credit, interest rates, tax rates and inflation, and fuel and energy costs. Macroeconomic factors can also affect our input and labor costs, notably inflation, as our financial results and ability to invest in the business are directly impacted by increases or decreases in the cost of goods and services required in our operations and initiatives. In addition to inflation, our input and labor costs are impacted by mandated costs such as minimum wages and trade policies, most significantly tariffs and duties on our products imported from foreign countries. The implementation of incremental U.S. tariffs on Chinese imports in particular has had a significant impact on our cost of goods sold, product demand and sourcing strategies. Before mitigation, we estimate that incremental U.S. tariffs on Chinese imports in fiscal year 2020 would have amounted to \$75 million of additional annual costs, as these tariffs applied to a broad range of our products.

*The COVID-19 pandemic.* As described below, the COVID-19 pandemic has had and is expected to continue to have a substantial impact on our business.

*Consumer demand for our products and services.* Our industry supports activities that are discretionary in nature and can be highly influenced by consumer trends. Our ability to achieve our desired results, including attracting new customers and growing share of spend with existing customers, depends on our ability to develop compelling product assortments and services delivered within a convenient and engaging shopping experience. Moreover, due to the nature of our business, we purchase much of our inventory well in advance of each selling season. If we misjudge consumer preferences and demand for certain products, we could be faced with excess inventories that would impact our net sales and profits.

*Size and loyalty of our customer database.* Our ability to effectively market to our customers is a critical component of our business success. We tier our customers based on total sales volume and frequency of purchase. For the thirty-nine weeks ended October 31, 2020, 30% of our net sales were generated by our top three million customers. Our recent success is also being largely driven by new customers added to our database, as 14% of our net sales for the thirty-nine weeks ended October 31, 2020 were generated by new customers added to our database over that same time period.

*Competition.* The Creative Products industry includes national players and mass merchandisers that provide assortments in many of our categories albeit typically with more limited breadth, local shops that tend to feature select categories (e.g. quilting and yarn shops) and pure play e-commerce providers. We compete with all of these players for customer attention, shopping visits, exclusive vendor relationships, leadership talent and in some cases front line employees and retail locations. Our ability to be effective across all of those points of competition has a significant effect on our results of operations.

*Effective development and sourcing of products.* Our business success requires that we provide relevant and innovative products to our customers at competitive prices. Development of those products is dependent on effective relationships with key suppliers and in many cases internal development of new products or application of current consumer trends to existing product lines. Our ability to develop, promote and apply our exclusive brands to new products is a critical component of building competitive assortments that drive our sales. Our ability to effectively source products, including through factory direct relationships, allows us to offer assortments at competitive prices while maintaining profitable product margins.

*Management of inventory and our supply chain.* We offer an extensive assortment, which at its peak, averages more than 95,000 SKUs in stores and over 245,000 SKUs through our e-commerce platforms, across Creative Product categories. The high number of SKUs required to support our business as well as the need to introduce new products and manage seasonality create complexity in our operations. We also sometimes experience long lead times for manufacture and delivery of our products, particularly those that we source directly from foreign suppliers, which further increases inventory carrying costs. The ability to effectively forecast product demand, maintain a high number of vendor relationships and order volume, replenish and allocate product and manage distribution and logistics are all critical to our success. Issues with any of these processes could result in lost sales or excess inventories which would have a negative impact on our results of operations.

*Investments in our locations, technology, infrastructure, team members and new business opportunities.* We have made, and will continue to make, significant investments in our business and operations. We believe these investments have laid the foundation for our results of operations and continued profitable growth. Refreshing our locations, enhancing our omni-channel and other customer-facing and supporting technologies, strengthening our core business processes, adding talent while developing our current team and making investments in ventures that augment our current business are critical to sustaining a vibrant enterprise that will drive strong financial results.

*Seasonality in quarterly results.* Historically, our net sales and operating profits have been materially higher in our third and fourth fiscal quarters, particularly in the months of September through December,



coinciding with fall and holiday selling seasons. We incur significantly higher expenses and working capital needs in April through August in order to procure inventory to support higher levels of sales activity later in the year. Our ability to generate cash flow or otherwise finance increased costs in the earlier portion of our fiscal year is critical to achieving strong net sales and operating profit in our historically busier fall and holiday seasons.

*53<sup>rd</sup> week.* Our fiscal year ends on the Saturday closest to January 31 (for example, fiscal year 2018 ended on February 3, 2018). Fiscal year 2018 consisted of 53 weeks and our fiscal year 2019 and fiscal year 2020 each consisted of 52 weeks. Fiscal years in which there are 53 weeks will see increased net sales and expenses from the additional week.

### **Effects of COVID-19 on Our Business**

We continue to closely monitor the impact of the COVID-19 outbreak on all facets of our business. We have taken actions to protect the safety of our team members and customers and to manage the business through the resulting fluid and challenging environment.

In late 2019, an outbreak of COVID-19 emerged and by March 11, 2020 was declared a global pandemic by The World Health Organization. Federal, state, and local governments have since implemented various restrictions, including travel restrictions, border closings, restrictions on public gatherings, quarantining of people who may have been exposed to the virus, shelter-in-place restrictions and limitations on business operations. In response to government closure orders, we were forced to close hundreds of our locations. During the second half of March 2020 and the beginning of April 2020, approximately half of our locations were closed, either completely or to in-store traffic. However, we immediately began working diligently with local and national government officials in advocating that our business and the products we sell were essential in the fight against COVID-19, and therefore exempt from shelter-in-place and stay-at-home orders. Over the ensuing weeks, we began to re-open many of our locations across the country. Initially, many of these locations were re-opened for curbside pick-up only via our BOPIS ordering process. At the beginning of the second quarter of fiscal year 2021, we had fewer than 30 locations fully closed and roughly 400 locations open for curbside pick-up only, and by mid-June 2020, all locations were fully operational and open to walk-in traffic. Throughout the entirety of the third quarter of fiscal year 2021, all locations remained opened other than for temporary deep cleanings required to maintain sanitation protocols or for weather and other related hazards. Since that time, certain state and local governments have continued to impose retail closure orders and capacity restrictions, impacting some of our locations. During this time, our ability to fulfill e-commerce orders via both our BOPIS and ship-to-home programs without interruption has had a significant positive impact on our financial performance. We have also experienced an increase in sales in certain merchandise categories due to the effects of the pandemic, as consumers created personal protective equipment, or PPE, such as face masks, and engaged in more DIY projects due to additional time spent at home. This increase in activity has led to significant additions to our marketing database, which has grown by over eight million customers in the thirty-nine weeks ended October 31, 2020. Our ability to directly market to these new customers through our robust and efficient digital channels has led to repeat purchases across a broad array of our merchandise assortments. We have also experienced declines in sales of a limited number of categories that are tied to activities that are restricted due to the pandemic such as special occasion fabrics used by customers that plan a wedding or that make their own Halloween costumes. In addition, we incurred additional supply chain expenses to ensure we were adequately stocked on key merchandise and to mitigate supply interruptions that the pandemic caused. Our COVID-19 related costs for the thirty-nine weeks ended October 31, 2020 were \$48.4 million. Throughout the pandemic, we have worked closely with our suppliers to manage flow of inventory and prioritize our most urgently required merchandise, as in many cases our needs have varied from earlier expectations and our suppliers have often needed to react to their own challenges presented by COVID-19. While it is difficult to estimate the sales to date that have been attributable to PPE-making with precision, we have been able to note significant changes in normal sales trends in categories that support that effort. These categories include cotton fabric, certain sewing supplies such as elastic, and sewing machines. Those favorable impacts to our sales were partially offset by mandated store closures and reduced sales in categories such as special occasion fabrics and seasonal décor and entertaining,

which have been negatively impacted by broad restrictions on customer gatherings and celebrations. We estimate the net result of those impacts amount to a one-time annualized benefit to our sales of 8% to 9% for fiscal year 2021. However, we view the significant number of new customers and increased engagement by new and current customers as an encouraging signal for the future of our business. We also believe the rapid adoption by customers of our digital and omni-channel offerings is a highly scalable platform that we can leverage to increase sales and reduce costs.

In response to the pandemic, we have instituted modified or reduced hours, as well as reduced occupancy limits, for all of our locations. In certain jurisdictions, our occupancy is further limited by the relevant government authority. We have also implemented, and may need to take further steps to, make adjustments to staffing levels and location configurations to reflect not only applicable restrictions and guidelines but also potential levels of consumer engagement. We are prioritizing the health and safety of our team members and customers and, to that end, we have instituted the following guidelines within all locations:

- requiring all team members in our locations to perform a health screening before each shift, which includes temperature checks, and instructing team members to stay home if they exhibit any COVID-19 symptoms;
- putting up signs and other indicators to promote social distancing while shopping and standing in line;
- implementing increased cleaning and sanitization practices throughout the location, with additional focus on high-traffic and high-touch areas such as carts, cutting counters and checkout counters;
- wearing a face mask or face shield; and
- conducting a pre-opening checklist in each location each day.

Our steps to manage operation of our locations during the pandemic have added costs to our business, some of which are non-recurring in nature, including, but not limited to premium pay for our hourly employees as well as incremental labor hours and supplies to maintain sanitation and social distancing protocols. These precautions may change from time to time as local conditions and applicable health mandates change, and therefore, it is possible we may be required to temporarily close locations or limit our operations. See “Risk Factors—Risks Relating to our Business—Our business is subject to continued uncertainty with respect to the ongoing COVID-19 pandemic.”

### **How We Assess the Performance of Our Business**

In assessing our performance, we consider a variety of performance and financial measures. The key GAAP measures include net sales, cost of sales, selling, general and administrative expenses and operating profit. In addition, we also review other important non-GAAP metrics such as Adjusted EBITDA and other performance indicators such as total comparable sales.

#### ***Net Sales***

Net sales are derived from direct retail sales to customers in our locations and online, net of merchandise returns, discounts and coupons, and excluding sales tax. Growth in net sales is impacted by total comparable sales, new location openings, location refreshes and closures.

#### ***Total Comparable Sales***

Total comparable sales are an important measure throughout the retail industry. This measure allows us to evaluate how our location base and e-commerce business are performing by measuring the change in

period-over-period net sales in locations that have been open for the applicable period. We define total comparable sales as net sales for locations that have been open for at least 13 months as well as net sales for locations that have not been remodeled, 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 prospectus regarding our total comparable sales may not be comparable to similar data made available by other retailers.

### ***Gross Margin***

Gross margin is calculated as net sales less cost of sales. Cost of sales consists primarily of the direct cost of merchandise sold at our locations and through our e-commerce platforms, along with several other costs including freight expense, vendor allowances and cash discounts, inventory shrink and clearance activity. We define gross margin rate as gross margin divided by net sales.

Our calculations of gross margins may not be directly comparable to those of our competitors. Some retailers include all of the costs related to their distribution network in cost of sales, while we exclude the indirect portion from gross margin and include it within selling, general and administrative expenses, or SG&A expenses. We include distribution costs that are directly associated with the acquisition of our merchandise and delivery to our locations in cost of sales. These costs are primarily freight incurred when we receive merchandise shipments from the vendor to our distribution centers or directly to our locations and also when we ship merchandise from our distribution centers to our locations. Freight incurred to ship e-commerce orders to our customers is also included in our cost of sales. These freight costs as well as duties, including tariffs, related to import purchases and internal transfer costs are considered to be direct costs of our merchandise and, accordingly, are recognized as cost of sales when the related merchandise is sold.

Purchasing, receiving, warehousing, fulfillment of e-commerce orders (excluding shipping costs) and other costs of our distribution network (including depreciation) and location occupancy costs are considered to be period costs not directly attributable to the value of merchandise and, accordingly, are expensed as incurred as SG&A expenses.

### ***Selling, General and Administrative Expenses***

SG&A expenses consist of various costs related to supporting and facilitating the sale of merchandise in our locations and via our e-commerce platforms. These costs include but are not limited to location, distribution center and administrative payroll, employee benefits, stock-based compensation, occupancy, facility and operating costs for our locations, distribution centers and corporate office, advertising expenses, payment card acceptance and interchange fees, location pre-opening and closing costs and other administrative expenses.

### ***Non-GAAP Financial Measures***

We present Adjusted EBITDA, which is not a recognized financial measure under GAAP, 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; to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies; to make budgeting decisions; to compare our performance against that of other peer companies using similar measures; and because our Credit Facilities use measures similar to Adjusted EBITDA to measure our compliance with certain covenants.

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We define Adjusted EBITDA as net income (loss) plus income tax provision (benefit), interest expense, net, debt related (gain) loss, other income and depreciation and amortization, as 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 costs related to strategic initiatives, COVID-19 costs, technology development expense, stock-based compensation expense, loss on disposal and impairment of fixed and operating lease assets, goodwill and trade name impairment, sponsor management fees and other one-time costs. The further adjustments are itemized in the table below.

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 expenditure 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 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
- other companies in our industry may calculate Adjusted EBITDA differently than we do.

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 income (loss) to Adjusted EBITDA for the periods presented:

(In millions)	Thirty-Nine Weeks Ended		February 1, 2020	Fiscal Year Ended (1)	
	October 31, 2020	November 2, 2019		February 2, 2019	February 3, 2018
Net income (loss)	\$ 174.0	\$ (188.5)	\$ (546.6)	\$ 35.3	\$ 96.5
Income tax provision (benefit)	17.6	(22.8)	12.1	10.3	(31.0)
Interest expense, net	55.0	77.6	101.9	101.1	95.4
Debt related (gain) loss (2)	(152.9)	—	(3.8)	2.4	0.9
Other income	—	—	—	—	—
Depreciation and amortization (3)	60.2	57.7	78.0	76.2	78.6
Strategic initiatives (4)	4.1	7.8	9.0	7.3	3.4
COVID-19 costs (5)	48.4	—	—	—	—
Technology development expense (6)	3.6	3.7	6.4	3.9	3.5
Stock-based compensation expense	1.1	0.9	1.2	0.6	1.0
Loss on disposal and impairment of fixed and operating lease assets	3.6	0.4	1.0	3.2	1.4
Goodwill and trade name impairment (7)	—	130.4	486.8	—	—
Sponsor management fee (8)	0.8	3.8	5.0	5.0	5.0
Other (9)	1.7	1.8	2.4	6.7	2.7
Adjusted EBITDA	<u>\$ 217.2</u>	<u>\$ 72.8</u>	<u>\$ 153.4</u>	<u>\$ 252.0</u>	<u>\$ 257.4</u>

- (1) All years include 52 weeks except for the fiscal year ended February 3, 2018, which includes 53 weeks.
- (2) “Debt related (gain) loss” represents gains associated with debt repurchases below par and write off of unamortized fees and original issue discount associated with debt refinancings.
- (3) “Depreciation and amortization” represents depreciation, amortization of intangible assets, amortization of favorable and unfavorable lease rights, and amortization of content costs.
- (4) “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, including costs (i) to design a new prototype and assortment optimization process for locations, (ii) related to our efforts to initially evaluate and implement opportunities to offset the significant costs incurred due to the new U.S. tariffs on merchandise produced in China, (iii) to start up a new technology product that would traditionally be incurred by our vendors, (iv) to evaluate our opportunity in new potential lines of business, (v) to analyze improved supply chain capabilities, (vi) related to one-time legal and accounting fees associated with our planned initial public offering and (vii) to establish our foreign sourcing office.
- (5) “COVID-19 costs” represents premium pay for location team members (including cleaning and location capacity management labor), incremental seasonal clearance associated with location closures, donations for our mask making initiative and additional location cleaning supplies.
- (6) “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.
- (7) Based on our evaluation for impairment of the carrying amount of goodwill and trade name on our balance sheet. Impairment recorded was driven predominantly by the result of negative total comparable sales and declining margins, primarily resulting from the incremental U.S. tariffs on Chinese imports, along with a weaker than expected peak selling season. See Note 6—Goodwill and Other Intangible Assets to our unaudited financial statements included elsewhere in this prospectus for further details.
- (8) “Sponsor management fee” represents management fees paid to our sponsor, LGP (or advisory affiliates thereof), in accordance with our management services agreement, which will terminate upon the consummation of this offering. Following the consummation of this offering, LGP will not provide managerial services to us in any form.
- (9) “Other” represents one-time severance, certain legal, executive leadership transition and business transition expenses.

## 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.

### Statement of Consolidated Income Data:

(In millions)	Thirty-Nine Weeks Ended		February 1, 2020	Fiscal Year-Ended (1)	
	October 31, 2020	November 2, 2019		February 2, 2019	February 3, 2018
Net sales	\$ 1,921.5	\$ 1,545.6	\$ 2,241.2	\$ 2,324.8	\$ 2,314.3
Gross margin	971.7	777.0	1,105.3	1,176.5	1,184.0
SG&A expenses	818.2	723.0	977.4	951.4	943.4
Depreciation and amortization	59.8	57.3	77.5	76.0	78.8
Goodwill and trade name impairment	—	130.4	486.8	—	—
Operating profit (loss)	93.7	(133.7)	(436.4)	149.1	161.8

## Other Operational Data:

	<b>Thirty-Nine Weeks Ended</b>			<b>Fiscal Year-Ended (1)</b>	
<b>(Dollars in millions)</b>	<b>October 31, 2020</b>	<b>November 2, 2019</b>	<b>February 1, 2020</b>	<b>February 2, 2019</b>	<b>February 3, 2018</b>
Total comparable sales vs. prior year	24.6%	(3.3)%	(3.6)%	1.9%	(1.4)%
Gross margin rate	50.6%	50.3%	49.3%	50.6%	51.2%
SG&A expenses as a % of net sales	42.6%	46.8%	43.6%	40.9%	40.8%
Operating profit (loss) as a % of net sales	4.9%	(8.7)%	(19.5)%	6.4%	7.0%
Adjusted EBITDA (2)	\$ 217.2	\$ 72.8	\$ 153.4	\$ 252.0	\$ 257.4
Location pre-opening and closing costs excluding loss on disposal of fixed assets	5.0	6.8	9.2	6.0	4.4
Adjusted EBITDA as a % of net sales	11.3%	4.7%	6.8%	10.8%	11.1%
Total retail location count at end of period	857	867	867	869	865

(1) All years include 52 weeks except for the fiscal year ended February 3, 2018, which includes 53 weeks.

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

## Comparison of the 39 Weeks Ended October 31, 2020 and November 2, 2019

### Net Sales

Net sales were \$1,921.5 million for the thirty-nine weeks ended October 31, 2020, an increase of \$375.9 million or 24.3% compared to the same period in fiscal year 2020. Total comparable sales for the thirty-nine weeks ended October 31, 2020 increased 24.6% compared with a total comparable sales decrease of (3.3)% in the same period in fiscal year 2020. The total comparable sales increase resulted from a 17% increase in average transaction value driven by both a higher number of items purchased per transaction and average unit retail value, along with a 4% increase in transactions as well as increases in freight revenue on e-commerce orders and growth in subscription and other services revenue. Our total comparable sales also grew as a result of increasing customer demand in our digital and omni-channel offerings. We saw strong positive results across most products in our Sewing, arts and crafts and home décor categories.

### Gross Margin

Gross margin was \$971.7 million for the thirty-nine weeks ended October 31, 2020, an increase of \$194.7 million or 25.1% compared to the same period in fiscal year 2020. That increase was primarily driven by an increase in net sales and further supported by an increase in our gross margin rate. Gross margin rate was 50.6% for the thirty-nine weeks ended October 31, 2020, an increase of 30 basis points compared to the thirty-nine weeks ended November 2, 2019. Improvements in product costs obtained through our strategic sourcing efforts and optimization of our promotional discounts were partially offset by incremental U.S. tariffs on Chinese imports, which were not fully reflected in our annual gross margin rates until mid-third quarter of fiscal year 2021, and increases in theft, loss and damage of merchandise inventory, which we refer to as inventory shrink.

We also experienced increases in several costs related to the COVID-19 pandemic, including import costs to expedite delivery of critical merchandise, incremental clearance activity in our spring holiday businesses and cost of donated product related to our community support efforts.

### Selling, General and Administrative Expenses

SG&A expenses were \$818.2 million for the thirty-nine weeks ended October 31, 2020, an increase of \$95.2 million or 13.2% compared to the same period in fiscal year 2020. This increase was primarily driven by \$34.6 million of incremental one-time expenses throughout the COVID-19 pandemic, which included

maintaining protocols to ensure a safe environment for our customers and team members through intensified cleaning and stronger focus on capacity management, along with additional labor costs associated with premium pay provided from April through October to all of our essential hourly team members. In addition, we provided for increases in expected payments under our incentive compensation plans of \$27.6 million which was driven by our favorable financial performance year to date compared to our expectations. Finally, we experienced higher location labor of \$25.2 million along with payment card interchange fees and other variable expenses of \$7.4 million due to our higher total comparable sales.

As a percentage of net sales, SG&A expenses for the thirty-nine weeks ended October 31, 2020 were 42.6%, a decrease of 420 basis points compared to the same period in fiscal year 2020. This improvement was driven by our ability to leverage our net sales increase against expenses that have grown more slowly, even after absorbing incremental expenses to manage through the COVID-19 pandemic.

#### ***Depreciation and Amortization***

Depreciation and amortization expense was \$59.8 million in the thirty-nine weeks ended October 31, 2020, an increase of \$2.5 million compared to the same period in fiscal year 2020. This increase was driven primarily by investments in location refresh and technology projects in fiscal year 2020.

#### ***Goodwill Impairment***

There were no goodwill impairment losses recorded in the thirty-nine weeks ended October 31, 2020 due to no indication of impairment. We did record an impairment charge of \$130.4 million in the thirty-nine weeks ended November 2, 2019, which were predominantly the result of negative total comparable sales and declining margins, driven primarily by the incremental U.S. tariffs on Chinese imports, along with a weaker than expected peak selling season. See Note 6—Goodwill and Other Intangible Assets to our unaudited financial statements included elsewhere in this prospectus for further details.

#### ***Interest Expense***

Interest expense for the thirty-nine weeks ended October 31, 2020 was \$55.0 million, a decrease of \$22.6 million compared to the same period in fiscal year 2020. This decrease in interest expense was due to lower average borrowings and lower interest rates as a result of decreases in LIBOR rates. The average debt level in the thirty-nine weeks ended October 31, 2020 was \$1,122.2 million compared to \$1,246.8 million in the thirty-nine weeks ended November 2, 2019.

We had \$929.7 million of debt outstanding (face value) as of October 31, 2020 versus \$1,363.5 million as of November 2, 2019.

#### ***Debt Related Gain***

During the thirty-nine weeks ended October 31, 2020, we repurchased \$347.1 million in face value of the term loans provided pursuant to our Term Loan Facilities, at an average of 54% of par, resulting in a \$152.9 million gain, which is included in debt related gain within the accompanying consolidated statements of comprehensive income (loss) and the accompanying consolidated statements of cash flows included elsewhere in this prospectus. The term loan repurchases were executed, following a competitive market bidding process, through several open market purchases on arm's length terms and in compliance with the terms of the underlying credit agreements. A write-off of the deferred charges and original issue discount, totaling \$5.9 million, associated with the original debt issuance was recognized as an offset to the gain recognized.

#### ***Income Taxes***

Our effective income tax rate for the thirty-nine weeks ended October 31, 2020 was a 9.2% provision compared to a 10.8% (benefit) for the thirty-nine weeks ended November 2, 2019. During the third quarter of

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fiscal year 2021, the release of the valuation allowance for the deferred tax asset relating to interest expense carryover based on the income tax return filed for fiscal year 2020 was adjusted to actual, receivables were recorded for a net operating loss carryback from fiscal year 2020 and a settlement was reached during the third quarter of fiscal year 2021, with the IRS sustaining a favorable position taken on an amended tax return, resulting in an effective tax rate which is lower than the statutory rate for the thirty-nine weeks ended October 31, 2020. For the thirty-nine weeks ended November 2, 2019, there was a permanent book-tax difference resulting from the \$130.4 million non-deductible goodwill impairment recorded in the second quarter of fiscal year 2020.

### ***Net Income (Loss)***

Net income was \$174.0 million for the thirty-nine weeks ended October 31, 2020, an increase of \$362.5 million compared to the same period in fiscal year 2020. The increase was driven by the factors described above.

### ***Adjusted EBITDA***

Adjusted EBITDA increased 198.4% to \$217.2 million or 11.3% of net sales for the thirty-nine weeks ended October 31, 2020 compared to \$72.8 million or 4.7% of sales for the same period in fiscal year 2020. Our growth in Adjusted EBITDA of \$144.4 million and expansion of Adjusted EBITDA as a percentage of net sales of 659 basis points was driven primarily by growth in total comparable sales that exceeded our rate of growth in SG&A expenses, as well as improvements in our gross margin rate.

### **Comparison of the 52 Weeks Ended February 1, 2020 and February 2, 2019**

#### ***Net Sales***

Net sales were \$2,241.2 million in fiscal year 2020, a decrease of \$83.6 million or 3.6% compared to fiscal year 2019. Total comparable sales also decreased by 3.6% compared with a total comparable sales increase of 1.9% in fiscal year 2019. This decrease in total comparable sales was driven by a decrease in transactions in part caused by actions taken by us in response to the incremental U.S. tariffs on Chinese imports.

#### ***Gross Margin***

Gross margin was \$1,105.3 million in fiscal year 2020, a decrease of \$71.2 million or 6.1% compared to fiscal year 2019. That decrease was driven by both a decrease in net sales and a decrease in our gross margin rate. Gross margin rate was 49.3% or a decrease of 129 basis points compared to fiscal year 2019. Improvements in product costs obtained through our strategic sourcing efforts were more than offset by significant cost increases driven by the incremental U.S. tariffs on Chinese imports. We also experienced increases in freight expenses and inventory shrink, which were partially offset by reduced clearance activity in fiscal year 2020 compared to fiscal year 2019.

#### ***Selling, General and Administrative Expenses***

SG&A expenses were \$977.4 million in fiscal year 2020, an increase of \$26.0 million or 2.7% compared to fiscal year 2019. This increase was driven by several factors including general inflation and wage increases of \$15.7 million and the reclassification of sublease income of \$7.1 million from an offset to SG&A to an increase in revenue which was done in association with the adoption of Accounting Standards Codification, or ASC, 842 in fiscal 2020. In addition, we experienced increases in our location occupancy costs of \$6.8 million, a growth in insurance premiums and self-insured claims of \$4.1 million and increases in our distribution center expenses of \$4.1 million. Those factors were partially offset by a decrease in certain variable costs related to our decline in total comparable sales of \$9.5 million and reduced incentive compensation during fiscal year 2020 compared to fiscal year 2019 of \$5.8 million. As a percentage of net sales, SG&A expenses for fiscal year 2020 were 43.6%, an increase of 269 basis points compared to fiscal year 2019.



Distribution costs included within SG&A expenses amounted to \$66.0 million in fiscal year 2020 and \$62.0 million in fiscal year 2019. Location occupancy costs included within SG&A expenses amounted to \$258.8 million in fiscal year 2020 and \$252.0 million in fiscal year 2019.

### ***Depreciation and Amortization***

Depreciation and amortization expense increased \$1.5 million to \$77.5 million in fiscal year 2020 compared to \$76.0 million in fiscal year 2019. This increase was driven primarily by investments in location refresh projects and technology.

### ***Goodwill and Trade Name Impairment***

During fiscal year 2020, goodwill and trade name impairment losses were \$481.8 million and \$5.0 million, respectively. The non-cash goodwill and trade name impairments were predominantly the result of negative total comparable sales and declining margins, driven primarily by the incremental U.S. tariffs on Chinese imports, along with a weaker than expected peak selling season. See Note 8—Goodwill and Other Intangible Assets to our audited financial statements included elsewhere in this prospectus for further details.

### ***Interest Expense***

Interest expense for fiscal year 2020 was \$101.9 million, a \$0.8 million increase from fiscal year 2019. This increase in interest expense was primarily due to higher average borrowings in fiscal year 2020 partially offset by a lower average interest rate as a result of decreases in LIBOR. Our average debt levels increased to \$1,256.7 million in fiscal year 2020 compared to an average of \$1,232.4 million in fiscal year 2019.

We had \$1,235.5 million of debt outstanding (face value) as of February 1, 2020 versus \$1,152.2 million as of February 2, 2019.

### ***Debt Related Gain Loss***

During fiscal year 2020, we repurchased \$6.3 million in face value of the term loans provided pursuant to our Second Lien Facility at an average of 38% of par, resulting in a \$3.8 million gain, which is included in debt related (gain) loss within the accompanying consolidated statements of comprehensive income and the accompanying consolidated statements of cash flows included elsewhere in this prospectus. The term loan repurchases were executed, following a competitive market bidding process, through several open market purchases on arm's length terms and in compliance with the terms of the underlying credit agreements. A write-off of the deferred charges and original issue discount, totaling \$0.1 million, associated with the original debt issuance was recognized as an offset to the debt related gain.

### ***Income Taxes***

Our effective income tax rate for fiscal year 2020 was a 2.3% provision compared to a 22.6% provision in fiscal year 2019. The change in the effective tax rate was primarily driven by a permanent book-tax difference resulting from the \$481.8 million non-deductible goodwill impairment recorded during fiscal year 2020 and the recording of \$27.9 million of valuation allowances related to limitations in the deductibility of interest expense. In fiscal year 2019, there were no book-tax differences relating to non-deductible goodwill impairment and no recording valuation allowances relating to the interest expense limitation. Our effective rate is subject to change based on the mix of income from different state jurisdictions, which tax at different rates, as well as the change in status or outcome of uncertain tax positions.

### ***Net Income (Loss)***

There was a net loss of \$546.6 million in fiscal year 2020, as compared to net income of \$35.3 million in the same period in fiscal year 2019. The decrease was driven by the factors described above.

### ***Adjusted EBITDA***

Adjusted EBITDA decreased by 39.1% to \$153.4 million in fiscal year 2020 or 6.8% of sales compared to \$252.0 million or 10.8% of sales in fiscal year 2019. The decrease in Adjusted EBITDA was primarily due to our decline in total comparable sales and reduced gross margin rate that were driven by the incremental tariffs on Chinese imports.

### **Comparison of the 52 Weeks Ended February 2, 2019 and 53 Weeks Ended February 3, 2018**

#### ***Net Sales***

Net sales were \$2,324.8 million in fiscal year 2019, an increase of \$10.5 million or 0.5% compared to fiscal year 2018. This increase was primarily driven by an increase in total comparable sales partially offset by only fifty-two weeks of sales in fiscal year 2019 compared to fifty-three weeks in fiscal year 2018. Total comparable sales increased by 1.9% compared with a total comparable sales decrease of 1.4% for fiscal year 2018. The increase in comparable sales was driven by an increase in average transaction value, partially offset by a decrease in transactions.

#### ***Gross Margin***

Gross margin was \$1,176.5 million in fiscal year 2019, a decrease of \$7.5 million or 0.6% compared to fiscal year 2018. This decrease was primarily driven by the fact that our fiscal year 2018 included 53 weeks compared to 52 weeks in fiscal year 2019. Gross margin rate for fiscal year 2019 was 50.6% or a decrease of 55 basis points compared to fiscal year 2018. This decrease in gross margin rate was driven by additional product clearance activity, freight expenses and inventory shrink, partially offset by improved optimization of our promotional discounts as well as product cost savings generated by our direct sourcing initiatives compared to fiscal year 2018.

#### ***Selling, General and Administrative Expenses***

SG&A expenses were \$951.4 million in fiscal year 2019, an increase of \$8.0 million or 0.8% compared to fiscal year 2018. This increase was primarily driven by the incremental expenses associated with our strategic initiatives and other one-time expenses such as legal settlements, loss on disposals and severance costs of \$9.1 million, an increase in location payroll to support higher sales of \$7.8 million, higher distribution center expenses to support increased receipt and shipment volume of \$6.7 million, and an increase in location occupancy costs needed to support new and relocated locations in fiscal year 2019 of \$3.2 million. Those factors were partially offset by the fact that we incurred 52 weeks of certain expenses in fiscal year 2019 as compared to 53 weeks in fiscal year 2018 of \$10.3 million, a decrease in advertising expense associated with migrating to more cost efficient digital media of \$5.0 million, and a decrease in the number of self-insured medical claims of \$1.5 million. As a percentage of net sales, SG&A expenses were 40.9%, an increase of 16 basis points compared to fiscal year 2018.

Distribution costs included within SG&A expenses amounted to \$62.0 million in fiscal year 2019 and \$56.2 million in fiscal year 2018. Location occupancy costs included within SG&A expenses amounted to \$252.0 million in fiscal year 2019 and \$248.8 million in fiscal year 2018.

#### ***Depreciation and Amortization***

Depreciation and amortization expense decreased \$2.8 million to \$76.0 million in fiscal year 2019 compared to \$78.8 million in fiscal year 2018. This decrease was driven by the assets that became fully depreciated in fiscal year 2019 and fiscal year 2018 and exceeded depreciation on new investments.

### ***Interest Expense***

Interest expense for fiscal year 2019 was \$101.1 million, a \$5.7 million increase from fiscal year 2018. The increase in interest expense was primarily due to higher average interest rates in fiscal year 2019 as a result of increases in LIBOR. Our average debt levels also increased to \$1,232.4 million in fiscal year 2019 compared to an average of \$1,218.7 million in fiscal year 2018.

We had \$1,152.2 million of debt outstanding (face value) as of February 2, 2019 and \$1,169.1 million as of February 3, 2018.

### ***Debt Related (Gain) Loss***

During fiscal year 2019, the Company repurchased \$274.5 million in face value of the 9.75% cash interest/10.50% PIK interest Senior PIK Toggle Notes due 2019, or the Holding Company Senior Notes, at par in conjunction with a refinancing of the Holding Company Senior Notes funded by proceeds from our Second Lien Facility, which resulted in \$2.4 million of debt extinguishment costs that are included in debt related (gain) loss within the accompanying consolidated statements of comprehensive income (loss) and the accompanying consolidated statements of cash flows included elsewhere in this prospectus.

### ***Income Taxes***

Our effective income tax rate for fiscal year 2019 increased to a 22.6% provision compared to a 47.3% benefit in fiscal year 2018. The increase in the effective tax rate was primarily due to our recording of a tax benefit of \$52.3 million for the impact of the Tax Cuts and Jobs Act, or the Tax Act, on our net deferred tax liability in fiscal year 2018.

### ***Net Income***

There was net income of \$35.3 million in fiscal year 2019, as compared to net income of \$96.5 million in the same period in fiscal year 2018, which represents a decrease of \$61.2 million for the period ended. The decrease was driven by the factors described above.

### ***Adjusted EBITDA***

Adjusted EBITDA decreased by 2.1% to \$252.0 million in fiscal year 2019 or 10.8% of sales compared to \$257.4 million or 11.1% of sales in fiscal year 2018. The decrease in Adjusted EBITDA of \$5.4 million or 28 basis points as a percentage of net sales was primarily driven by the fact that our fiscal year 2018 included 53 weeks compared to 52 weeks in our fiscal year 2019. We estimate that the 53<sup>rd</sup> week of fiscal year 2018 delivered an additional \$37.1 million of net sales, \$18.0 million of gross profit and \$8.4 million of Adjusted EBITDA.

### ***Liquidity and Capital Resources***

We have three principal sources of liquidity: cash generated from operations, cash and cash equivalents on hand and available borrowings under our ABL Facility. 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 for the foreseeable future. Please refer to “Description of Certain Indebtedness” for a description of the material terms of our Credit Facilities. As of February 1, 2020 and October 31, 2020, we were in compliance with all covenants under our debt facilities and notes. For the four quarters ended October 31, 2020, our net cash provided by operating activities was \$322.3 million and our Credit Facility Adjusted EBITDA was \$305.2 million.

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We reference Credit Facility Adjusted EBITDA because it is a measure that is calculated in accordance with our Credit Facilities and used to determine our compliance with certain ratios 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 (i) under our First Lien Facility 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 and (ii) under our Second Lien Facility if our ratio of consolidated net debt to Credit Facility Adjusted EBITDA for such period is not greater than 4.50 to 1.0. As of October 31, 2020, our ratio of consolidated net debt to Credit Facility Adjusted EBITDA was 3.0 to 1.0, and of consolidated senior secured net debt to Credit Facility Adjusted EBITDA was 2.7 to 1.0. Other provisions in our Credit Facilities utilize ratios including Credit Facility Adjusted EBITDA for calculating permitted limits for us to incur additional debt and make certain investments. 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 audited financial statements and determines what percentage of our excess cash flow (as defined in our Term Loan Facilities) we are required to apply for the repayment of principal on our First Lien Facility (or if paid off or terminated, our Second Lien Facility), 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. For fiscal year 2020, (i) our excess cash flow was determined to be zero and (ii) our mandatory prepayment was determined to be 50% of excess cash flow since our ratio of senior secured debt to Credit Facility Adjusted EBITDA was greater than 2.50x, which resulted in a mandatory prepayment amount of \$0. Accordingly, we believe that Credit Facility Adjusted EBITDA is material to an investor's understanding of our financial condition and liquidity.

(in millions)	Four Quarters Ended October 31, 2020
Net cash provided by operating activities	\$ 322.3
Non-cash operating lease expense	(148.2)
Depreciation and amortization excluding content cost amortization	(80.0)
Deferred income taxes	(8.5)
Stock-based compensation expense	(1.4)
Amortization of deferred financing costs and original issue discount	(3.9)
Debt related gain	156.7
Loss on disposal and impairment of fixed assets	(2.7)
Goodwill and trade name impairment	(356.4)
Change in operating assets and liabilities	(62.0)
Net (loss) income	\$ (184.1)
Income tax provision	52.5
Interest expense, net	79.3
Debt related gain	(156.7)
Depreciation and amortization	80.5
Strategic initiatives	5.3
COVID-19 costs	48.4
Technology development expense	6.3
Stock-based compensation expense	1.4
Loss on disposal and impairment of fixed and operating lease assets	4.2
Goodwill and trade name impairment	356.4
Sponsor management fee	2.0
Other	2.3
Adjusted EBITDA	\$ 297.8
Location pre-opening and closing costs excluding loss on disposal of fixed assets	7.4
Credit Facility Adjusted EBITDA	\$ 305.2

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Our capital requirements are primarily for capital expenditures in connection with new location openings, location remodels, investments in information technology, other infrastructure investments 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 operating, investing and financing activities:

(In millions)	Thirty-Nine Weeks Ended		February 1, 2020	Fiscal Year-Ended (1)	
	October 31, 2020	November 2, 2019		February 2, 2019	February 3, 2018
Net cash provided by (used for) operating activities	\$ 185.8	\$ (170.4)	\$ (33.9)	\$ 99.0	\$ 97.7
Net cash used for investing activities	(28.2)	(64.8)	(79.5)	(49.7)	(50.8)
Net cash (used for) provided by financing activities	(148.8)	210.5	86.3	(25.1)	(42.3)
Net increase (decrease) in cash and cash equivalents	<u>\$ 8.8</u>	<u>\$ (24.7)</u>	<u>\$ (27.1)</u>	<u>\$ 24.2</u>	<u>\$ 4.6</u>

(1) All years include 52 weeks except for the fiscal year ended February 3, 2018, which includes 53 weeks.

### **Net Cash (used for) Provided by Operating Activities**

#### *Comparison of the 39 Weeks Ended October 31, 2020 and November 2, 2019*

Net cash provided by operating activities was \$185.8 million in the thirty-nine weeks ended October 31, 2020 compared with \$(170.4) million of net cash used for operating activities in the thirty-nine weeks ended November 2, 2019. The increase in net cash provided by operating activities was primarily driven by our positive total comparable sales results, the significant improvement in working capital efficiency and the deferral of certain cash payments negotiated with our landlords and others allowed under the Coronavirus Aid, Relief, and Economic Security Act as a result of the COVID-19 pandemic. The majority of deferred payments will be remitted over the course of fiscal year 2022.

#### *Comparison of the 52 Weeks Ended February 1, 2020 and February 2, 2019*

Net cash used for operating activities was \$(33.9) million in fiscal year 2020 compared to \$99.0 million net cash provided by operating activities in fiscal year 2019. The increase in our net cash used for operating activities in fiscal year 2020 was primarily the result of our net loss in fiscal year 2020, excluding the non-cash impact of certain income tax items and goodwill and trade name impairment charges, compared to our net income in fiscal year 2019. In addition, increases in net working capital excluding cash and equivalents in fiscal year 2020 compared to fiscal year 2019 impacted our net cash used for operating activities in fiscal year 2020 in large part due to increases in our average unit cost of inventory driven by the incremental U.S. tariffs on Chinese imports.

#### *Comparison of the 52 Weeks Ended February 2, 2019 and 53 Weeks Ended February 3, 2018*

Net cash provided by operating activities was \$99.0 million in fiscal year 2019 compared to \$97.7 million in fiscal year 2018. Reduction in compensation related accrued expenses reduced net cash provided by operating activities in fiscal year 2018, partially offset by increases in inventory levels to support increased lead times necessitated by our direct sourcing and other merchandising initiatives in fiscal year 2019.

### Net Cash Used for Investing Activities

Cash used for investing activities consists primarily of capital expenditures, the majority of which are focused on strategic initiatives including: new location openings, location remodels and refreshes and information technology investments, particularly those supporting our omni-channel platforms and other customer facing systems. We also incur capital outlays for equipment and facility management in our distribution centers, locations and corporate offices.

Specifically, investment for each refresh project is tailored to each location's needs and unit economics. We have four general levels of investment and project scope tailored to what would benefit each location, with future investment expected to range from \$150,000 for the lightest-touch refreshes to \$3 million for the relatively few but most-extensive refreshes. Over 50% of our existing locations are refresh project targets over the next seven to ten years and we expect investments in relation to these future refresh projects to remain consistent with our capital expenditures in connection with completed refresh projects.

Historical capital expenditures are summarized as follows:

(In millions)	Thirty-Nine Weeks Ended		February 1, 2020	Fiscal Year-Ended	
	October 31, 2020	November 2, 2019		February 2, 2019	February 3, 2018
Retail locations	\$ 17.7	\$ 42.6	\$ 52.1	\$ 33.4	\$ 32.1
Information technology	7.9	16.3	20.2	13.2	9.3
Other	3.1	5.9	6.3	1.8	2.6
Total capital expenditures	28.7	64.8	78.6	48.4	44.0
Landlord contributions	3.4	5.1	9.1	7.4	5.5
Total capital expenditures, net of landlord contributions	\$ 25.3	\$ 59.7	\$ 69.5	\$ 41.0	\$ 38.5

#### Comparison of the 39 Weeks Ended October 31, 2020 and November 2, 2019

Total capital expenditures, net of landlord contributions decreased by \$34.4 million during the thirty-nine weeks ended October 31, 2020 compared to the same period in the prior year. This decrease was related to specific actions taken to defer projects in an effort to preserve liquidity at the onset of the COVID-19 pandemic. Also, due to the need to maintain sanitation and social distancing protocols in our locations throughout the pandemic, execution of capital projects have often not been feasible.

#### Comparison of the 52 Weeks Ended February 1, 2020 and February 2, 2019

Total capital expenditures, net of landlord contributions increased by \$28.5 million in fiscal year 2020 compared to fiscal year 2019. This increase was related to a higher number of location remodel and relocation projects, as we worked to further refine our new location prototype. Growth in information technology-related investments were primarily driven by enhancements to our omni-channel platforms focused on our mobile application as well as upgrades to our warehouse management and point of sale software applications.

#### Comparison of the 52 Weeks Ended February 2, 2019 and 53 Weeks Ended February 3, 2018

Total capital expenditures, net of landlord contributions increased by \$2.5 million in fiscal year 2019 compared to fiscal year 2018. Project activity related to information technology development and our locations was relatively consistent year over year.

***Net Cash Provided by (Used for) Financing Activities***

*Comparison of the 39 Weeks Ended October 31, 2020 and November 2, 2019*

Net cash used for financing activities was \$(148.8) million during the thirty-nine weeks ended October 31, 2020 compared with \$210.5 million of net cash provided by financing activities during the thirty-nine weeks ended November 2, 2019. The change in net cash (used for) provided by financing activities was primarily the result of the repurchase of portions of the Term Loans, as well as an increase in payments on the ABL Facility.

*Comparison of the 52 Weeks Ended February 1, 2020 and February 2, 2019*

Net cash provided by financing activities was \$86.3 million in fiscal year 2020 compared to \$25.1 million of net cash used for financing activities in fiscal year 2019, which was primarily driven by additional borrowings on our ABL Facility that were used to fund our increases in cash used for operating and investing activities.

*Comparison of the 52 Weeks Ended February 2, 2019 and 53 Weeks Ended February 3, 2018*

Net cash used for financing activities was \$25.1 million in fiscal year 2019 compared to \$42.3 million of net cash used for financing activities in fiscal year 2018. The decrease in net cash used for financing activities in fiscal year 2019 compared to fiscal year 2018 was due to the net borrowings on our ABL Facility in fiscal year 2019 compared to the net payment on our ABL Facility in fiscal year 2018, partially offset by a greater net amount used to repurchase Holding Company Senior Notes with proceeds from our Second Lien Facility in fiscal year 2019 compared to the net amount used to repurchase 8.125% senior notes due 2019 with proceeds from our First Lien Facility in fiscal year 2018. See Note 2—Financing to our audited financial statements included elsewhere in this prospectus for further details.

As of February 1, 2020 and October 31, 2020, we had the ability to borrow an additional \$206.2 million and \$159.4 million under our ABL Facility, respectively, subject to the facility's borrowing base calculation.

**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.

## Contractual Obligations and Commitments

The following table summarizes our future cash outflows resulting from contractual obligations and commitments as of February 1, 2020(1):

(In millions)	Total	Payments Due by Fiscal Year			Thereafter
		2021	2022-2023	2024-2025	
Standby letters of credit	\$ 20.3	\$ 20.3	\$ —	\$ —	\$ —
Purchase commitments(2)	31.7	12.6	13.0	6.1	—
Operating leases	1,058.0	221.2	366.6	239.1	231.1
Finance leases	4.2	1.6	2.6	—	—
ABL Facility(3)	173.5	—	173.5	—	—
ABL Facility interest(3)	1.8	1.0	0.8	—	—
First Lien Facility(4)	844.5	9.1	15.9	819.5	—
First Lien Facility interest(4)	209.6	57.0	111.8	40.8	—
Second Lien Facility(5)	217.5	—	—	217.5	—
Second Lien Facility interest(5)	104.1	24.1	48.2	31.8	—
Total contractual cash obligations	<u>\$2,665.2</u>	<u>\$346.9</u>	<u>\$ 732.4</u>	<u>\$1,354.8</u>	<u>\$ 231.1</u>

- (1) Amounts presented here do not reflect net repayment of \$68.5 million on our ABL Facility since February 1, 2020 through December 17, 2020 as well as repayment of \$209.1 million of our First Lien Facility and \$140.2 million of our Second Lien Facility through open market purchases conducted from February through October of fiscal year 2021.
- (2) Purchase commitments include significant future inventory purchases as well as agreements for technology, in which minimum guaranteed payments are required.
- (3) We had \$173.5 million in outstanding borrowings under our ABL Facility at February 1, 2020. Under our ABL Facility, we are required to pay a commitment fee of 0.25% per year on unutilized commitments. The amounts included in ABL Facility interest were based on these annual commitment fees. See “Description of Certain Indebtedness” for further details.
- (4) The First Lien Facility, which matures October 21, 2023, is with a syndicate of lenders and is secured by substantially all of our assets excluding the ABL Facility collateral and has a second priority security interest in the ABL Facility collateral. The First Lien Facility has mandatory quarterly repayments of \$2.3 million on the last business day of each January, April, July and October. Interest payments are due either monthly or quarterly on approximately the 23rd day of the month depending on the underlying LIBOR and are subject to variable interest rates. The amounts included in the First Lien Facility interest were based on the interest rate effective as of February 1, 2020. The less than one year amount of \$9.1 million includes four quarters of principal payments occurring within the next fiscal year. See “Description of Certain Indebtedness” for further details.
- (5) The Second Lien Facility, which matures May 21, 2024, is with a syndicate of lenders and is secured by a second priority security interest in all of our assets, excluding the ABL Facility collateral, and has a third priority security interest in the ABL Facility collateral. The Second Lien Facility does not require quarterly principal payments. Interest payments are due either monthly or quarterly on approximately the 23rd day of the month depending on the underlying LIBOR and are subject to variable interest rates. The amounts included in the Second Lien Facility interest were based on the interest rate effective as of February 1, 2020. See “Description of Certain Indebtedness” for further details.

## Seasonality and Inflation

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 when sales volumes provide significant operating leverage. Working capital



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needed to finance our operations 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. However, the COVID-19 pandemic may have an impact to consumer behaviors and customer traffic that result in changes in the seasonal fluctuations of our business. For example, our fiscal year 2021 second and third quarter results were positively impacted by the COVID-19 pandemic due to the demand for select merchandise categories.

We believe that inflation has not had a significant effect on net sales or our earnings performance. There can be no assurance, however, that our operating results will not be affected by inflation in the future.

Summarized below are key line items by quarter from our consolidated statements of comprehensive income (loss) and reconciliations of Adjusted EBITDA to net (loss) income. See “—Non-GAAP Financial Measures” for further detail regarding certain of these expenses:

<u>Fiscal year 2021</u>	<u>First Quarter</u>	<u>Second Quarter</u> (Dollars in millions)	<u>Third Quarter</u>
Net sales	\$499.4	\$ 708.0	\$714.1
Total comparable sales versus prior year	(2.1)%	53.7%	25.2%
Gross margin	\$245.8	\$ 351.4	\$374.5
Operating (loss) profit	\$ (16.1)	\$ 48.2	\$ 61.6
Net (loss) income	\$ (23.6)	\$ 149.9	\$ 47.7
Adjusted EBITDA	\$ 21.7	\$ 93.1	\$102.4
Location pre-opening costs and closing costs excluding loss on disposal of fixed assets	\$ 1.8	\$ 2.0	\$ 1.2
Reconciliation of net (loss) income to Adjusted EBITDA:			
Net (loss) income	\$ (23.6)	\$ 149.9	\$ 47.7
Income tax (benefit) provision	(12.1)	26.7	3.0
Interest expense, net	22.7	18.4	13.9
Debt related gain	(3.1)	(146.8)	(3.0)
Depreciation and amortization	19.9	19.7	20.6
Strategic initiatives	1.1	1.3	1.7
COVID-19 costs	10.7	21.1	16.6
Technology development expense	1.1	1.3	1.2
Stock-based compensation expense	0.4	0.4	0.3
Loss on disposal and impairment of fixed and operating lease assets	3.4	0.4	(0.2)
Goodwill and trade name impairment	—	—	—
Sponsor management fee	0.8	—	—
Other	0.4	0.7	0.6
Adjusted EBITDA	<u>\$ 21.7</u>	<u>\$ 93.1</u>	<u>\$102.4</u>

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<b>Fiscal year 2020</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
	<b>(Dollars in millions)</b>			
Net sales	\$ 515.4	\$ 461.1	\$ 569.1	\$ 695.6
Total comparable sales versus prior year	(0.4)%	(6.0)%	(3.5)%	(4.4)%
Gross margin	\$ 266.7	\$ 226.4	\$ 283.9	\$ 328.3
Operating profit (loss)	\$ 10.6	\$(158.4)	\$ 14.1	\$(302.7)
Net loss	\$ (12.3)	\$(167.8)	\$ (8.4)	\$(358.1)
Adjusted EBITDA	\$ 37.7	\$ (4.3)	\$ 39.4	\$ 80.6
Location pre-opening costs and closing costs excluding loss on disposal of fixed assets	\$ 0.8	\$ 1.7	\$ 4.3	\$ 2.4
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	\$ (12.3)	\$(167.8)	\$ (8.4)	\$(358.1)
Income tax (benefit) provision	(3.2)	(16.0)	(3.6)	34.9
Interest expense, net	26.1	25.4	26.1	24.3
Debt related gain	—	—	—	(3.8)
Depreciation and amortization	19.5	18.8	19.4	20.3
Strategic initiatives	4.1	1.8	1.9	1.2
COVID-19 costs	—	—	—	—
Technology development expense	1.2	1.1	1.4	2.7
Stock-based compensation expense	0.2	0.4	0.3	0.3
Loss on disposal and impairment of fixed and operating lease assets	—	0.1	0.3	0.6
Goodwill and trade name impairment	—	130.4	—	356.4
Sponsor management fee	1.3	1.3	1.2	1.2
Other	0.8	0.2	0.8	0.6
Adjusted EBITDA	<u>\$ 37.7</u>	<u>\$ (4.3)</u>	<u>\$ 39.4</u>	<u>\$ 80.6</u>
<b>Fiscal year 2019</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
	<b>(Dollars in millions)</b>			
Net sales	\$ 517.0	\$ 490.0	\$ 591.6	\$ 726.2
Total comparable sales versus prior year	(3.4)%	2.4%	2.9%	5.0%
Gross margin	\$ 269.9	\$ 253.0	\$ 301.4	\$ 352.2
Operating profit	\$ 24.7	\$ 3.0	\$ 36.5	\$ 84.9
Net income (loss)	\$ 1.1	\$ (19.4)	\$ 8.3	\$ 45.3
Adjusted EBITDA	\$ 48.5	\$ 25.4	\$ 64.7	\$ 113.4
Location pre-opening costs and closing costs excluding loss on disposal of fixed assets	\$ 1.8	\$ 1.6	\$ 1.2	\$ 1.4
Reconciliation of net income (loss) to Adjusted EBITDA:				
Net income (loss)	\$ 1.1	\$ (19.4)	\$ 8.3	\$ 45.3
Income tax provision (benefit)	0.2	(5.6)	2.0	13.7
Interest expense, net	23.4	25.6	26.2	25.9
Debt related loss	—	2.4	—	—
Depreciation and amortization	19.3	18.5	19.0	19.4
Strategic initiatives	0.3	0.9	2.5	3.6
COVID-19 costs	—	—	—	—
Technology development expense	0.6	0.9	1.2	1.2
Stock-based compensation expense	0.1	0.3	—	0.2
Loss on disposal and impairment of fixed and operating lease assets	1.2	0.4	—	1.6
Goodwill and trade name impairment	—	—	—	—
Sponsor management fee	1.3	1.2	1.3	1.2
Other	1.0	0.2	4.2	1.3
Adjusted EBITDA	<u>\$ 48.5</u>	<u>\$ 25.4</u>	<u>\$ 64.7</u>	<u>\$ 113.4</u>

## Critical Accounting Policies and Estimates

We strive to report our financial results in a clear and understandable manner. We follow GAAP in preparing our consolidated financial statements. These principles require us to make estimates and judgments

that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on other assumptions that we believe to be relevant under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions and/or conditions. We continually evaluate the information used to make these estimates as our business and the economic environment change. The use of estimates is pervasive throughout our financial statements. The accounting policies that involve estimates or assumptions that are material due to levels of subjectivity and judgment necessary to account for highly uncertain matters or are susceptible to change and we consider most critical are as follows:

#### ***Inventory Valuation***

Inventories are stated at the lower of cost or net realizable value with cost determined on a weighted average basis. Inventory valuation methods require certain management estimates and judgments, the most significant of which involves estimates of net realizable value on product designated for clearance, which affects the ending inventory valuation at cost, as well as the gross margin reported for the year.

We estimate our reserve for clearance product based on a number of factors, including, but not limited to, quantities of slow-moving or carryover seasonal merchandise on hand, historical recovery statistics and future merchandising plans. The accuracy of our estimates can be affected by many factors, some of which are beyond our control, including changes in economic conditions and consumer buying trends. The corresponding reduction to gross margin is recorded in the period the decision is made. We do not believe that the assumptions used in our estimate will change significantly based on prior experience.

Our accrual for inventory shrink is estimated as a percent of sales. The percent used in the determination of the accrual is based on actual historical inventory shrink results of our locations. This estimated percent is applied to sales of our locations for the periods following each location's most recent physical inventory. In addition, we analyze our accrual using actual results as physical inventory counts are taken and reconciled to the general ledger. Substantially all of our location physical inventory counts are taken in the first three quarters of each year. A majority of locations that have been open one year or longer are physically inventoried once a year.

#### ***Impairment of Long-Lived and Operating Lease Assets***

We evaluate recoverability of long-lived and operating lease assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable (for example, when a location's performance falls below minimum company standards). In the fourth quarter of each fiscal year or earlier if indicators of impairment exist, we review the performance of individual locations. Underperforming locations are selected for further evaluation of the recoverability of the location's net asset values. If the evaluation, done on an undiscounted cash flow basis, indicates that a location's net asset value may not be recoverable, the potential impairment is measured as the excess of carrying value over the fair value of the impaired asset. We estimate fair value based on a projected discounted cash flow method using a discount rate that is considered to be commensurate with the risk inherent in our current business model. Additional factors are taken into consideration, such as local market conditions and operating environment.

Impairment losses recorded for underperforming locations, underutilized assets and other facilities were \$0.2 million in fiscal year 2020, \$0.4 million in fiscal year 2019 and \$1.1 million in fiscal year 2018. If different assumptions were made or different market conditions were present, any estimated potential impairment amounts could have varied from recorded amounts.

#### ***Goodwill and Other Indefinite Lived Intangible Assets***

Goodwill represents the excess of acquisition cost over the fair value of the net assets of acquired entities. The goodwill carried on the accompanying consolidated balance sheets at February 1, 2020 was the

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resulting value of the March 2011 merger of \$640.0 million, less impairment charges of \$481.8 million recorded during fiscal year 2020, and \$3.8 million as a result of the acquisition of Creativebug in April 2017. We test goodwill and intangible assets for impairment annually, as of the first day of the fourth quarter, and more frequently if circumstances indicate that impairment may exist.

We assess the carrying value of goodwill at the reporting unit level. A reporting unit is the operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. As of February 1, 2020, we had two reporting units, Jo-Ann and Creativebug.

Using the quantitative assessment, our impairment testing compares the fair value of the reporting units to their current carrying value. We determine our estimated fair value based on valuation techniques including an income based approach and a market comparable approach. An income based approach utilizes discounted cash flows for the determination of the estimated fair value. This process requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts. A market comparable approach indicates the value of a business by comparing it to publicly traded companies in a similar line of business. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. In fiscal year 2020, we completed two quantitative goodwill impairment tests for the Jo-Ann reporting unit and concluded that goodwill impairment existed in the aggregate amount of \$481.8 million. Based on a quantitative assessment, we determined that no goodwill impairment existed for the Jo-Ann reporting unit in fiscal year 2019.

In accordance with ASC Topic 350, our indefinite lived intangible assets not subject to amortization are reviewed for impairment on an annual basis and more frequently if circumstances indicate that impairment may exist. In fiscal year 2020, we completed two quantitative impairment tests for the Jo-Ann trade name and concluded that impairment existed in the amount of \$5.0 million. We performed the valuation utilizing a relief from royalty method to estimate the fair value of this asset. This method included an evaluation of the appropriate royalty rate as well as a review of the industry and market environment. No quantitative assessment of the *joann.com* domain name was performed in fiscal year 2020, as we concluded based on qualitative assessments that it was not more-likely-than-not that the fair value of the Jo-Ann.com domain name unit did not exceed its carrying value. Based on quantitative assessments, the Company determined there was no impairment related to our Jo-Ann trade name or *joann.com* domain name for fiscal year 2019.

See Note 8—Goodwill and Other Intangible Assets to our audited financial statements included elsewhere in this prospectus for further details.

### ***Income Taxes***

Income taxes are estimated for federal and each state jurisdiction in which we operate. This approach involves assessing the current tax exposure together with temporary differences which result from differing treatment of items for tax and book purposes. Deferred tax assets and liabilities are established based on these assessments. Deferred tax assets are evaluated for recoverability based on estimated future taxable income. To the extent that recovery is deemed unlikely, a valuation allowance is recorded. Our valuation allowance was \$30.7 million and \$1.4 million as of February 1, 2020 and February 2, 2019, respectively. Many years of data have been incorporated into the determination of tax reserves and our estimates have historically proven to be reasonable.

### ***Stock-Based Compensation***

The fair value of stock-based awards to employees is recognized as compensation expense on a straight-line basis over the requisite service period of the awards. The fair value of the stock-based awards is determined using the Black-Scholes option pricing model. Determining the fair value of options at the grant date requires

judgment, including estimating the expected life that stock options will be outstanding prior to exercise and the associated volatility. The absence of an active market for our common stock prior to this offering has also required our board of directors to determine the fair value of our common stock for purposes of granting stock options.

The risk-free interest rate is an estimated average interest rate based on U.S. Treasury zero-coupon notes with terms consistent with the expected term of the awards. As we are privately held, there is no observable market for our common stock. Therefore, stock price volatility was calculated using the historical stock price volatility of comparable companies over the expected life of the options granted. We have not recently declared or paid any cash dividends and had not planned to pay cash dividends at the date of grants. Consequently, it used an expected dividend yield of zero. Expected life represents the period that our stock-based awards are expected to be outstanding. The expected life assumptions are determined based on the vesting terms, exercise terms, and contractual lives of the options. We account for forfeiture of non-vested options as they occur. Changes in the assumptions can materially affect the estimate of fair value of stock-based compensation and consequently, the related amount recognized on the consolidated statements of comprehensive income (loss). See Note 10—Stock-Based Compensation to our audited financial statements included elsewhere in this prospectus for further details.

Following the listing of our common stock on Nasdaq, it will not be necessary to determine the fair value of our common stock, as our shares will be traded in the public market.

### **Recent Accounting Pronouncements**

See Note 1—Significant Accounting Policies to our audited financial statements and unaudited—Stock-Based Compensation financial statements included elsewhere in this prospectus for information regarding recently issued and adopted accounting pronouncements.

### **Quantitative and Qualitative Disclosures About Market Risk**

We are indirectly exposed to foreign currency fluctuations on merchandise that is sourced internationally and directly exposed to the impact of interest rate changes on our outstanding borrowings under our First Lien Facility, Second Lien Facility and ABL Facility.

#### ***Foreign Currency Exchange Risk***

We believe foreign currency exchange rate fluctuations do not contain significant market risk due to the nature of our relationships with our international vendors. All merchandise contracts are denominated in U.S. dollars and are subject to negotiation prior to our commitment for purchases. As a result, there is not a direct correlation between merchandise prices and fluctuations in the exchange rate. We sourced approximately 38% of our purchases internationally in fiscal year 2020. Given our increase in foreign sourcing from prior years, a weakening of the U.S. dollar could result in significantly higher product costs. Our international purchases are concentrated in China and other Asian countries.

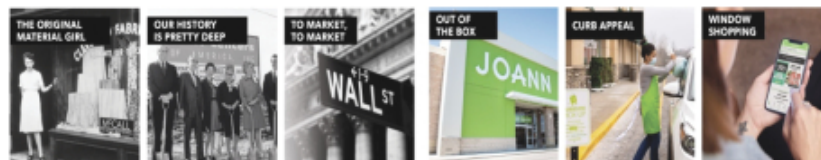
#### ***Interest Rate Risk***

In the normal course of business we employ established policies and procedures to manage our exposure to changes in interest rates. We utilize derivative financial instruments to reduce our exposure to market risks from increases in interest rates on our variable rate indebtedness. We currently have hedging arrangements in the form of an interest rate cap agreement, which has an October 2021 termination date, in place to mitigate the impact of higher interest rates. As of February 1, 2020, the interest rate cap agreement hedged \$703.5 million of principal under our Term Loans.

## BUSINESS

### JOANN Overview

JOANN is the nation's category leader in Sewing and one of the fastest growing players in the arts and crafts category. The Creative Products industry is a large and growing market, which according to a 2017 Association for Creative Industries (AFCI) study is in excess of \$40 billion. The industry is currently experiencing a significant acceleration for product demand in response to multiple secular themes that have been further solidified during the COVID-19 pandemic, such as heightened DIY customer behavior, amplified participation from both new and existing customers and increased digital engagement, of which we are a key beneficiary because we have positioned ourselves and our go-forward strategies to capitalize on increased demand for Creative Products. As a well-established and trusted brand for over 75 years, we believe we have a deep understanding of our customers, what inspires their creativity and what fuels their incredibly diverse projects. Since 2016, we have embarked on a strategy to transform JOANN, which has helped us pivot from a traditional retailer to a fully-integrated, digitally-connected provider of Creative Products.



As the nation's category leader in Sewing with approximately one-third market share, based on our internal research estimates of market share of the Creative Products industry that primarily consist of an annual survey of Creative Product consumers as of July 31, 2020, we believe we offer the broadest selection of products while being committed to providing the most inspiration, helpful service and education to our customers. While we continue to gain market share and solidify this leadership position in Sewing, which represented 49% of our total net sales in the last twelve months ended October 31, 2020, we have also been growing share and believe we have further significant share opportunity in the arts and crafts category. We are well-positioned in the marketplace and have multiple competitive advantages, including our broad assortment, established omni-channel platform, multi-faceted digital interface with customers and skilled and knowledgeable team members. We offer an extensive assortment, which at its peak, averages more than 95,000 SKUs in stores and over 245,000 SKUs online, across Creative Product categories. Over 50% of our in-store net sales cannot be directly comparison-shopped because of our strong and growing own-brand portfolio, including our copyrighted or proprietary fabric patterns and designs and factory direct relationships. We have expanded access to this broad assortment through e-commerce and digital capabilities that complement our physical network, drive customer engagement and deliver an exceptional customer experience while supporting consistently strong gross margins. Through our omni-channel platform, we serve our customers in a differentiated manner by offering several convenient fulfillment options, including BOPIS, curbside pick-up and ship-to-home offerings. Our omni-channel platform operates at a large scale, having generated \$423 million in net sales in the twelve months ended October 31, 2020, including \$377 million in net sales in the thirty-nine weeks ended October 31, 2020 and following \$126 million, \$103 million and \$87 million in net sales in fiscal years 2020, 2019 and 2018, respectively. Our data-driven digital capabilities further reinforce our relationship with our customers. Customers connect with us through our newly re-designed mobile-first website, *joann.com*, and our widely-used mobile application with over 11.8 million downloads. As of the end of the third quarter of fiscal year 2021, we had over 69 million addressable customers in our vast database, over 16 million customers in our email database and 4.5 million customers in our SMS text database. These points of differentiation are reinforced by our knowledgeable, friendly and trusted team members, a significant number of whom are sewing and craft enthusiasts, who offer a service-oriented experience for our customers that we believe cannot be replicated by mass retailers or pure play online players.

We appeal to an expansive customer base ranging across all ages, demographics and skill levels. We serve the DIY customer, including those who make to give or donate their creations, and supply small business owners with components to create and sell their own merchandise. We estimate this group makes up approximately one-quarter of our customers and typically resells on online marketplaces such as Etsy, eBay, Shopify and other platforms, which have also experienced significant growth in 2020. Our customers are passionate and creative, using their hearts, hands and minds in their sewing, crafting and decorating activities. We believe our customers' enthusiasm drives the JOANN culture, as exemplified by our "Make to Give" program. We strive to support our community of creators, and they create to support their communities by donating or gifting the items they make, which range from blankets for hospitalized children, homeless persons, and shelter pets, to masks for hospitals, schools and friends. We estimate that over 70% of JOANN customers make to give or donate their creations. Our loyal core customer base is key to our sales growth, and over the last twelve months ended October 31, 2020, our top three million customers averaged ten purchases each. Additionally, in fiscal year 2021, our new customer base has grown faster and is spending more than in prior years. Since February 1, 2020, we have acquired over eight million new customers, many who initially purchased fabric to make their own masks but have expanded their shopping behavior across our diversified merchandise categories in subsequent transactions. Customers typically purchase from JOANN with a project in mind that requires several component items. In that vein, we believe our physical footprint is an advantage, as most customers regularly want to explore what is new, see how various items and colors work together, see how a fabric drapes, feel the texture and seek help from our experienced team members.

In 2016, we accelerated our journey to transform JOANN by reinventing the in-store and digital customer experience. We recruited talent at every level of the company and across all key business areas to complement our existing expertise. This undertaking has resulted in significant enhancements to our value proposition, including reinvigorating our core merchandise assortment, refreshing our branding, developing a location refresh prototype and improving the customer experience. We improved our assortment by conducting a systematic review of all categories at a product-level and all layouts at a location-level in order to optimize sales and gross margin. We have also expanded our data-driven digital footprint, which includes our extensive digital marketing assets, CRM system, social media platforms and e-commerce capabilities. We better understand our customers through our centralized database that brings together how each customer interacts in our physical and digital properties and provides a holistic view of their behavior. We are able to utilize this data to drive engagement with our brand, create loyalty and inspire, educate and ensure we are increasing our share of customer spend through timely and relevant marketing. By using data and digital contact channels, including email and SMS digital display, and leveraging our mobile application, we are able to contact customers with personalized content and provide the convenience to shop wherever and however they choose. We believe that these core initiatives and transformational investments have driven our performance and increased customer engagement over the last several years and strategically position us to continue to create long-term value. This momentum was temporarily interrupted in fiscal year 2020 by the unanticipated headwind of incremental U.S. tariffs on Chinese imports that we estimate, before mitigation, would have amounted to \$75 million of additional annual costs, as these tariffs applied to a broad range of our products. However, after working to partially offset their effects and having incorporated the balance of these tariffs into our cost base, we are driving strong operating profit growth across both our locations and e-commerce platform as well as achieving margin expansion.



Our momentum through the COVID-19 pandemic has been further supported by heightened DIY customer behavior, significant increases in the number of new and current customers participating in new categories and the continued rise of online marketplaces. As a result, according to Earnest Research, we and the other two largest specialty players in the Creative Products industry have seen on average 22% growth in year-over-year sales since May 3, 2020. Over the same period, we have experienced outsized growth, gained share and enhanced our strong foundation, increasing total comparable sales by 38% since May 3, 2020 while adding over eight million new customers to our marketing database since February 1, 2020. These new customers have already driven elevated repeat purchase levels both via our locations and e-commerce platform and represent further opportunities to cross-sell and become part of our ongoing customer base. For example, approximately 35% of first time purchasers made repeat purchases in the thirty-nine weeks ended October 31, 2020. These new customers tend to be younger and more affluent than existing customers in our database, and are large consumers of our rapidly growing sewing and craft technology categories which include machines and related supplies. These trends support our business, as we estimate that a typical customer who purchases a sewing or craft technology machine will purchase an average of over \$500 of our products in the year following their machine purchase and over \$330 in the subsequent year. We are further encouraged by the retention of these new customers and their migration to shopping outside of the Sewing category. These new customers are regularly shopping across our other categories, with the fastest-growing cohort being new customers shopping the arts and crafts category. We believe that these underlying trends, along with our transformational investments and initiatives executed since 2016, strategically position us well to continue to drive long-term value creation.

Third Quarter Year-to-Date Fiscal Year 2021 Sales Growth by Customer Tier





## Recent Financial Performance

We believe our strong financial results are a reflection of our consistent and disciplined culture of innovation and reinvestment, creating a differentiated business model in the Creative Products industry. Comparing fiscal year 2020, fiscal year 2019 and fiscal year 2018, we achieved the following results:

- net sales of \$2,241.2 million, \$2,324.8 million and \$2,314.3 million in fiscal year 2020, 2019, and 2018, respectively. Excluding the estimated impact of the 53rd week in fiscal year 2018, net sales were \$2,277.2 million;
- net (loss) income of \$(546.6) million, \$35.3 million and \$96.5 million in fiscal year 2020, 2019, and 2018, respectively; and
- Adjusted EBITDA of \$153.4 million, \$252.0 million and \$257.4 million in fiscal year 2020, 2019, and 2018, respectively. Excluding the estimated impact of the 53rd week in fiscal year 2018, Adjusted EBITDA was \$249.0 million.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion on the impact of U.S. tariffs on Chinese imports in fiscal year 2020 and “Prospectus Summary—Summary Consolidated Financial and Operating Data” for a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income (loss).

Through improvements in merchandising, marketing, supply chain, sourcing and customer experience, we have significantly increased our more recent financial results. Our success in the thirty-nine weeks ended October 31, 2020 has been broad-based across our geographic regions, merchandise categories, customers and channels. Comparing the thirty-nine weeks ended October 31, 2020 and November 2, 2019, we achieved the following results:

- increase in net sales from \$1,545.6 million to \$1,921.5 million, representing period-over-period growth of 24.3%, and net sales in the twelve months ended October 31, 2020 of \$2,617.1 million;
- total comparable sales growth of 24.6%;
- increase in gross margin from \$777.0 million to \$971.7 million, representing period-over-period growth of 25.1% and gross margin rate expansion of 30 basis points, with gross margin in the twelve months ended October 31, 2020 of \$1,300.0 million, and a 49.7% gross margin rate in the same time period;
- increase in net (loss) income from \$(188.5) million to \$174.0 million, and net loss in the twelve months ended October 31, 2020 of \$(184.1) million;
- increase in Adjusted EBITDA from \$72.8 million to \$217.2 million, representing period-over-period growth of 198.4%, and Adjusted EBITDA in the twelve months ended October 31, 2020 of \$297.8 million; and
- retired and repaid \$433.8 million in principal amount of debt from November 2, 2019 to October 31, 2020, resulting in us having \$929.7 million in principal amount of debt as of October 31, 2020.

See “Prospectus Summary—Summary Consolidated Financial and Operating Data” for a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income (loss) and for a discussion of how we calculate total comparable sales growth.

## Our Opportunity

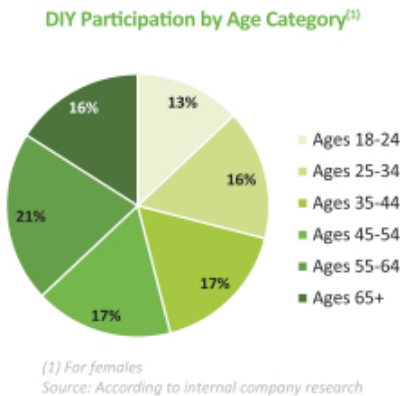
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significant acceleration in response to multiple secular themes that have been further solidified during the COVID-19 pandemic, such as heightened DIY customer behavior, amplified participation from both new and existing customers, and increased digital engagement, of which we are a key beneficiary because we have positioned ourselves and our go-forward strategies to capitalize on increased demand for Creative Products. Participation includes a broad range of activities such as sewing, quilting, apparel making, crafting and home decorating. This historically stable industry has been growing over the past five years, as consumer demand in individual product categories shifts from time to time and as trends evolve. We maintain approximately one-third market share in Sewing, while being competitive as one of the fastest growing players in the more fragmented arts and crafts category.

The Creative Products industry spans a diverse set of merchandise, as customers search for a variety of supplies to support their projects. In addition, customers appreciate a specialty retail environment where they have the flexibility to leverage in-store service for instruction and inspiration and shop across channels at their convenience. As a result, the Creative Products industry is highly fragmented. However, there are a limited number of players that can meet the customers’ dynamic needs. For instance, based on our internal market research, we estimate pure play e-commerce players represent less than 10% market share of the Creative Products industry, while the remainder of the industry is covered by mass merchandisers, specialty retailers and independent retailers. We believe that we are the only specialty player that can serve customers holistically with an expansive Creative Products assortment, service-oriented experience and integrated omni-channel capabilities.

The Creative Products industry has historically demonstrated stable growth, and we aim to continue to benefit from the following sustainable tailwinds:

- **Heightened DIY Customer Behaviors.** The industry benefits from the increasing participation in the DIY ethos across demographics. In recent years, especially during the COVID-19 pandemic, DIY customer behaviors have been heightened by the following long-term trends:
- **Engaging Customers across Demographics.** DIY activities appeal to a large and broad customer base and participation in DIY activities does not diminish as women age, creating more consistent demand throughout their lifetime. Customers across demographics choose to engage with retailers through different channels. We believe players in the Creative Products industry must have a robust omni-channel platform to attract and retain this diverse customer base.



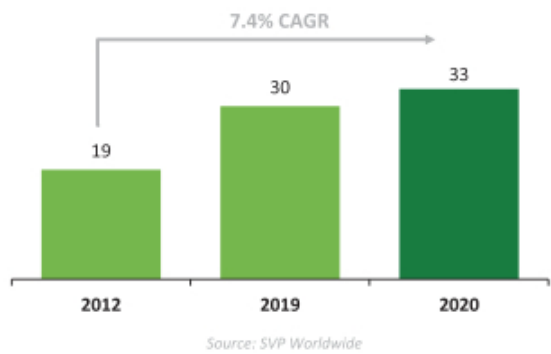
- **Increasing Desire for Personalization.** Customers, especially Millennials and Generation Z, increasingly desire Creative Products that express their individuality and make a personal statement. Such growing demand for unique and personalized products has stimulated the demand for DIY supplies and customization services.

- ***Growing Digital Presence and Engagement.*** Digital arts and crafts marketplaces, such as Etsy, eBay, Shopify and other platforms, are becoming increasingly popular among makers and customers who buy their finished designs. This burgeoning ecosystem creates a growing demand for Creative Product supplies. These marketplaces, combined with social media platforms, serve as a critical source for inspiration and instruction for customers. The growing presence of these platforms enables more engaged customer communities, serving as a connection point where they share their interests and creativity with a wider audience.
- ***Accelerated Customer Participation Expected to Persist.*** According to our internal research, a survey published by Bloomberg and Morning Consult, and SVP Worldwide, the COVID-19 pandemic has accelerated participation in DIY activities, as customers have taken a more proactive role in homesteading-style and home improvement projects. Since May 3, 2020, over half of Creative Products industry participants have specifically taken on a new type of creative project and the industry has grown year-over-year sales by an average of 22%. With more free time, customers have also capitalized on the opportunity to learn new skills, creating elevated demand for supplies. This newfound self-reliance has helped build DIYers' confidence, and they are recognizing the emotional and functional benefits of making, driving continued interest far beyond the pandemic.
- ***Consistent and Recession Resilient Customer Demand.*** We estimate that the Creative Products industry has experienced growth of over 4% in the last five years according to our internal research as of July 31, 2020. It offers versatile products at attainable price points that create fun, engaging and affordable activities for customers, who become habitual and dedicated to their own creative projects over time. The affordable nature of the Creative Products industry provides resilience in recessions as customers become more value conscious and self-sufficient. According to the Bloomberg and Morning Consult survey, approximately 30% of Americans participated in sewing or clothing repairs during the COVID-19 pandemic. We also believe the emotional benefits customers receive from making, such as empowerment upon finishing a project, a connection with their communities through making to give or donate and improved mental health as a result of doing something they are passionate about, will continue to drive demand.

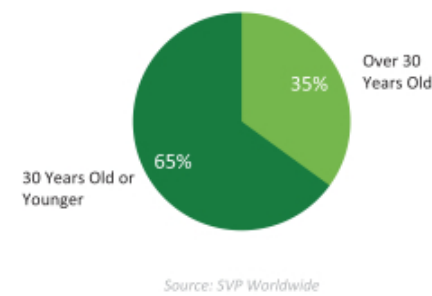
We believe that Sewing, in particular, will sustain its growing momentum. According to SVP Worldwide, sewists are typically more passionate about their hobby than other enthusiasts. In addition, the number of sewists has increased significantly driven by the entrance of Millennials, having grown at a CAGR of 7.4% since 2012. As of September 2020, 65 million people in the United States can sew or participate in sewing without instruction, and over half of these participants own a sewing machine. We believe that growth in this category, like the broader Creative Products industry, has been supported by changing consumer demographics.

SVP Worldwide estimates that sewists are getting younger, with 65% being 30 years old or younger with an average age decreasing from 48 in 2004 to 37 in 2020.

Total Active U.S. Sewists by Year (Millions of People)

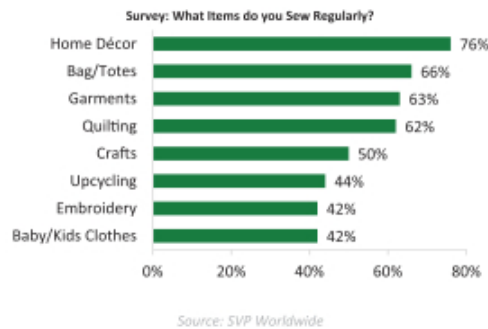


Percentage of New U.S. Sewists by Age Range (As of 2020)

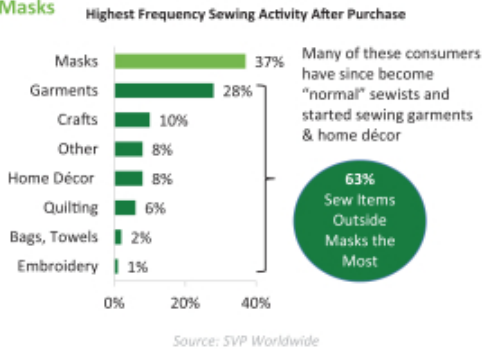


We believe the existing and sustained growth of the sewist population will drive sales in the category. According to SVP Worldwide, the average sewist owns at least three sewing machines and plans to buy a new machine every two to five years. When customers buy sewing machines, they tend to purchase complementary consumable items, which drives potential recurring purchases. In addition, according to SVP Worldwide, 20% of consumers who purchased a sewing machine in 2020 were first time purchasers, further building upon the base of potential future demand from sewists. This population of sewists is also highly engaged in the craft and spends a significant amount of time sewing, with approximately half of U.S. sewists spending between 5 to 19 hours a week on projects. While the Sewing category was stable and growing before the COVID-19 pandemic, 92% of consumers who purchased a sewing machine in 2020 expect to sew as much as they had in the past or more in the future. We believe these tailwinds and increased engagement will sustain participation and accelerate category and Creative Products industry growth.

Home Décor is the #1 Sewing Project for U.S. Sewists



Sewists who Purchased During COVID Sew More than Masks



Our Competitive Strengths

We believe our proven merchandising, marketing and customer experience capabilities combined with our sourcing and supply chain expertise have enabled, and will continue to support, our strong and profitable growth. Our business model has multiple competitive strengths including:

Category Leader in an Attractive Market with a Large, Growing and Wide-Ranging Customer Base

We are the nation’s category leader in Sewing with approximately one-third market share, and one of the fastest-growing players in the arts and crafts category. Based on our estimates of market share of the Creative

Products industry that primarily consist of an annual survey of Creative Product consumers as of July 31, 2020, our market share in the highly fragmented arts and crafts category has grown by approximately 50 basis points over the past five years. Approximately 70% of Sewing industry shoppers rank us ahead of our competitors on availability of the products they need, selection and quality, according to our internal research. Similarly, in arts and crafts, industry customers' ratings for our quality, selection, availability and price double once they shop our locations and e-commerce platform.

In contrast to other leisure activities, our customers' engagement in sewing and crafting projects represents a recurring activity that is vibrant across all ages and demographics. Our core customer is an upper forties, college-educated woman with a higher-than-average household income (median household income of over \$62,000) and who is a reliable enthusiast for many of our key categories. We believe our core customer's higher discretionary income and favorable demographic trends, as the number of women aged between 45 and 79 is expected to grow faster than the overall population over the next five years according to 2017 U.S. Census data estimates, will continue to build our loyal customer base. Our appeal to Millennial and Generation Z customers has also increased. Females in the younger than 35 years old age group are the fastest growing demographic in our industry today, representing a 400 basis point increase in demographic share over the past year from 40% to 44% based on internal research. Customers of all ages, demographics and skill levels have demonstrated their enthusiasm for Creative Products by actively exchanging project ideas, tips and techniques through our online community on *joann.com*. With nearly four million combined followers across social media applications, including Facebook, Instagram, Twitter, Pinterest and YouTube, we are connecting with new customers and bolstering our interaction with existing customers.

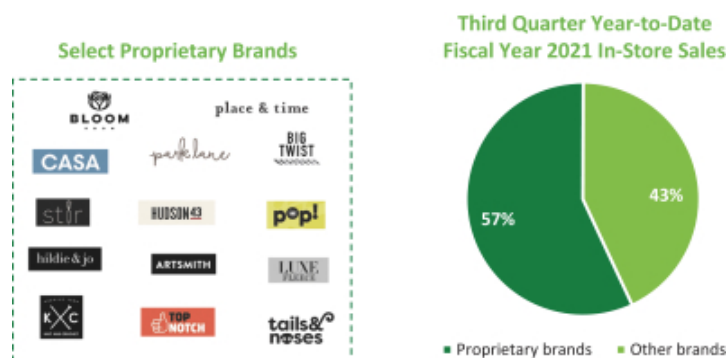
Finally, we are also a go-to source for small business owners who rely on our products to create, donate or sell their own merchandise. We believe that the growth of online marketplaces, such as Etsy, eBay, Shopify and other platforms, is driving the expansion of our customer base, and the success of online marketplaces is directly linked to our growth, with approximately one-quarter of our customers using our products for their online marketplace-based businesses. These customers often buy in bulk and benefit from being a part of the JOANN community through access to our helpful educational content, project inspiration and our knowledgeable team members and customers. These customers span all ages and demographics and sell products through various channels such as retail stores, trade fairs, entertainment venues and online, including participating in the growing digital marketplaces.

### ***Differentiated Value Proposition***

Our customer value proposition is a critical driver of our business. The key components include:

**Broad Assortment across a Wide Variety of Categories.** We believe we have the most comprehensive, innovative product assortment available in our industry, especially within Sewing. This breadth of assortment across our various categories is a key competitive advantage given that our customers' interests and projects are often widely varied and not confined solely to one activity. As of October 31, 2020, we had 857 locations, which we believe are also critical to success in the Creative Products category and a key enabler to our omni-channel growth. In an industry that requires high SKU intensity to be successful, we carry one of the industry's broadest selections of Creative Products, which at its peak, averages more than 95,000 SKUs in stores and over 245,000 SKUs online. We believe this dynamic is analogous to hardware and home improvement concepts, in that customers are project-focused and require all component supplies and prefer knowledgeable assistance in order to successfully complete their shopping mission. We also believe this is why we have an advantage versus solely online players in addressing a customer base that prioritizes variety, customization and customer support. We continue to improve our assortment by conducting systematic reviews of all categories at a product-level and all layouts at a location-level in order to optimize sales and gross margins. We consistently innovate with proprietary brands and products that appeal to our customers by working with our suppliers to introduce new items and styles to our assortments. As of October 31, 2020, over 50% of net sales related to items that are non-comparative or exclusive to JOANN and cannot be directly cross-shopped with our

direct competitors and mass retailers. We believe that we strike a customer-focused balance between our proprietary products and the well-known national brands that our customers have also come to know and love.



***Unique and Inspiring Shopping Environment.*** We provide our customers with an engaging and exciting shopping experience that spurs inspiration and creativity. We encourage customers to interact with our merchandise, to experiment with potential designs and to see the actual product they will purchase. In many locations, we also offer differentiated in-store services such as digital printing, laser-cutting and engraving and educational programs in dedicated classrooms to further inspire and enable our customers. In select locations, our customers can rent sewing and crafting technology such as a quilting long-arm or a Glowforge laser-cutting machine. To support our growing group of seller customers, in 2018 we launched JOANN+, a digital program providing devoted service for small-to-medium sized businesses and high volume makers. With this program, our customers are able to enjoy volume discount pricing, dedicated customer service contacts and a streamlined shipping and return experience. We continue to explore a variety of other ways to engage these makers and build loyalty including through our small maker forums, maker grant programs, and showcasing across any number of our digital marketing and social media assets.

***Helpful and Knowledgeable Team Members.*** Our team members, who we refer to as “Friendly Clever Allies,” are knowledgeable, friendly and trusted and offer a service-oriented experience for our customers. According to our internal research, JOANN leads all competitors on “knowledgeable staff” and “can get the help I need” ratings. A significant number of our team members are enthusiastic sewists and crafters themselves and bring first-hand knowledge and experience with our products which we believe are difficult to replicate. These team members live by the “No Quit” mantra, “We Got This,” and this helpful and resourceful attitude resonates with our customers. Our team members are encouraged to advise customers in creating and completing creative projects, which offers a service-focused experience that we believe allows our customers to be more informed and engaged in projects.

### ***Combining a Robust Digital Platform and Strategic Physical Network***

Since early 2017, we have built a large, growing, profitable and well-connected omni-channel platform comprised of robust digital capabilities and a nationwide physical network. From fiscal year 2018 to fiscal year 2020, we increased our omni-channel net sales by a CAGR of 20% and by 369% in the thirty-nine weeks ended October 31, 2020 compared to the same period in fiscal year 2020. As a result of our investments and our ability to be nimble, we doubled the number of locations with ship-to-home capabilities and were able to continue serving our customers on our established platforms during the COVID-19 pandemic. Our physical network is critical to being able to execute on digital opportunities in the Creative Products space given its visual, tactile and project-based nature. We strive to make every customer’s trip to JOANN a trip to their “Happy Place.” We believe that the enthusiastic and highly engaged nature of our customer is why we have seen sales lifts as high as 24% in our refresh prototypes that elevate assortments, service and in-store experience. Our strong performance is also driven by our ability to engage customers through our robust omni-channel capabilities as they become cross-category repeat purchasers during their in-person trips to our locations and visits to our e-commerce platform.

Our recently upgraded e-commerce mobile first platform, driven by Salesforce Commerce Cloud, as well as our custom mobile application, provide exceptional functionality and user experience, offering premier digital navigation, speed, assortment, content, and personalization features. Our website traffic has increased by 125% through the thirty-nine weeks ended October 31, 2020, with site conversion increasing by 300 basis points compared to the same period in fiscal year 2020. Our website traffic and conversion has remained strong, with increases in traffic and conversion from December 2019 to December 2020 of 89% and 118 basis points, respectively. Through the thirty-nine weeks ended October 31, 2020, our mobile application has been downloaded approximately two million times. We currently have 11.8 million downloads of the application and more than 25% of omni-channel sales were generated through purchases made within our mobile application.



Through our physical network, we have the ability to consistently fulfill and deliver a growing assortment of products directly to consumers, in addition to convenient services such as BOPIS, curbside pick-up and ship-to-home. For the last twelve months and the thirty-nine weeks ended October 31, 2020, over 70% and approximately 79% of *joann.com* orders, respectively, were fulfilled by our locations, either as BOPIS, curbside pick-up or ship-to-home. In addition, in the thirty-nine weeks ended October 31, 2020, approximately 40% of online demand sales were generated via BOPIS. Since the time that the majority of COVID-19 restrictions on in-store traffic were lifted through October 31, 2020, approximately 25% of our BOPIS program customers have made an additional purchase upon pick-up, resulting in an average increase to their orders of \$28 or approximately 100%. We believe our locations, which are in close proximity to our customers, provides us a significant last-mile cost advantage. Unlike internet pure play and regional competitors, we can route e-commerce orders to a local store, significantly reducing the overall cost and time to service orders. During the thirty-nine weeks ended October 31, 2020, omni-channel sales accounted for 20% of our total net sales compared to 4% for fiscal year 2018.

**Digital Platform and Digital Assets Enable Scalable Profitable Growth**

As of October 31, 2020, our total customer database included 69 million unique customers, which represents an overall growth of 43% since the end of fiscal year 2018, including 13% growth in fiscal year 2019, 11% growth in fiscal year 2020 and 15% growth in the first three quarters of fiscal year 2021. Within that database, we maintain an active email file of over 16 million customers, which has grown by 32% in the first three quarters of fiscal year 2021 and 76% since the end of fiscal year 2018. Customers receiving email marketing have historically been our highest value customers in terms of net sales, with the average email customer generating over 40% more in net sales as compared to our non-email customers. In 2019, we significantly upgraded our capabilities to better target and engage customers with personalized offers. We have developed a robust CRM platform creating a holistic view of customer behavior, which helps drive recurring

purchases. We currently run over 40,000 product and customer journey campaigns with defined, tailored content to each individual customer based on purchase history. Due to the success of the initiative, we can identify specific database customers for more than 70% of our net sales, without the burden of a costly loyalty program. Our highly effective, performance-based marketing team leverages this information to profitably acquire new customers, drive repeat purchases and grow lifetime value across channels.

This customer engagement is reinforced by our strong presence on social media, with nearly four million total followers across social media platforms, including our fastest-growing channel, YouTube, which has increased followers by 171% for fiscal year 2021. We further use digital education and inspiration to engage customers on new projects and inspire creative activities. We augment customer engagement through social media and our e-commerce platform by also leveraging our wholly-owned subsidiary, Creativebug, a large craft subscription learning platform with approximately 150,000 paid monthly users. Our customers have access to thousands of projects and videos that can take them from a skill-building novice to an expert sewist or maker. When a creative customer is seeking advice, education or inspiration, we are there for them.

We have multiple techniques to convert new customers into long-term, repeat customers across their current Creative Products activities and encourage them to enter new categories or advance in their existing category. We not only do this through social media and digital education, but also through proprietary and targeted journey mapping, exciting and compelling digital marketing offers, as well as leveraging multiple inspirational and educational digital assets. According to our internal records, our efforts have led to approximately 26% and 28% of new Sewing customers converting into subsequent craft customers in each of fiscal year 2020 and fiscal year 2021. Additionally, we estimate that the number of new Sewing customers increased by 33% and the number of subsequent craft customers increased by 29% from fiscal year 2020 to fiscal year 2021. We believe this integrated, multi-channel approach resonates with our customers, as omni-channel represents 20% of our net sales for the thirty-nine weeks ended October 31, 2020 versus 4% for fiscal year 2018.

### ***Strong Cash Flow Generation and Solid Balance Sheet***

We have demonstrated an ability to generate significant free cash flow due to our high gross margins, controlled operating expenses, moderate working capital requirements and low annual maintenance capital expenditures. We have used a portion of our free cash flow to build a strong balance sheet by consistently reducing net leverage. We retired and repaid \$433.8 million in principal amount of debt from November 2, 2019 to October 31, 2020, resulting in us having outstanding debt of \$929.7 million as of October 31, 2020. In addition to deleveraging, we have continued to make a number of investments in our information technology systems which, coupled with the continued disciplined management of inventory and costs, promote additional operating efficiencies. We anticipate that these efficiencies will allow for continued investment in the business while improving our net leverage moving forward.

Our operating model is highly scalable and enables capital efficient growth. For the five fiscal years ended February 1, 2020, our gross margin rate was 50.2% and selling, general and administrative expenses were held to minimal growth with a CAGR of less than 1%. Those strong operating metrics combined with low maintenance capital spending and a focus on working capital efficiencies have driven the generation of \$494.9 million in net cash provided by operating activities from the beginning of fiscal year 2016 through October 31, 2020, and \$265.9 million of free cash flow during the same time period. These results are sustained by a cash-generative and convenient real estate portfolio that stretches over 49 states, with 98-99+% of all locations having consistently delivered positive Four-Wall Cash Flow over the same period.

See “Prospectus Summary—Summary Consolidated Financial and Operating Data” for the definition of free cash flow, and a reconciliation of free cash flow to net cash provided by operating activities.

### ***Proven Leadership Team and Passionate, Performance-Driven Culture***

We are a purpose-driven company dedicated to inspiring the creative spirit in each of us—our customers and ourselves. Our company is led by an accomplished and experienced senior management team with



significant public market experience and a proven track record in our industry. Our senior management team has an average of 18 years of retail experience, and their understanding of the intricacies of selling SKU-intensive, lower-ticket merchandise facilitates the execution of our growth strategies. Our President and CEO, Wade Miquelon, who has been with JOANN for almost five years, brings 30 years of experience including CFO and President of International for Walgreens, CFO and EVP for Tyson Foods and as CFO for Procter and Gamble's Western European and AAI regions (ASEAN/Australasia/India). Our CFO, Matt Susz, has 30 years of experience including 24 years at JOANN, with leadership roles in accounting, financial and strategic planning, internal audit, treasury, IT and operations. Other members of the executive team bring substantial experience and skills in operations (retail and e-commerce), marketing, merchandising, product development, supply chain, legal, human resources and information technology. We have a high-performing and customer-centric culture and our team members tend to be very loyal, a loyalty born out of a true passion for the industry we operate in and the kinds of customers that we serve.

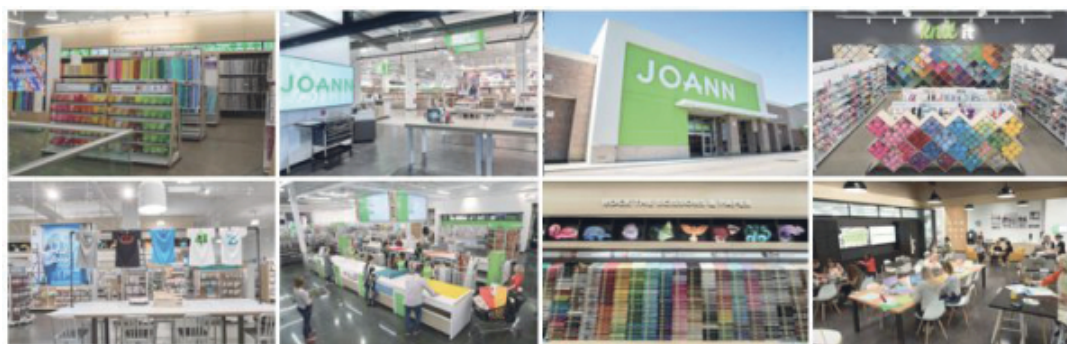
## Our Growth Strategies

We believe we are well positioned to drive sustainable growth and profitability over the long term by executing on the following strategies:

### *Refreshing Our Locations with Enhanced Customer Experience*

We have successfully developed and launched a range of refresh options for our locations over the past three years. Our design process is structured and tailored to the needs of our new and existing customers to ensure all elements are appealing to them. Our options span across three core areas:

- *Experiential Design Elements*—More engaging graphics, lighting, signage, customer work-spaces and merchandise fixtures
- *Content Improvements*—Merchandising assortments and service offerings optimized for each location
- *Service Enhancements*—Team member training and engagement, technology-supported management of service wait times and ease of check-out



The investment for each refresh project is tailored to each location's needs and unit economics. We have four general levels of investment and project scope tailored to what would benefit each location, with future investment expected to range from \$150,000 for the lightest-touch refreshes to \$3 million for the relatively few but most-extensive refreshes. Refinement of our prototype location refresh program has been achieved through the 24 pilot projects completed to date.

Based on the positive outcomes and learnings from these pilots as well as additional improvements being developed, we believe we can achieve an average net sales uplift ranging from 5% to 25% from projects

where we refresh an existing location. We have identified just over 50% of our existing locations that are targets over the next seven to ten years for refresh projects at varying levels of scope.

In over half of the refresh projects completed to date, we have also relocated to an improved site within the trade area. Those relocations deliver our higher end of scope for experiential design elements, as those are more efficient to provide in a new building. We also typically increase the size of the location to an average of 25,000 square feet, and therefore expand the assortment breadth we can offer the customer. We have identified 20% of our current locations that are targets for relocation that we believe will result in net sales uplifts ranging from 15% to 75% compared to the current location. We will execute on these opportunities as leases expire on the current locations over the next seven to ten years.

During the COVID-19 pandemic, we were required to limit the presence of external contractors in most of the United States. As a result, we have been focused on scope refinement and project cost engineering of our prototype to optimize our expected return on investment. We expect to complete 10 to 15 projects over the second and third quarters of fiscal year 2022, with a more robust number of projects to be completed annually in fiscal year 2023 and beyond.

### ***Driving Ubiquitous Customer Engagement that Offers Exceptional Experience and Accelerated Omni-Channel Growth***

We have extended the JOANN brand beyond our locations and actively engage with our customers across various digital touch-points to wherever and however they choose. Our customers want options, and our robust omni-channel solutions provide a seamless e-commerce shopping experience. We have heavily invested in, and successfully built, our valuable digital assets in the past years, including our large email and SMS text databases and established social media presence. We have successfully leveraged these digital assets with our strong CRM capabilities to further accelerate our digital customer engagement. We have added more new customers to our digital databases in the thirty-nine weeks ended October 31, 2020 than in any prior full year. We plan to continue our customer acquisition momentum with several digital initiatives, from driving traffic to *joann.com* to expanding our presence in social media platforms. For example, YouTube has been a popular digital platform for our customers when they search for instructions and project inspiration. We have grown our subscriber base on YouTube by 171% for fiscal year 2021. Videos on our YouTube channel have been viewed nearly 67 million times in that span, or more than a 1,200% increase compared to fiscal year 2020.

We will also continue to enhance our omni-channel shopping experience. We successfully upgraded our e-commerce platform in 2020, including improved search engine optimization and user experience, particularly on mobile devices. Today, our customers can easily shop over 245,000 SKUs available as of December 2, 2020 on our e-commerce platform with convenient fulfillment services such as BOPIS, curbside pick-up and ship-to-home. We believe that a broad online product assortment is critical to customer experience as it provides the ability to complete a consolidated purchase across multiple Creative Products categories. We intend to further expand our assortment across various product categories. We plan to improve our supply chain capabilities to provide our customers with a streamlined, worry-free omni-channel shopping experience. We have launched several initiatives to actively increase our fulfillment rate and optimize the cost structure for our omni-channel service offering, which are aimed at improving customer satisfaction.

We strive to provide a seamless transition when our customers engage across our locations and digital platform. Our mobile application has various functions that improve our customers' shopping experience, no matter where they are. For example, we have recently launched a new digital initiative, "We Got This," where our team members can assist our customers, in-aisle at our locations, to order additional items and make bulk purchases on our mobile application. We are also adding QR codes across our locations to efficiently connect our customers to our vast digital library of projects, sources of inspiration and assortments. By scanning QR codes on their mobile devices, our customers can more easily access our digital content while they are shopping in-person.

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We intend to further deepen our customer engagement with digital education and learning services, as our customers constantly search for project inspiration and instructions online. For example, we plan to continue to grow our YouTube channel to provide rich content for customers searching for quick tips and short tutorials. We also expect to expand our high quality education offering to customers who are interested in skill building and learning. We intend to offer more affordable and innovative digital creative education across multiple platforms, including Creativebug, to offer subscription-based access to thousands of arts and crafts classes.

### ***Expanding Our Digital Presence into New Markets and Categories with Substantial Share Opportunity***

Our customers can shop over 245,000 SKUs available as of December 2, 2020 on our e-commerce platform. By enhancing our central fulfillment capabilities, we intend to further broaden our assortment in product categories that offer substantial share opportunity and also improve our fulfillment rates.

We believe there is significant demand from customers outside the United States. For example, according to SVP Worldwide, approximately 77% of all sewing machine sales globally take place outside of the United States. To capture this opportunity, we intend to expand our robust e-commerce platform to multiple international countries. We receive numerous inquiries every year from international customers hoping to purchase from us, and approximately five million international visitors actively engage our website annually, without any marketing initiatives. We have engaged an experienced external provider to launch multi-country international sales. They will support us in managing both the consumer-facing and back-office aspects of this initiative. We believe the breadth of our assortment, purchasing power and pricing levels will allow us to provide a strong value proposition to our customers in many other countries.

We have an innovative management team that has helped develop a robust pipeline of digitally-led initiatives that we believe will strengthen and expand the JOANN brand both domestically and internationally.

Digital Education	 (Acquired in April 2017)	<ul style="list-style-type: none"><li>▪ Subscription-based service offering customers unlimited access to a library of thousands of online arts and crafts instructional videos</li><li>▪ ~150,000 paid subscriber base that has increased ~4x in the past three years</li></ul>
Customizable Fabric	 (Invested in December 2019)	<ul style="list-style-type: none"><li>▪ Proprietary partnership with WeaveUp offers cutting-edge digital printing solutions for fabric and other customization tools</li><li>▪ Allows customers to access, adapt and print a library of proprietary fabric designs using reactive dye digital printing machines</li></ul>
Digital Sewing Technology	 (Expected late fiscal year 2022)	<ul style="list-style-type: none"><li>▪ Our upcoming proprietary sewing technology expected to revolutionize the current cumbersome fabric cutting process</li><li>▪ Will allow customers to digitally access a large pattern library and have fabric accurately cut to their desire in minutes</li></ul>

We believe digital printing is a rapidly-growing technology that provides unlimited design and color options, no minimum quantities and a much more environmentally-friendly production process. We intend to deepen our penetration in digital printing by providing our customers with easy-to-use and innovative technology that significantly enhances the current creative process. In November 2020, we re-launched *Customizable Fabric* as a digital printing platform through our proprietary partnership with *WeaveUp*, a technology company offering cutting-edge digital printing solutions for fabric and other customization tools. Customers around the world can also easily make alterations to the designs on the platform, which can be printed on a wide range of fabrics using high-quality reactive dye digital printing machines. Through our partnership with, and investment in, *WeaveUp*, we also expect to accelerate new product development and supply chain savings in the Sewing category.

We intend to create a more convenient experience for our sewists with innovative digital solutions. We have developed and patented a proprietary technology named *Ditto* that we believe could revolutionize the

sewing process. The technology is expected to solve the most common pain point reported by our customers: the pinning and cutting of sewing patterns on fabric. Our research has shown that by changing the current cumbersome fabric cutting process, it is likely that sewists will increase their overall sewing activity. We expect the commercial launch of this technology to be in late calendar year 2021.

### ***Delivering Operational Excellence and Margin Improvement***

We work to build operational efficiencies to consistently improve our customer value proposition and financial operating margins. We will continue to focus on three core competencies that we have continuously refined with experience that drive sustained operational excellence.

**Product Sourcing.** Our most significant cost saving initiative is product sourcing. Through the leadership of our U.S.-based sourcing and product development team as well as our Shanghai sourcing office that was established in 2018, we have accelerated our ability to migrate product assortments to factory direct sourcing. This expands our ability to lower costs while delivering new and innovative products to our customers, and we estimate that we have achieved more than \$60 million in cost savings through this process from fiscal year 2018 to fiscal year 2020. As our penetration of direct sourcing will still be below 50% of our total merchandise receipts in fiscal year 2021, there is substantial opportunity to generate additional savings through this program.

**Indirect Procurement.** Over the past two years, we have taken a more strategic approach, including investment in leadership and supporting talent, for our indirect procurement. This team is charged with managing supplier negotiations as well as eliminating waste and inefficiencies across approximately \$250 million of annual addressable indirect spend from operating supplies to merchandise fixtures, facilities services, printing and technology costs. Through fiscal year 2022, this team will be focused on 66 separate sourcing efforts, contract negotiations and process improvement projects across nearly all of our business disciplines that represent \$70 million to \$80 million in current annual spend. Our goal is to generate reductions in the range of 8% to 12% of such current annual spending levels.

**Supply Chain.** We have a series of supply chain initiatives that we believe will support our continued e-commerce growth and reduce fulfillment costs for customer orders, while significantly reducing our supply chain costs and improving customer and team member satisfaction. Many of these initiatives will simplify and streamline processes and systems that impact the team members that serve customers in our locations. We believe this will ultimately provide more time to engage with our customers in-store, shorten customer online order fulfillment times, and reduce overall labor costs.

### **Merchandising**

#### ***Sewing***

49% of our total net sales were within the Sewing category in the last twelve months ended October 31, 2020. We offer a broad and comprehensive assortment of Sewing products in all of our locations and online. These Sewing products offer our customers a combination of unique designs and fashionable trends at competitive prices. We are organized in the following categories for the convenience of the sewing enthusiast as well as those that utilize fabric for other crafting projects:

- cotton fabrics used in the construction of quilts as well as craft and seasonal projects;
- warm fabrications, such as fleece and flannel fabrics in both prints and solids, used for the construction of loungewear, blankets and craft projects;
- home decorating and utility fabrics and accessories used in home-related projects, such as window treatments, bed coverings, pillows and indoor and outdoor furniture coverings;

- fashion and sportswear fabrics used primarily in the construction of garments for the customer seeking a unique, on-trend look;
- special occasion fabrics used to construct evening wear, bridal and special event attire;
- a wide array of sewing construction supplies, including cutting implements, threads, zippers, trims, tapes, pins, elastic and buttons, as well as the patterns necessary for most sewing projects; and
- seasonally themed and licensed fabric designs, including professional and collegiate sports teams and pop culture licensed prints, on a variety of fabrications to support a wide range of uses.

### ***Arts and Crafts, Home Décor and Other***

The remainder of our total net sales in the last twelve months ended October 31, 2020 were within arts and crafts, home décor and other categories. We offer a broad assortment of merchandise for creative enthusiasts to support their arts and crafts as well as home decorating needs. We offer the following product assortments both in our locations as well as online:

- yarn and yarn accessories, as well as needlecraft kits and supplies;
- paper crafting components, such as craft cutting machines, albums, paper, stickers, stamps and books used in the popular home-based activities of scrapbooking and card making;
- craft materials, including items used for stenciling, jewelry making, decorative painting, wall décor, food crafting and kids crafts;
- fine art materials, including items such as pastels, water colors, oil paints, acrylics, easels, brushes, paper, canvas as well as pencils and paper used for sketching;
- sewing machines, craft technology, lighting, irons, organizers and other products that support multiple creative endeavors. Some of our locations also offer a wider selection of sewing machines through leased departments operated by a third party;
- artificial floral products, including flowers, artificial plants, finished floral wreaths and a broad selection of accessories essential for floral arranging and wreath making;
- seasonal décor and entertaining products themed for all key holidays and portions of the year;
- home décor accessories, including baskets, candles and accent collections designed to complement our home décor fashions;
- ready-made frames and, in several of our larger locations, full service custom framing departments;
- a comprehensive assortment of books and magazines to provide inspiration for our customers; and
- other, including non-merchandise services.

### **Marketing**

Our marketing efforts are key to the ongoing success and growth of our brand. We engage a diverse customer base ranging across ages, demographics, interests and skill levels, from the novice to the experienced sewist and maker. Our primary focus with these efforts is to deepen the relationship with our customers, with a long-term focus of creating loyalty and helping our customers find their “Happy Place” at JOANN.

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We leverage our proprietary customer database to provide relevant and timely communications to customers through multiple digital channels (email, SMS text, mobile application push notifications, and display marketing), and to our most engaged customers via a robust direct mail program. This allows us to efficiently and effectively reach our target customers on a regular basis throughout the year. We rely primarily on digital marketing tactics to drive customer acquisition, including online display and search marketing, social media and affiliate marketing programs. Our retention marketing programs leverage a robust CRM platform and database that provides us a detailed view of customer behavior, combining sales in our locations with online and social media activity. Through this database, we can personalize our digital marketing, email, SMS text, and direct mail campaigns to ensure we are providing the most relevant content to our customer at all times.

Customers can interact with our brand whenever and however they want. Customers connect with us through our newly re-designed mobile-first website, *joann.com*, and our widely-used mobile application with over 11.8 million downloads. As of the end of the third quarter of fiscal year 2021, we had over 69 million addressable customers in our vast database, over 16 million customers in our email database and 4.5 million customers in our very large SMS text database. As of December 2, 2020, our customers can shop over 245,000 SKUs available on our e-commerce platform. Customers have the ability to shop their local location online, with convenient omni-channel services available like BOPIS or curbside pickup. Customers can also choose to order direct to home, with extended aisle offerings across all major product categories. For customers seeking to purchase in greater quantities, we offer low pricing for bulk purchases through our JOANN+ service on *joann.com*. Those looking for inspiration and education can access thousands of projects in multiple ways and formats, including our digital platforms that offer thousands of project ideas, from novice to expert level, and include convenient shopping lists for each project. Customers seeking video tutorials can access free content both through *joann.com* and on the JOANN YouTube channel, where we post additional “how-to” videos. Finally, customers looking to build more advanced skills can gain access to Creativebug, our wholly owned subsidiary, which offers hundreds of longer form video tutorials from experts in the industry via a subscription. Our Creativebug website offers an extensive array of online arts and crafts instructional videos allowing customers to learn how to paint, draw, sew, quilt, knit, crochet, and much more, while capturing the intimate experience of learning from top designers and artists.

We interact with our customers in multiple ways digitally, through online communities, social media platforms and on *joann.com*. Our highly active social networks are playing an increasingly significant role in our marketing, public relations and customer engagement. We utilize Facebook, Instagram, YouTube, Pinterest and affiliate marketing partners as engagement tools to inspire, educate, promote sales, introduce new products, share customer stories and engage in communication, including customer service support and idea sharing. We also have established relationships with key crafting and sewing influencers who help promote our brand, projects, and product offerings. Through our digital and social communities, we have launched key initiatives further connecting our diverse customers, including:

- our “Make to Give” campaign for calendar year 2020 focused on making and donating cotton masks and scrubs to support our communities and front line health care workers, through which we estimate that we have directly donated materials for over 20 million masks, scrubs and other personal protective equipment and our customers have purchased, made, and in many cases donated, more than 350 million additional masks as of October 31, 2020; and
- the launch of our two inaugural campaigns designed to give back to those in need: (i) the “Minority Creative Grant” that we established in August 2020, awarding minority makers a series of grants totaling \$100,000 to support them in growing their businesses, and (ii) the “Handmade Hero’s Award” of \$100,000 that we established in November 2020, awarding and giving back to those who have made to donate to their own communities throughout the year.

We also encourage our customers to share their projects with others, and they can easily do so by utilizing the hashtag “#handmadewithjoann.” Through this hashtag, content is not only shared in the social

platform posted on, but also flows through our mobile application and on *joann.com* for others to comment on and be inspired.

As we further build our brand, we continually explore and test strategic partnerships. These partnerships can range from co-branding products and services to building entirely new offerings for customers. For example, we partner with Girl Scouts of America and 4-H. At the core of each of these partnerships, we seek to connect with and build a longer term relationship with younger and upcoming makers and those who share our common passion to help others, further generating awareness of the social value of our brand.

## **Purchasing**

We generally have multiple domestic and international sources of supply available for each category of products we sell. During the thirty-nine weeks ended October 31, 2020, we sourced approximately 63% of our purchases from domestic suppliers with the remaining approximately 37% of our products coming directly from manufacturers located in foreign countries, of which just over half were sourced from China. To further support our direct sourcing strategic initiative, we opened our foreign sourcing office in Shanghai, China in 2018. We continue to diversify our internationally sourced products by expanding in several other countries, including Pakistan, India and South Korea. The focus on supplier diversification has allowed us to partially offset the negative impact of the U.S. tariffs on Chinese imports. Because of the increase in foreign sourcing, we need to order these products further in advance than would be the case if the products were sourced domestically, which in turn requires us to have a longer in-transit time for our merchandise and higher safety stock levels in our distribution centers and locations. Our domestic suppliers also source internationally many of the products they sell to us.

Although we have very few long-term purchase commitments with any of our suppliers, we strive to maintain continuity with them. All purchases are executed centrally through our store support center, allowing location managers and team members to focus on customer service and enabling us to negotiate volume discounts, control product mix and ensure quality. As of October 31, 2020, our top supplier represented approximately 10% of our total annual purchase volume and the top 10 suppliers represented approximately 27% of our total annual purchase volume. As of October 31, 2020, we were utilizing approximately 680 merchandise suppliers, with the top 110 representing approximately 80% of our purchasing volume.

## **Logistics**

We operate three distribution centers in Hudson, Ohio, Visalia, California and Opelika, Alabama, all of which ship merchandise to our locations on a weekly basis. The distribution centers also ship select products ordered by customers through *joann.com* directly to their homes. As of October 31, 2020, approximately 89% of the products in our locations are shipped through our distribution center network, with the remaining 11% of our purchases shipped directly from our suppliers to our locations. As of October 31, 2020, approximately 38% of our locations are supplied from the Hudson distribution center, 32% from the Visalia distribution center and 30% from the Opelika distribution center.

We transport product from our distribution centers to our locations utilizing contract carriers. Merchandise is shipped directly from our distribution centers to our locations using dedicated core carriers for approximately 95% of our locations. For the remainder of our locations, we transport product using less than truckload carriers or through a regional “hub” where product is cross-docked for local delivery. We do not own either the regional hub or the local delivery vehicles.

## **Location Operations**

### **Site Selection**

We believe that our locations are integral to our success. New and relocated sites are selected through a coordinated effort of our executive, real estate, finance and operations management teams. In evaluating the



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desirability of a potential location, we consider both market demographics and site-specific criteria. Market criteria we consider important include, but are not limited to, our existing location sales performance in that immediate market (if we have an existing location), distance to other JOANN locations, competitive presence, total population, number of households, median household income, percentage of home ownership versus rental and historical and projected population growth. Site-specific criteria we consider important include, but are not limited to, size of the location, rental terms, size of the shopping center, co-tenants, traffic patterns, availability of convenient parking and ease of entry from the major roadways framing the location.

### ***Opening or Remodeling Locations***

Our location refresh program employs standard operating procedures to efficiently open new locations or remodel or relocate existing locations. We have developed processes to optimize inventory assortments and marketing programs for locations that we open or remodel, which are under regular review to uncover opportunities to improve performance and consistency of execution. We generally look to execute location projects in the period from February through October to maximize sales and to minimize disruption to operations during our fourth quarter peak selling season. See “Prospectus Summary—Our Growth Strategies—Refreshing Our Locations with Enhanced Customer Experience.”

### ***Location Management***

Each location generally has a manager and an assistant manager. The remainder of staff is a combination of full-time and part-time team members based on each location’s individual sales volume. Managers generally are compensated with a base salary plus a bonus, which is tied to individual location and overall company performance.

We strive to promote our managers from within our assistant manager ranks as a result of high performance and completion of our internal management training program. Many of our team members, including managers, started as our customers and are enthusiasts within the Creative Products community. We believe this continuity serves to solidify long-standing relationships between us and our customers, and aid in our ability to provide exceptional service. When we relocate in the same market, we generally retain its team members to staff the new location. Each location is under the supervision of a district manager who reports to a regional vice president.

We have geographic coverage for our retail locations across the United States that we believe provide sufficient scale to efficiently leverage our e-commerce business, national marketing programs and logistics networks. The following table shows the number of retail locations by state on October 31, 2020:

	<b>Total</b>		<b>Total</b>
Alabama	7	Kansas	8
Alaska	5	Kentucky	11
Arizona	18	Louisiana	8
Arkansas	6	Maine	5
California	84	Maryland	18
Colorado	16	Massachusetts	24
Connecticut	10	Michigan	43
Delaware	2	Minnesota	23
Florida	49	Mississippi	6
Georgia	20	Missouri	15
Idaho	8	Montana	7
Illinois	36	Nebraska	4
Indiana	27	Nevada	5
Iowa	13	New Hampshire	9



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	<u>Total</u>
New Jersey	12
New Mexico	5
New York	36
North Carolina	16
North Dakota	4
Ohio	49
Oklahoma	7

	<u>Total</u>
Oregon	25
Pennsylvania	44
Rhode Island	1
South Carolina	8
South Dakota	3
Tennessee	15
Texas	43
Utah	14
Vermont	4
Virginia	22
Washington	30
West Virginia	4
Wisconsin	25
Wyoming	3
<b>Total</b>	<b><u>857</u></b>

The following table reflects the number of retail locations opened, relocated and closed during each of the past five fiscal years and the thirty-nine weeks ended October 31, 2020 (square footage in thousands):

<u>Fiscal Year</u>	<u>New</u>	<u>Closed</u>	<u>In Operation at Period End</u>	<u>Expanded or Relocated</u>	<u>Total Square Footage at Period End (in thousands)</u>
2016	6	(7)	847	12	18,624
2017	16	(4)	859	8	18,807
2018	11	(5)	865	3	18,870
2019	7	(3)	869	10	18,956
2020	—	(2)	867	10	18,963
Q1-Q3 2021	—	(10)	857	6	18,823

Our new location opening costs depend on the building type, location size and general construction and labor costs in the geographic area. Our relocation and remodel projects range in scope and cost based on the specific needs and sales potential of the location being refreshed as well as the size of the location, condition of the building and regional differences in construction costs. Components of cost for these projects include leasehold improvements (net of landlord financial contribution), furniture, fixtures and equipment, inventory (net of vendor support) and pre-opening labor and facilities expenses incurred during the project.

## Competitive Landscape

We are the nation's category leader in Sewing and one of the fastest growing players in the arts and crafts category, serving customers in their pursuit of apparel and craft sewing, crafting, home decorating and other creative endeavors. We compete with select mass merchants, including Walmart, Inc. and Target Corporation, which dedicate a portion of their selling space to selling Creative Products items. We also compete with specialty retailers in the Creative Products industry, such as The Michaels Companies, Inc. and Hobby Lobby Stores, Inc., as well as smaller regional and local operators.

In addition to e-commerce options offered by the retailers mentioned above, we compete with companies that sell fabrics and crafts only over the internet, such as Amazon.com or its subsidiary Fabric.com. We estimate pure play e-commerce players represent less than 10% market share of the Creative Products industry. We believe that we are the only specialty player that can serve customers holistically with an expansive Creative Products assortment, service-oriented experience and integrated omni-channel capabilities.

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We believe our ability to compete effectively in our industry is primarily on the basis of product assortment, price, convenience and customer service. We believe that the combination of our robust product assortments supported by knowledgeable and customer-focused team members and a strong omni-channel service offering provides us with a competitive advantage.

### **Information Technology**

Our point-of-sale systems and e-commerce platform record the sale of product at the item level. These transactions are collected and transmitted to our financial, merchandising, omni-channel fulfillment and reporting systems throughout the day. Information obtained from item-level transaction data enables us to identify important trends, provide customers and team members with updated inventory information, ensure our products are reliably replenished as sold, eliminate less profitable items, and optimize product margins through analysis of our advertising, pricing and promotions.

Our locations are equipped with broadband communication that is made available to customers so that our mobile e-commerce assets are able to augment our in-store customer service. The broadband service is also used within the location to enhance the checkout experience and internal location communications.

Our financial, merchandise and retail systems leverage enterprise software, complemented by other technology solutions for specific business processes where those other solutions are a better fit for our requirements. Those solutions include our portfolio of software for merchandise planning and replenishment as well as our recently upgraded human resource systems.

### **Team Members**

As of October 31, 2020, we had approximately 27,700 full and part-time team members, of whom approximately 26,000 worked in our retail locations. The number of part-time team members is substantially higher during our peak selling season of September through December to support higher merchandising and customer service requirements. We believe our turnover is below average for retailers, primarily because many of our team members are themselves Creative Products enthusiasts. Our ability to offer flexible scheduling is also important in attracting and retaining team members, since approximately 80% of our team members work part-time.

The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, or the union, currently represents team members who work in our Hudson, Ohio distribution center. As of October 31, 2020, 1.3% of our team members were unionized. Our current contract with the union expires on May 5, 2023 and relations with the union are good. Otherwise, none of our team members are unionized.

### **Trademarks**

We do business under trademarks for “Jo-Ann,” “JOANN,” “Joann.com,” “Jo-Ann Fabrics,” “Jo-Ann Fabric and Craft Stores,” “Jo-Ann Fabrics and Crafts,” “Jo-Ann Fabrics & Crafts” and “Creativebug,” as well as under numerous trademarks relating to our private label products and marketing programs. We believe that our trademarks provide significant value to our business.

### **Government Regulation**

Various aspects of our operations are subject to federal, state, local and foreign laws, rules and regulations, any of which may change from time-to-time. Laws and regulations affecting our business may

change, sometimes frequently and significantly, as a result of political, economic, social or other events. Some of the federal, state or local laws and regulations that affect us include but are not limited to:

- consumer product safety, product liability, truth-in-advertising or consumer protection laws;
- labor and employment laws, including wage and hour laws;
- tax laws or interpretations thereof, including collection of state sales tax on e-commerce sales;
- data protection and privacy laws and regulations;
- environmental laws and regulations;
- trade, anti-bribery, customs or import and export laws and regulations, including collection of tariffs on product imports; and
- intellectual property laws.

Continued compliance with such laws and regulations could prove to be costly and impact various aspects of our business. For example, increases in minimum wages or changes in wage and hour laws could limit our growth and materially and adversely affect our business, financial condition and results of operations. Additionally, with the trend in health and safety regulations becoming more restrictive, such as certain physical and electronic accessibility requirements under the Americans with Disabilities Act of 1990, it is possible that the costs of compliance with such laws and regulations will continue to increase. See “Risk Factors—Risks Related to our Business—Failure to attract, develop, motivate and retain qualified team members and effectively manage overall labor costs, including potential increases in minimum wages, could limit our growth and materially and adversely affect our business, financial condition and results of operations” and “Risk Factors—Risks Related to our Business—Failure to comply with various regulations may result in damage to our business.”

## **Properties**

Our store support center, one of our distribution centers and one retail location are located in a 1.4 million square foot facility on approximately 119 acres in Hudson, Ohio. Our building is sitting on 35 acres with an additional 84 acres of land surrounding the facility. We own both the facility and the real estate. The distribution center occupies 1.0 million square feet and the remainder is used as our store support center and a retail location. We also own a distribution center that is approximately 700,000 square feet situated on a 105-acre site that is located in Opelika, Alabama. We lease and operate a distribution center that is approximately 630,000 square feet located on an 80-acre site in Visalia, California. The initial term of the lease expires in October 2026 with renewal options for up to an additional 40 years.

The majority of our remaining properties that we occupy are leased retail location facilities, located primarily in high-traffic shopping centers. All leases are operating leases and generally have initial terms of 10 years with renewal options for up to 20 years. Certain leases contain escalation clauses and contingent rents based on a percent of net sales in excess of defined minimums. During fiscal year 2020, we incurred \$262.7 million of occupancy costs, including common area maintenance, taxes and insurance for locations.

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As of October 31, 2020, the current terms of our leases (including retail locations not yet open), assuming we exercise all lease renewal options, were as follows:

<u>Fiscal Year Lease Terms Expire</u>	<u>Number of Retail Location Leases</u>
Month-to-month	6
2021	8
2022	20
2023	24
2024	29
2025	31
Thereafter	741
Total	859

### **Legal Proceedings**

We are involved in various litigation matters in the ordinary course of our business. We are not currently involved in any litigation that we expect, either individually or in the aggregate, will have a material and adverse effect on our business, financial condition or results of operations.

### **Seasonality**

While we support the creative enthusiast throughout the entire year, our business does exhibit a high degree of seasonality with our fall and winter holiday seasons demonstrating stronger sales volume relative to the balance of the year. Due to the project-oriented and gift giving nature of our customers, many of their purchases will be in advance of the holiday or event for which they are purchasing supplies from us. Therefore, our peak selling season generally runs from September through December.

## MANAGEMENT

### Executive Officers, Directors and Director Nominees

The following table sets forth information about our executive officers, directors and director nominees, including their ages as of March 4, 2021. With respect to our directors and director nominees, each biography contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the past five years, information regarding involvement in certain legal or administrative proceedings and the experience, qualifications, attributes or skills that caused our board of directors to determine that the person should serve as a director of our Company.

<u>Name</u>	<u>Age</u>	<u>Position</u>
<b>Executive Officers</b>		
Wade Miquelon	56	President, Chief Executive Officer and Director
Matt Susz	52	Senior Vice President, Chief Financial Officer
Ann Aber	43	Senior Vice President, General Counsel & Secretary
Varadheesh Chennakrishnan	51	Senior Vice President, Chief Information Officer
Christopher DiTullio	48	Senior Vice President, Chief Customer Officer
Janet Duliga	54	Senior Vice President, Chief Administrative Officer
Sharyn Hejcl	56	Senior Vice President, Chief Innovation & Sourcing Officer
Michael Joyce	37	Senior Vice President, Planning, Replenishment & Supply Chain Optimization
Robert Will	43	Senior Vice President, Chief Merchandising Officer
<b>Non-Employee Directors and Director Nominees</b>		
Lily Chang	55	Director
Marybeth Hays	52	Director Nominee
Anne Mehlman	40	Director Nominee
Jonathan Sokoloff	63	Director
Darrell Webb	63	Director
John Yoon	37	Director

*Wade Miquelon*, 56, was appointed as our President, Chief Executive Officer and a member of the board of directors in February 2019. Prior to that, Mr. Miquelon served as our Executive Vice President, Chief Financial Officer beginning April 2016 and as our interim President and Chief Executive Officer from October 2018 to February 2019. Previously, Mr. Miquelon served as Chief Financial Officer and Executive Vice President of Walgreens Boots Alliance, Inc., or The Walgreen Company, beginning in 2009, and later took on the additional responsibility as President, International, beginning in 2012. Prior to his tenure at The Walgreen Company, Mr. Miquelon served as Executive Vice President, Chief Financial Officer of Tyson Foods, Inc. Prior to that, Mr. Miquelon spent fifteen years as an executive at The Procter and Gamble Company and was based in Europe, Asia and the United States. In 2018, without admitting or denying any of the allegations, Mr. Miquelon consented to the issuance of an SEC order relating to his tenure at The Walgreen Company providing that he cease and desist from committing or causing any violation or future violations of Section 17(a)(2) of the Securities Act and pay a civil monetary penalty of \$160,000. The suit was brought against The Walgreen Company and certain of its executives, including Mr. Miquelon. The order related to actions taken prior to 2015 and did not bar Mr. Miquelon from serving as an officer or director of a public company. Mr. Miquelon currently is a board member of Acadia Healthcare Company, Inc. and a trustee of National 4-H Council. He previously served on the boards of Alliance Boots, Lyric Opera and Chicago Shedd Aquarium. Mr. Miquelon was selected to our board of directors because of, among other things, his extensive knowledge and experience with our business and his role as our chief executive officer.

*Matt Susz*, 52, was appointed as our Senior Vice President, Chief Financial Officer in February 2019. He previously served as our Senior Vice President, Chief Operating Officer since April 2018. Prior to that, Mr. Susz

served as our Senior Vice President, Chief Information Officer from 2011 to 2018. Since joining the Company in 1996, Mr. Susz has served in various roles of increasing responsibility in our finance, information technology and operations departments. Prior to joining the Company in 1996, Mr. Susz worked at Arthur Andersen LLP in the audit practice. Mr. Susz currently serves on the board of directors of Weaveup, Inc., which is an affiliate of the Company, and the board of directors of the United Way of Summit and Medina Counties.

*Ann Aber*, 43, was appointed as our Senior Vice President, General Counsel & Secretary in March 2021 and previously served as our Vice President, General Counsel & Secretary since April 2019. Her responsibilities include legal, corporate governance and classification and compliance. Prior to joining the Company, Ms. Aber served as Vice President & General Counsel at More Than Gourmet, a specialty food manufacturer, from September 2017 to April 2019. Prior to that, Ms. Aber acted as Counsel at Eaton Corporation plc from 2012 to 2017. Previously, Ms. Aber was an Associate in the Private Equity practice at Jones Day from 2008 to 2012. Ms. Aber currently serves on the board of directors of the Greater Cleveland Food Bank.

*Varadheesh Chennakrishnan*, 51, was appointed as our Senior Vice President, Chief Information Officer in March 2019. Prior to joining the Company, Mr. Chennakrishnan served in various roles of increasing responsibility at Ulta Beauty from May 2010 to March 2019, including Senior Vice President, Applications & Enterprise Architecture, Vice President, Applications & Enterprise Architecture, and Vice President, IT Services. In 2010, Mr. Chennakrishnan served as a SAP Solutions Architect at Sabre Airline Solutions. Mr. Chennakrishnan also served as Senior Manager SAP at Insight from 2008 to 2010. Previously, Mr. Chennakrishnan worked as an independent SAP software consultant from 2007 to 2008, as Manager IS at Insight from 2001 to 2007, as Senior Software Analyst at Satyam from 1999 to 2000, as Senior Software Analyst at Larsen & Toubro Infotech from 1998 to 1999 and as Senior Maintenance Engineer at Southern Petrochemicals Industries Corporation from 1990 to 1996.

*Christopher DiTullio*, 48, has served as our Senior Vice President, Chief Customer Officer since October 2019. His responsibilities cover all aspects in which our customer interacts with our brand, including field leadership and all aspects of location operations, development and in-store experience; omni-channel operations and customer care; marketing and brand organizations, inclusive of creative, digital marketing, digital experience, customer relationship management and customer insights and analytics. Mr. DiTullio joined the Company in 2005 and since that time has held various leadership roles in inventory management, marketing, e-commerce and omni-channel. Prior to joining the Company, Mr. DiTullio held roles in operations and inventory management with JC Penney, Homeplace, Inc. and Cole Vision. Additionally, Mr. DiTullio recently completed a six year term on the board of Association for Creative Industries (the craft and hobby industry association, formerly Craft & Hobby Association).

*Janet Duliga*, 54, was appointed as our Senior Vice President, Chief Administrative Officer in February 2016. During her tenure with the Company, she completed her dissertation in organizational learning in 2018 at University of Pennsylvania. Dr. Duliga leads our human resources function, and directly oversees our legal, corporate communications, field asset protection and diversity and inclusion functions. Prior to joining the Company, she held an executive role at Sunglass Hut, a global division of international eyewear and optical health company, Luxottica, from 2010 to 2016. Previously, she worked in the human resources department at Pacific Sunwear from 2007 to 2010, The Wet Seal from 2001 to 2003, and Nordstrom, Inc. from 1999 to 2001. She began her career in the employment practice group of Sheppard Mullin Richter and Hampton.

*Sharyn Hejcl*, 56, was appointed as our Senior Vice President, Chief Innovation and Sourcing Officer in March 2020. She previously served in various other roles of increasing responsibility at the Company since October 2014, including Senior Vice President, GMM Seasonal, Sourcing & Product Development, Senior Vice President, Inventory Management and Supply Chain, and Vice President, Inventory Management. From 2011 to 2013, Ms. Hejcl served as Vice President, Merchandising Home at Big Lots. Prior to that, Ms. Hejcl served as Vice President, General Merchandise Manager Kmart Home at Sears Holdings Corporation from 2008 to 2011. Ms. Hejcl served as Vice President and General Merchandise Manager at Kirkland's Home from 2007 to 2008.

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From 2003 to 2006, Ms. Hejcl worked as Divisional Merchandise Manager of the Home Décor and Tabletop division at Bed, Bath and Beyond. Prior to that, she was Director of Replenishment & Forecasting for Jo-Ann Stores Inc. from 1998 to 2003. She began her retail career at May Department Stores spending 13 years with increasing responsibilities in buying and serving as a Market Representative in the Decorative Housewares and Home Textile divisions.

*Michael Joyce*, 37, was appointed as our Senior Vice President, Planning, Replenishment & Supply Chain Optimization in February 2020. In this role, he manages all aspects of company inventory, leads analytics for merchandise & promotions, and drives optimization efforts within store assortments and supply chain. Prior to that, Mr. Joyce served in various roles of increasing responsibility at the Company, including Vice President, Inventory Management, Vice President, Replenishment, and Director, Inventory Optimization. Previously, Mr. Joyce held various roles at McKinsey & Company, KPMG, Amazon, Xilinx Inc., and Johnson & Johnson in advanced analytics, supply chain, and IT.

*Robert Will*, 43, was appointed as our Senior Vice President, Chief Merchandising Officer in October 2019. In this role, Mr. Will is responsible for leading the product merchandising strategy, execution, and profitability across both the brick and mortar and e-commerce channels. Mr. Will has served as the executive sponsor of our e-commerce business since April 2019, and business development efforts including our investments in Creativebug and Glowforge. Mr. Will joined the Company in September 2016 and spent his first three years as Senior Vice President, General Merchandise Manager of the craft category. Prior to joining the Company, Mr. Will spent six years at The Sports Authority with roles including Vice President, Divisional Merchandise Manager of Team and Winter Sports and Senior Vice President, General Merchandise Manager of their hardgoods business. Before that, Mr. Will held a variety of merchandising and planning roles of increasing responsibility in apparel, footwear, and hardgoods at Macy's and Dick's Sporting Goods.

*Lily Chang*, 55, has served as a member of our board since May 2018. Ms. Chang is Chief Portfolio Services Officer of LGP, which she joined in 2004. In her role, she leads LGP's collaborative efforts with portfolio company management teams. From 2003 to 2004, she worked at Nissan Motor Acceptance Corporation in strategy and planning roles. Prior to Nissan, Ms. Chang was a partner with eCompanies Venture Group, a venture capital firm. In addition, Ms. Chang has held finance and management positions with The Walt Disney Company and Procter & Gamble. We believe Ms. Chang is qualified to serve as a director due to her particular knowledge and experience in accounting and finance, supply chains, strategic planning, and leadership of complex organizations and retail businesses.

*Marybeth Hays*, 52, has been nominated as a director to serve on our board. Since February 2020, Ms. Hays has served as the Board Executive Chair of Sneez, LLC. Ms. Hays has also served on the board of Leapfrog Brands since December 2020 and Decowraps since August 2020. Ms. Hays has served as an executive-in-residence with Kearney since May 2019 and has also worked directly with clients through her company, Hays Advising LLC, since February 2019. Ms. Hays has served on the advisory board of Pocket Naloxone since January 2020. From October 2009 until February 2019, Ms. Hays held various roles of increasing P&L responsibility at three of the four operating divisions of Walmart, including most recently as Executive Vice President of Consumables and Health & Wellness for Walmart U.S., and as Chief Merchandising, Marketing, and Supply Chain officer for Walmart China 2015-2017. From 2001 to 2009, Ms. Hays served as Merchandising Vice President at Lowe's Home Improvement. Prior to that time, she worked in brand management roles through Vice President of Marketing at Hanesbrands Inc. from 1993 to 2000. Ms. Hays is the Chairperson for the Board of Visitors for the Wake Forest School of Business. Ms. Hays was selected to our board of directors because of, among other things, her particular knowledge and experience in strategic planning, consumer goods and leadership of complex organizations and global retail businesses.

*Anne Mehlman*, 40, has been nominated as a director to serve on our board. Ms. Mehlman also serves as Executive Vice President and Chief Financial Officer of Crocs, Inc., a position she has held since August 2018. From November 2016 until August 2018, she served as Chief Financial Officer of Zappos.com, Inc., an online shoe retailer owned by Amazon.com, Inc. Previously, Ms. Mehlman held several global financial roles finally

serving as Vice President, Corporate Finance of Crocs, Inc. from June 2011 to November 2016. Prior to that time, she was Division Finance Director at RSC Holdings, Inc. (acquired by United Rentals, Inc.). Prior to her time at RSC Holdings, Inc., Ms. Mehlman also held various financial roles at Corporate Express (acquired by Staples, Inc.) and Lockheed Martin. We believe Ms. Mehlman is qualified to serve as a director due to her particular knowledge and experience in accounting and finance, strategic planning, and leadership of complex organizations and retail businesses.

*Jonathan Sokoloff*, 63, has served as a member of our board since March 2011. Mr. Sokoloff is currently a Managing Partner of LGP, which he joined in 1990. Before joining LGP, he was a Managing Director in investment banking at Drexel Burnham Lambert. Mr. Sokoloff also serves on the board of directors of Advantage Solutions, Inc., The Container Store Group, Inc., Jetto Cash & Carry, Shake Shack Inc., and Union Square Hospitality Group, LLC. He previously served on various board of directors, including Whole Foods Market, Inc. and BJ's Wholesale Club, Inc. Mr. Sokoloff serves as a trustee of Williams College and the Los Angeles County Museum of Art. He is also a board member of the Melanoma Research Alliance. Mr. Sokoloff was selected to our board of directors because he possesses particular knowledge and experience in accounting, finance and capital structure, strategic planning processes and board practice of other major corporations.

*Darrell Webb*, 63, served as our Chairman of the board from July 2006 through October 2014 and continues to serve as a member of the Board. From July 2006 to August 2011, Mr. Webb also served as Chief Executive Officer of our Company. From July 2006 to January 2010, Mr. Webb also served as our President. Previously, he was President of Fred Meyer Stores, a division of The Kroger Company, from 2002 until 2006, and President of Kroger's quality food center division from 1999 to 2002. From 2011 to 2013, Mr. Webb served as Chairman of the board and Chief Executive Officer of The Sports Authority, Inc., and from 2014 to September 2016, he served as Chief Executive Officer of Guitar Center Inc. Mr. Webb also served on the board of directors of Les Schwab Tires from January 2017 to November 2020. Mr. Webb was selected to our board of directors because of, among other things, his extensive knowledge and background in retail, including with the Company.

*John Yoon*, 37, has served as a member of our board since March 2011. Mr. Yoon is a Partner of LGP, which he joined in 2007. From 2005 to 2007, Mr. Yoon worked at Credit Suisse in Los Angeles as an analyst in the investment banking department. Mr. Yoon also serves on the board of directors of Aspen Dental Management, Inc. and the North American Partners in Anesthesia. Mr. Yoon was selected to our board of directors because of, among other things, his particular knowledge and experience in accounting, finance and capital structure, strategic planning and leadership of complex organizations, retail businesses and board practices of other corporations.

#### **Composition of the Board of Directors after This Offering**

Our business and affairs are managed under the direction of the board of directors. Our board of directors will consist of seven directors.

Pursuant to the Shareholders Agreement, LGP will be entitled to designate individuals to be included in the slate of nominees recommended by our board of directors for election to our board of directors. So long as LGP owns, in the aggregate, (i) at least 50% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, LGP will be entitled to nominate five directors, (ii) less than 50%, but at least 40% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will be entitled to nominate four directors, (iii) less than 40% but at least 30% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will be entitled to nominate three directors, (iv) less than 30%, but at least 20% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will be entitled to nominate two directors, (v) less than 20%, but at least 10% of the total outstanding shares of our common stock owned by it immediately following the consummation of this offering, it will be entitled to nominate one directors and (vi) less than 10% of the total outstanding shares of our common



stock owned by it immediately following the consummation of this offering, it will not be entitled to nominate a director. See “Certain Relationships and Related Party Transactions—Shareholders Agreement.”

LGP has been deemed to have nominated five directors for election to our board of directors.

In accordance with our amended and restated certificate of incorporation and the Shareholders Agreement, each of which will be in effect upon the closing of this offering, our board of directors will be divided into three classes with staggered three year terms. At each annual meeting of shareholders after the initial classification, the successors to the directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following their election. Our directors will be divided among three classes as follows:

- the Class I directors will be Wade Miquelon and Darrell Webb, and their terms will expire at the annual meeting of shareholders to be held in 2022;
- the Class II directors will be Lily Chang and Marybeth Hays, and their terms will expire at the annual meeting of shareholders to be held in 2023; and
- the Class III directors will be John Yoon, Jonathan Sokoloff and Anne Mehlman, and their terms will expire at the annual meeting of shareholders to be held in 2024.

Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our Company.

Pursuant to the terms of the Shareholders Agreement, directors nominated by LGP may only be removed at the request of LGP in accordance with the bylaws of the Company then in effect. In all other cases and at any other time, directors may only be removed for cause by the affirmative vote of the holders of at least a majority of our common stock.

#### **Director Independence and Controlled Company Exception**

Our board of directors has affirmatively determined that Marybeth Hays, Anne Mehlman and Darrell Webb are independent directors under the rules of Nasdaq.

After the consummation of this offering, LGP will continue to control a majority of the voting power of our outstanding common stock. As a result, we will be a “controlled company” within the meaning of Nasdaq’s corporate governance standards. Under these rules, a “controlled company” may elect not to comply with certain corporate governance standards, including the requirements:

- that a majority of our board of directors consist of independent directors;
- that our board of directors have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities;
- that our board of directors have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- for an annual performance evaluation of the nominating and corporate governance committee and compensation committee.

For at least a period following this offering, we intend to utilize all of these exemptions. As a result, we will not have a majority of independent directors, our nominating and corporate governance committee and compensation committee will not consist entirely of independent directors and such committees will not be subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements. See “Risk Factors—Risks Related to our Common Stock and this Offering—We are a “controlled company” within the meaning of Nasdaq’s rules and, as a result, will qualify for, and may rely on, exemptions from certain corporate governance requirements.” In the event that we cease to be a “controlled company” and our common stock continues to be listed on Nasdaq, we will be required to comply with these provisions within the applicable transaction periods.

### **Leadership Structure of the Board of Directors**

Our board of directors will combine the roles of Chairman of the Board and Chief Executive Officer. These positions will be held by Wade Miquelon, as our Chairman and Chief Executive Officer at the consummation of this offering. The board of directors has determined that combining these positions will serve the best interests of the Company and its shareholders. The board of directors believes that the Company’s Chief Executive Officer is best situated to serve as Chairman because he is the director most familiar with the Company’s business and industry, and most capable of effectively identifying strategic priorities and leading the consideration and execution of strategy. The board of directors believes that the combined position of Chairman and Chief Executive Officer promotes the development of policy and plans, and facilitates information flow between management and the board of directors, which is essential to effective governance.

### **Committees of the Board of Directors**

Upon consummation of this offering, our board of directors will have the following committees: the audit committee, the compensation committee and the nominating and corporate governance committee. From time to time, our board of directors may also establish any other committees that it deems necessary or desirable.

*Audit Committee.* Upon consummation of this offering, we expect to have an audit committee consisting of Anne Mehlman, as chair, and Marybeth Hays and Darrell Webb. Rule 10A-3 of the Exchange Act requires us to have one independent audit committee member upon the listing of our common stock, a majority of independent directors on our audit committee within 90 days of the effective date of this registration statement and an audit committee composed entirely of independent directors within one year of the effective date of this registration statement. Anne Mehlman qualifies as our “audit committee financial expert” within the meaning of regulations adopted by the SEC. The audit committee appoints and reviews the qualifications and independence of our independent registered public accounting firm, prepares compensation committee reports to be included in proxy statements filed under SEC rules and reviews the scope of audit and non-audit assignments and related fees, the results of the annual audit, accounting principles used in financial reporting, internal auditing procedures, the adequacy of our internal control procedures, the quality and integrity of our financial statements and investigations into matters related to audit functions. The audit committee is also responsible for overseeing risk management on behalf of our board of directors. See “—Risk Oversight.”

*Compensation Committee.* Upon consummation of this offering, we expect to have a compensation committee consisting of Lily Chang and John Yoon. The principal responsibilities of the compensation committee are to review and approve matters involving executive and director compensation, recommend changes in employee benefit programs, authorize equity and other incentive arrangements, prepare compensation committee reports to be included in proxy statements filed under SEC rules and authorize our Company to enter into employment and other employee related agreements.

*Nominating and Corporate Governance Committee.* Upon the consummation of this offering, we expect to have a nominating and corporate governance committee consisting of Lily Chang, Darrell Webb and John Yoon. The nominating and corporate governance committee assists our board of directors in identifying

individuals qualified to become board members, consistent with criteria approved by our board of directors and in accordance with the terms of the Shareholders Agreement, makes recommendations for nominees for committees, oversees the evaluation of the board of directors and management and develops, recommends to the board of directors and reviews our corporate governance principles.

### **Risk Oversight**

Our board of directors has extensive involvement in the oversight of risk management related to us and our business and accomplishes this oversight primarily through the audit committee. To that end, our audit committee will meet quarterly with our Chief Financial Officer and our independent auditors where it will receive regular updates regarding our management's assessment of risk exposures including liquidity, credit and operational risks and the process in place to monitor such risks and review results of operations, financial reporting and assessments of internal controls over financial reporting.

### **Code of Ethics**

Prior to the consummation of this offering, we intend to adopt a code of ethics applicable to all of our directors, officers (including our principal executive officer, principal financial officer and principal accounting officer) and team members. Our code of ethics will be available on our website at [www.joann.com](http://www.joann.com) under Investor Relations. Our code of ethics will be a "code of ethics" as defined in Item 406(b) of Regulation S-K. In the event that we amend or waive certain provisions of our code of ethics applicable to our principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC rules, we intend to disclose the same on our website.

### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers serves, or in the past year has served, as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee. No interlocking relationship exists between any member of our compensation committee (or other committee performing equivalent functions) and any executive, member of the board of directors or member of the compensation committee (or other committee performing equivalent functions) and of any other company. We are party to certain transactions with LGP and affiliates thereof as described in "Certain Relationships and Related Party Transactions."

## EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

In this Compensation Discussion and Analysis, or CD&A, set forth below, we provide an overview and analysis of the compensation awarded to or earned by our named executive officers identified in the Summary Compensation Table below during fiscal year 2021, including the elements of our compensation program for named executive officers, material compensation decisions made under that program for fiscal year 2021 and the material factors considered in making those decisions. In addition, this discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs as we build a program appropriate for our status as a public company while considering the current external environment. Our named executive officers for fiscal year 2021, which consist of our principal executive officer, our principal financial officer and our three most other highly compensated executive officers for fiscal year 2021, or collectively, the named executive officers, are:

- Wade Miquelon, who serves as President, Chief Executive Officer and Director and is our principal executive officer;
- Matt Susz, who serves as Senior Vice President, Chief Financial Officer and is our principal financial officer;
- Janet Duliga, who serves as Senior Vice President, Chief Administrative Officer;
- Christopher DiTullio, who serves as Senior Vice President, Chief Customer Officer; and
- Robert Will, who serves as Senior Vice President, Chief Merchandising Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion.

### Details of Our Compensation Program

#### *Compensation Philosophy, Objectives and Rewards*

Our executive compensation program has been designed to motivate, reward, attract and retain high caliber management deemed essential to ensure our success. The program seeks to align executive compensation with our short-and long-term objectives, business strategy and financial performance. Our compensation objectives are designed to support these goals by delivering market-reflective competitive salaries, rewarding leadership for delivering on our business strategy, and providing incentive vehicles to connect the executives to the whole company performance. Our compensation programs for our executives have historically been weighted towards rewarding both short- and long-term performance incentives through a mix of cash and equity compensation, providing our executives with an opportunity to share in the appreciation of our business over time.

We expect and design our compensation philosophy to reflect the following general principles:

- support our long-term sustainable business growth through attracting and retaining the most innovative, effective, and engaged leaders;
- apply consistent principles that support ethical leadership of JOANN in the highly competitive retail landscape;

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- consider the marketplace, JOANN performance, and individual contributions when making decisions; and
- create incentives that entice the executives to achieve JOANN's goals to drive long-term sustainable value for all our stakeholders.

We have historically maintained an annual cash incentive program providing for payouts based on the achievement of Company performance objectives. We have also sponsored an equity plan for the grant of equity incentives, pursuant to which we made grants to our executives, comprised of stock options. These incentive programs were designed to reward achievement of our short-term and long-term business objectives while promoting executive retention and reinforcing executive interest in JOANN and its performance.

We have utilized short- and long-term incentive compensation as a key component of our compensation philosophy and expect we will continue to do so following this offering. As JOANN grows, we intend to continue our emphasis on “at-risk” compensation based on the achievement of objective performance objectives in order to drive superior executive achievement and appropriately align the financial interests of our executive officers to those of our stockholders. Historically, we felt that our variable cash incentive programs should emphasize contributions towards company financial performance, where performance that failed to meet established goals would not be rewarded. Accordingly, if applicable performance goals were not achieved, executives would not receive cash bonuses in respect of that fiscal year.

Below are highlights of what we do and what we do not do:

<u>What We Do</u>		<u>What We Do Not Do</u>
✓ Emphasize company performance-based, at risk compensation.	X	Do not grant uncapped guaranteed equity compensation.
✓ Emphasize the use of stock options to promote executive retention and reward long-term value creation.	X	Do not provide significant perquisites.
✓ Offer market-competitive benefits for executives that are generally consistent with the benefits provided to the rest of our team members.	X	Do not provide any compensation-related tax gross-ups.
✓ Engaged an independent compensation consultant to advise our board of directors on compensation levels and practices.	X	Do not reprice our stock option awards and our 2012 Plan expressly forbids reducing the exercise price of underwater options without stockholder approval.

Following this offering, we expect that our compensation program will continue to emphasize performance-based cash incentive and equity compensation.

### ***Determination of Compensation***

In making executive compensation determinations for fiscal year 2021, our board of directors worked in conjunction with our Chief Executive Officer (other than with respect to his own compensation) to design and administer our executive compensation programs, including our cash incentive plan, in a manner that aligns with our overall compensation philosophy, as discussed above. During fiscal year 2021, our board of directors and our Chief Executive Officer (other than with respect to his own compensation), made compensation decisions with respect to our named executive officers, including setting the base cash compensation levels for the named executive officers and determining the amounts of stock option awards granted to our named executive officers during fiscal year 2021.

We expect that our board of directors, in consultation with our Chief Executive Officer (other than with respect to his own compensation), will administer the executive compensation program and make future compensation decisions with respect to our named executive officers following this offering.

### ***Role of Compensation Consultant in Determining Executive Compensation***

Historically, we have not engaged the services of an executive compensation advisor in reviewing and establishing our compensation programs and policies. In connection with our preparation for this offering and designing our go-forward compensation programs once we become a publicly-held company, the Company engaged PayGovernance, an independent compensation consulting firm, to provide executive compensation advisory services, to provide survey and benchmarking information and provide guidance in designing our compensation program. Our board of directors believes that PayGovernance does not have any conflicts of interest in advising JOANN under applicable SEC or Nasdaq rules.

Following this offering, our board of directors expects to periodically utilize PayGovernance for benchmarking and peer group analysis as part of determining and developing compensation packages for our named executive officers and directors.

### ***Elements of Our Executive Compensation Program***

Historically, and for fiscal year 2021, our executive compensation program consisted of the following elements, each established as part of our program in order to achieve the compensation objective specified below:

<b><u>Compensation Element</u></b>	<b><u>Compensation Objectives Designed to be Achieved and Key Features</u></b>
Base Salary	Attracts and retains key talent by providing base cash compensation at competitive levels
Cash-Based Incentive Compensation	Provides short-term incentives based on Company's annual performance
Equity-Based Compensation	Provides long-term incentives to align the interests of our named executive officers and stockholders
Deferred Compensation Opportunity and Other Retirement Benefits	Attracts and retains key talent by providing vehicles to plan for the future
Severance and Other Benefits Potentially Payable upon Termination of Employment or Change in Control	Creates clarity around termination or change of control events and provide for retention of executives
Health and Welfare Benefits	Offers market-competitive benefits

### **Base Salaries**

The base salaries of our named executive officers are an important part of their total compensation package, and are intended to reflect their respective positions, duties and responsibilities. Base salary is a visible and stable fixed component of our compensation program. Base salaries for our named executive officers were initially established through a variety of factors, including evaluations of the talent market for that role using survey information, market comparisons for competitive talent, recommendations of executive recruiters, and discussion and approval of the board of directors in consultation with our Chief Executive Officer and/or Chief Administrative Officer at the time an executive was hired. We intend to continue to evaluate the mix of base salary, short-term incentive compensation and long-term incentive compensation to appropriately align the interests of our named executive officers with those of our stockholders.

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The following table sets forth the base salaries of our named executive officers for fiscal year 2021:

Named Executive Officer	Fiscal Year 2021 Base Salary	
	2/2/2020-7/25/2020	7/26/2020-1/30/2021 (1)
Wade Miquelon	\$825,000	\$ 825,000
Matt Susz	\$445,000	\$ 456,125
Janet Duliga	\$425,000	\$ 439,875
Christopher DiTullio	\$427,000	\$ 444,080
Robert Will	\$415,000	\$ 429,525

(1) Each named executive officer (other than Mr. Miquelon) received merit increases to his or her base salary effective July 26, 2020.

Effective upon the consummation of this offering, the base salaries for Messrs. Susz, DiTullio and Will will each be increased to \$475,000.

### Cash-Based Incentive Compensation

We consider annual cash incentive bonuses to be an important component of our total compensation program and provides incentives necessary to retain executive officers.

### Short-Term Incentive Plan

For fiscal year 2021, JOANN maintained a cash-based short-term incentive compensation program in which certain team members, including our named executive officers, participate, or the STI Plan. The STI Plan was based on the achievement of the following Adjusted EBITDA targets, which were calculated consistently with our Credit Facilities:

Adjusted EBITDA Goal	Adjusted EBITDA (in millions)
Threshold	\$ 165.0
Target	\$ 185.0
Above-Target	\$ 212.5
Maximum	\$ 240.3

Each named executive officer is eligible to receive an annual performance-based cash bonus based on a specified target annual bonus award amount, expressed as a percentage of the named executive officer's base salary. Payments were determined based on linear interpolation between threshold and target, and target and maximum performance levels, as follows:

Financial Goal Achievement	Percentage of Target Bonus Earned
Threshold or below	0%
\$167.5 million - Target	25% -100% of the Target Bonus
Target – Above-Target	100% -200% of the Target Bonus
Above-Target – Maximum	200-300% of Target Bonus

For purposes of the STI Plan, Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization with additional adjustments as reported in the Company's financial statements. Adjusted EBITDA is a non-GAAP measure, defined as set forth in "Prospectus Summary—Summary Consolidated Financial and Operating Data" included elsewhere in this prospectus. For purposes of the STI Plan, Adjusted EBITDA was calculated consistently with the calculation of Adjusted EBITDA as set forth in our Credit Facilities.

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In fiscal year 2021, our named executive officers participated in our annual cash incentive bonus program at the following target percentages of base salary:

<u>Named Executive Officer</u>	<u>Target Percentage</u>
Wade Miquelon	100%
Matt Susz	40%
Janet Duliga	40%
Christopher DiTullio	40%
Robert Will	40%

For fiscal 2021, our board of directors determined Adjusted EBITDA to be in excess of \$240.3 million. As a result, each named executive officer received a payout under the STI Plan of 300% of his or her respective target bonus for fiscal year 2021.

The actual annual cash bonuses awarded to each named executive officer for fiscal year 2021 performance are set forth below in the Summary Compensation Table in the column entitled “Non-Equity Incentive Plan Compensation.”

In connection with this offering, the target bonus opportunity under the STI Plan for each named executive officer other than Mr. Miquelon will be increased from 40% to 50% of his or her respective base salary.

### ***Fiscal Year 2021 Special Bonuses***

We also determined in our discretion to award special incentive bonuses to certain identified team members in recognition of extraordinary efforts required from such team members to deliver value for the Company in fiscal year 2021. Each named executive officer received a special bonus equal to two times such executive’s STI Plan target bonus opportunity other than Mr. Miquelon, who received a special bonus equal to the average amount of all special bonuses paid to the Company’s Senior Vice President level employees, or \$337,261.

The amount of special bonuses awarded to each named executive officer for fiscal year 2021 performance are set forth below in the Summary Compensation Table in the column entitled “Bonus.”

### **Equity-Based Compensation**

We view equity-based compensation as a critical component of our balanced total compensation program. Equity-based compensation creates a long-term investment rewarding time and effort among our executives, that provides an incentive to contribute to the continued growth and development of our business and aligns the interests of executives with those of our stockholders. To reward and retain our executive officers in a manner that best aligns their interests with the interests of our stockholders, we use stock options as a key equity incentive vehicle. Because our executive officers are able to benefit from stock options only if the market price of our common stock increases relative to the option’s exercise price, we believe stock options provide meaningful incentives to our executive officers to achieve increases in the value of our stock over time and are an effective tool for meeting our compensation goal of increasing long-term stockholder value by tying the value of the stock options to our future performance. Going forward, we may use stock options, restricted stock units, and other types of equity-based awards, as we deem appropriate, to offer our team members, including our named executive officers, long-term equity incentives that align their interests with the long-term interests of our stockholders.

We do not currently have any formal policy for determining the number of equity-based awards to grant to named executive officers.

### ***2012 Plan and Outstanding Option Awards***

We currently sponsor the 2012 Stock Option Plan of Jo-Ann Stores Holdings Inc., or the 2012 Plan, which provides for the issuance of equity incentive awards to our eligible team members, directors and consultants.



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Each of our named executive officers holds outstanding option awards. The information set forth below relating to outstanding option awards has been adjusted to reflect the 85.8808880756715-for-1.0 stock split effected in connection with this offering.

Mr. Miquelon holds (i) an option to purchase 343,523 shares of our common stock, which was granted to him on April 4, 2016 at an exercise price of \$6.99 per share, of which 80% is vested; (ii) an option to purchase 223,290 shares of our common stock, which was granted to him on March 21, 2019 at an exercise price of \$11.18 per share; and (iii) an option to purchase 180,349 shares of our common stock, which was granted to him on April 6, 2020 at an exercise price of \$1.17 per share.

Mr. Susz holds: (i) an option to purchase 117,227 shares of our common stock, which was granted to him on December 11, 2011 at an exercise price of \$4.08 per share, and which is fully vested; (ii) an option to purchase 42,940 shares of our common stock, which was granted to him on April 20, 2016 at an exercise price of \$6.99 per share, of which 80% is vested; (iii) an option to purchase 42,940 shares of our common stock, which was granted to him on June 28, 2018 at an exercise price of \$10.08 per share, of which 40% is vested; (iv) an option to purchase 107,351 shares of our common stock, which was granted to him on March 21, 2019 at an exercise price of \$11.18 per share; and (v) an option to purchase 85,880 shares of our common stock, which was granted to him on April 6, 2020 at an exercise price of \$1.17 per share.

Ms. Duliga holds: (i) an option to purchase 117,227 shares of our common stock, which was granted to her on February 23, 2016 at an exercise price of \$6.99 per share, and which is fully vested; (ii) an option to purchase 76,004 shares of our common stock, which was granted to her on March 21, 2019 at an exercise price of \$11.18 per share; and (iii) an option to purchase 85,880 shares of our common stock, which was granted to her on April 6, 2020 at an exercise price of \$1.17 per share.

Mr. DiTullio holds: (i) an option to purchase 117,227 shares of our common stock, which was granted to him on June 1, 2016 at an exercise price of \$7.81 per share, of which 80% is vested; (ii) an option to purchase 76,004 shares of our common stock, which was granted to him on March 21, 2019 at an exercise price of \$11.18 per share; and (iii) an option to purchase 85,880 shares of our common stock, which was granted to him on April 6, 2020 at an exercise price of \$1.17 per share.

Mr. Will holds: (i) an option to purchase 117,227 shares of our common stock, which was granted to him on September 13, 2016 at an exercise price of \$8.85 per share, of which 80% is vested; (ii) an option to purchase 76,004 shares of our common stock, which was granted to him on March 21, 2019 at an exercise price of \$11.18 per share; and (iii) an option to purchase 85,880 shares of our common stock, which was granted to him on April 6, 2020 at an exercise price of \$1.17 per share.

Each of the option grants held by our named executive officers vest in annual installments over a period of five years, with 40% of the shares covered by such option vesting on the two-year anniversary of the vesting commencement date, and an additional 20% vesting on each of the following three anniversaries thereof, subject to the executive's continued service through the applicable vesting dates. Notwithstanding the foregoing, in the event of a change in control (as defined in the 2012 Plan), each option will fully accelerate and vest, subject to the executive's continued service through the date of such change in control.

The following table sets forth the stock options granted to our named executive officers in fiscal year 2021:

<u>Named Executive Officer</u>	<u>Fiscal Year 2021 Stock Options Granted</u>
Wade Miquelon	180,349
Matt Susz	85,880
Janet Duliga	85,880
Christopher DiTullio	85,880
Robert Will	85,880

## 2021 Equity Incentive Plan

We intend to adopt a 2021 Equity Incentive Plan, referred to below as the 2021 Plan, in order to facilitate the grant of cash and equity incentives to directors, team members (including our named executive officers) and consultants of the Company and certain of its affiliates and to enable the Company and certain of its affiliates to obtain and retain services of these individuals, which is essential to our long-term success. For additional information on the 2021 Plan, see “Equity Plans” below.

In connection with this offering, we intend to grant stock options and restricted stock unit awards to certain of our employees, including our named executive officers, and with respect to an aggregate of 766,093 shares of our common stock that will be subject to such awards. All of these awards were adjusted to give effect to the 85.8808880756715-for-1.0 stock split in connection with this offering.

Of the grant-date value of each named executive officer’s awards, approximately 1/3 will be granted in the form of restricted stock units and approximately 2/3 will be granted in the form of nonqualified stock options with an exercise price equal to the offering price. The number of options was determined by multiplying the number of restricted stock units to be awarded to each grantee by six in order to approximate a Black-Scholes methodology. The restricted stock unit awards will vest in three ratable annual installments on each of the first three anniversaries of the grant date and the stock options will vest in four ratable annual installments on each of the first four anniversaries of the grant date, in each case subject to the executive’s continued service through the applicable vesting date.

The following table shows the aggregate number of shares of our common stock subject to the equity awards granted to our named executive officers in connection with this offering:

<u>Named Executive Officer</u>	<u>Restricted Stock Units</u>	<u>Stock Options</u>
Wade Miquelon	38,671	232,031
Matt Susz	9,895	59,375
Janet Duliga	9,166	55,000
Christopher DiTullio	9,895	59,375
Robert Will	9,895	59,375

### *Perquisites and Other Benefits*

We provide select perquisites to aid in the performance of their respective duties and to provide competitive compensation with executives with similar positions and levels of responsibilities. For fiscal year 2021, Ms. Duliga and Mr. Will were provided with an annual executive health physical exam with a value of \$10,294. In addition, each of our named executive officers other than Mr. Miquelon received a monthly cell phone allowance.

### *No Tax Gross-Ups*

We do not generally provide any tax “gross ups” to our named executive officers.

### *Health and Welfare Benefits*

*Health/Welfare Plans.* All of our full-time team members, including our named executive officers, are eligible to participate in our health and welfare plans, including:

- medical, dental and vision benefits;
- medical and dependent care flexible spending accounts

- health savings account;
- short-term and long-term disability insurance; and
- basic, supplemental, spousal, and dependent life insurance.

We believe the benefits described above are necessary and appropriate to provide a competitive compensation package to our named executive officers.

#### *Deferred Compensation and Other Retirement Benefits*

##### **401(k) Plan**

We currently maintain a 401(k) retirement savings plan for our team members, including our named executive officers, who satisfy certain eligibility requirements. Our named executive officers are eligible to participate in the 401(k) plan on the same terms as highly compensated employees as defined by the IRS. They are eligible to contribute, up to 2% of their eligible compensation on a pre-tax basis through contributions to the 401(k) plan, subject to applicable annual Code limits. All participants' interests in their deferrals are 100% vested when contributed. The 401(k) plan permits us to make matching contributions to eligible participants. We match contributions made by participants in the 401(k) plan who are highly compensated employees up to 1% of the employee contributions if they contribute 2%. Company matching contributions vest in three ratable installments beginning with the second year of the participant's service such that contributions are vested following four years of completed service. We believe that providing a vehicle for tax-deferred retirement savings through our 401(k) plan adds to the overall desirability of our executive compensation package and further incentivizes our team members, including our named executive officers, in accordance with our compensation policies.

##### **Other Retirement Plans**

We also offer a nonqualified deferred compensation plan, the Jo-Ann Stores, Inc. Deferred Compensation Plan, with a match of up to 2% to highly compensated employees, including our named executive officers. The purpose of this plan is for participants to benefit from tax advantages by deferring a greater percentage of their compensation (and current income taxes) than is allowed by the IRS in a qualified retirement plan, such as our 401(k) plan. Participants, including our named executive officers, may defer up to 75% of their salary and/or up to 100% of their cash bonus. Company matching contributions vest in three ratable installments beginning after two full years of service such that contributions are vested following four years of completed service.

Participants are generally eligible to receive distributions of their accounts upon a separation from service from the Company or due to their death or disability.

#### *Severance and Other Benefits Payable Upon Termination of Employment or Change in Control*

Our named executive officers are party to severance agreements with us, pursuant to which they are entitled to receive certain benefits upon qualifying terminations and/or following a change in control. See "—Potential Payments Upon Termination or Change in Control" for additional information regarding these benefits.

#### *Tax and Accounting Considerations*

##### **Section 409A of the Internal Revenue Code**

Section 409A of the Code requires that "nonqualified deferred compensation" be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral

elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose team members and other service providers to accelerated income tax liabilities, penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our team members and other service providers, including our named executive officers, so that they are either exempt from, or satisfy the requirements of, Section 409A of the Code.

#### ***Section 280G of the Internal Revenue Code***

Section 280G of the Code disallows a tax deduction with respect to excess parachute payments to certain executives of companies that undergo a change in control. In addition, Section 4999 of the Code imposes a 20% penalty on the individual receiving the excess payment.

Parachute payments are compensation that is linked to or triggered by a change in control and may include, but are not limited to, bonus payments, severance payments, certain fringe benefits, and payments and acceleration of vesting from long-term incentive plans including stock options and other equity-based compensation. Excess parachute payments are parachute payments that exceed a threshold determined under Section 280G of the Code based on the executive's prior compensation. In approving the compensation arrangements for our named executive officers in the future, the board of directors will consider all elements of the cost to the Company of providing such compensation, including the potential impact of Section 280G of the Code. However, the board of directors may, in its judgment, authorize compensation arrangements that could give rise to loss of deductibility under Section 280G of the Code and the imposition of excise taxes under Section 4999 of the Code when it believes that such arrangements are appropriate to attract and retain executive talent.

#### ***Section 162(m) of the Internal Revenue Code***

Section 162(m) of the Code generally limits, for U.S. corporate income tax purposes, the annual tax deductibility of compensation paid to certain current and former executive officers to \$1 million, subject to a transition rule for written binding contracts in effect on November 2, 2017, and not materially modified after that date. Prior to the enactment of the Tax Act, Section 162(m) included an exception for compensation deemed "performance-based." Pursuant to the Tax Act, the exception for "performance-based" compensation has been repealed, effective for tax years beginning after December 31, 2017 and, therefore, compensation previously intended to be "performance-based" may not be deductible unless it qualifies for the transition rule. Due to uncertainties in the applications of Section 162(m) and the Tax Act, there is no guarantee that compensation intended to satisfy the requirements for deduction will not be challenged or disallowed by the IRS. Furthermore, although the Company believes that tax deductibility of executive compensation is an important consideration, the board of directors in its judgement may, nevertheless, authorize compensation payments that are not fully tax deductible, and/or modify compensation programs and practices without regard for tax deductibility when it believes that such compensation is appropriate.

#### ***Accounting for Stock-Based Compensation***

The Company accounts for stock-based compensation in accordance with the requirements of ASC 718, "Stock Compensation." The Company also takes into consideration ASC 718 and other generally accepted accounting principles in determining changes to policies and practices for its stock-based compensation programs.

## COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

### 2021 Summary Compensation Table

The following table contains information about the compensation earned by each of our named executive officers during our most recently completed fiscal year ended January 30, 2021.

Name and Principal Position	Year	Salary (\$ (1))	Bonus (\$ (2))	Option Awards (\$ (3))	Non-Equity Incentive Plan Compensation (\$ (4))	Nonqualified Deferred Compensation Earnings (\$ (5))	All Other Compensation (\$ (6))	Total
Wade Miquelon <i>President and Chief Executive Officer</i>	2021	825,000	337,261	90,012	2,475,000	—	5,645	3,732,918
Matt Susz <i>Senior Vice President, Chief Financial Officer</i>	2021	450,562	364,900	42,863	547,350	—	13,910	1,419,585
Janet Duliga <i>Senior Vice President, Chief Administrative Officer</i>	2021	432,437	351,900	42,863	527,850	—	24,140	1,379,190
Christopher DiTullio <i>Senior Vice President, Chief Customer Officer</i>	2021	435,540	355,264	42,863	532,896	—	5,059	1,371,622
Robert Will <i>Senior Vice President, Chief Merchandising Officer</i>	2021	422,263	343,620	42,863	515,430	—	11,658	1,335,834

- (1) Amounts for each named executive officer other than Mr. Miquelon reflect the increases to the executive's base salary made effective July 26, 2020.
- (2) Amounts reflect the special bonuses paid to each named executive officer in recognition of their extraordinary contributions to JOANN during fiscal year 2021. For additional information on these bonuses, see "—Cash-Based Incentive Compensation—Fiscal Year 2021 Special Bonuses."
- (3) Amounts reflect the full grant-date fair value of stock options granted during fiscal year 2021 computed in accordance with ASC Topic 718, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all option awards made to executive officers in Note 10 to the consolidated financial statements included elsewhere in this prospectus.
- (4) Amounts reflect the performance bonus amounts payable to each named executive officer with respect to fiscal year 2021 under the STI Plan.
- (5) There were no above-market or preferential earnings on compensation deferred by our named executive officers under the Jo-Ann Stores, Inc. Deferred Compensation Plan.
- (6) Amounts reflect: for Mr. Miquelon, (i) a \$4,754 401(k) matching contribution made by the Company to the account of Mr. Miquelon and (ii) life insurance premiums equal to \$891 paid by the Company on Mr. Miquelon's behalf; for Mr. Susz, (i) a \$3,865 401(k) matching contribution made by the Company to the account of Mr. Susz, (ii) life insurance premiums equal to \$494 paid by the Company on Mr. Susz's behalf, (iii) a \$9,011 contribution made by the Company to the non-qualified deferred compensation plan account of Mr. Susz and (iv) a \$45 monthly cell phone allowance; for Ms. Duliga, (i) a \$3,822 401(k) matching contribution made by the Company to the account of Ms. Duliga, (ii) life insurance premiums equal to \$475 paid by the Company on Ms. Duliga's behalf, (iii) an \$8,649 contribution made by the Company to the non-qualified deferred compensation plan account of Ms. Duliga, (iv) a \$75 monthly cell

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phone allowance and (v) an annual executive health physical exam with a value of \$10,294; for Mr. DiTullio, (i) a \$3,678 401(k) matching contribution made by the Company to the account of Mr. DiTullio, (ii) life insurance premiums equal to \$481 paid by the Company on Mr. DiTullio's behalf and (iii) a \$75 monthly cell phone allowance; and for Mr. Will, (i) life insurance premiums equal to \$464 paid by the Company on Mr. Will's behalf, (ii) a \$75 monthly cell phone allowance and (iii) an annual executive health physical exam with a value of \$10,294.

### Grants of Plan-Based Awards in Fiscal Year 2021

The following table provides supplemental information relating to grants of plan-based awards made during fiscal year 2021 to help explain information provided above in our Summary Compensation Table. This table presents information regarding all grants of plan-based awards occurring during fiscal year 2021.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair value of Stock and Option Awards (\$) (3)
		Threshold (\$)	Target (\$)	Maximum (\$)			
Wade Miquelon	N/A (1)	206,250	825,000	2,475,000			
	04/06/2020 (2)				180,349	1.17	90,012
Matt Susz	N/A (1)	45,613	182,450	547,350			
	04/06/2020 (2)				85,880	1.17	42,863
Janet Duliga	N/A (1)	43,987	175,950	527,850			
	04/06/2020 (2)				85,880	1.17	42,863
Christopher DiTullio	N/A (1)	44,408	177,632	532,896			
	04/06/2020 (2)				85,880	1.17	42,863
Robert Will	N/A (1)	42,953	171,810	515,430			
	04/06/2020 (2)				85,880	1.17	42,863

- (1) Each of the named executive officers was granted a cash incentive award by JOANN under the STI Plan for fiscal year 2021 based on the achievement of specified EBITDA performance goals. For additional discussion of these Payments, see “—Cash-Based Incentive Compensation—Short-Term Incentive Plan.”
- (2) On April 6, 2020, each of the named executive officers received a stock option grant. The options vest in annual installments over a period of five years, with 40% of the shares covered by such option vesting on the two-year anniversary of the vesting commencement date (March 31, 2020), and an additional 20% vesting on each of the following three anniversaries thereof, subject to the executive's continued service through the applicable vesting dates.
- (3) Amounts reflect the full grant-date fair value of stock options granted during fiscal year 2021 computed in accordance with ASC Topic 718, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all option awards made to executive officers in Note 10 to the consolidated financial statements included elsewhere in this prospectus.

For further discussion of the equity awards, see “Equity-Based Compensation—2012 Plan and Outstanding Option Awards.”

### Summary of Executive Compensation Arrangements

#### Named Executive Officer Employment Agreements

##### Wade Miquelon

In January 2019, we entered into an employment agreement with Mr. Miquelon providing for his employment as our President and Chief Executive Officer, as well as an amended and restated severance

agreement providing for severance payments and benefits upon certain qualifying terminations of Mr. Miquelon's employment, together, the CEO Agreement. The CEO Agreement provides for a five-year term of employment, subject to earlier termination pursuant to the terms of the CEO Agreement.

Pursuant to the CEO Agreement, Mr. Miquelon was entitled to an initial annual base salary of \$825,000. The CEO Agreement also provides that Mr. Miquelon is eligible to receive an annual performance-based cash bonus, with a target bonus opportunity equal to 100% of his annual base salary and a maximum annual incentive opportunity of 200% of Mr. Miquelon's target bonus opportunity (which our board of directors determined to increase to 300% of his target bonus opportunity for fiscal year 2021 as was done for all plan participants). The CEO Agreement also provided for an additional option grant to Mr. Miquelon to purchase 223,290 shares of common stock

Pursuant to the CEO Agreement, if Mr. Miquelon's employment is terminated by us without Cause prior to a Change of Control (each as defined below), then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) an 18-month continuation of his base salary, payable in accordance with the Company's normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; (iv) outplacement services; (v) subject to his timely election pursuant to COBRA, reimbursement for up to 18 months of continued group health premiums; and (vi) group term life insurance for up to 18 months following the termination.

In the event Mr. Miquelon's employment is terminated by us without Cause or by Mr. Miquelon for Good Reason (as defined below) within the period commencing six months prior to and ending twenty-four months following a Change of Control, then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) a lump sum cash payment equal to two times the sum of (a) his base salary and (b) the greater of (1) his average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Mr. Miquelon was employed with us) and (2) his target annual bonus for the year in which termination occurs; (ii) a pro rata target annual bonus with respect to the year in which termination occurs; provided, that if such termination occurs after the end of a bonus year but prior to when bonuses have been paid to similarly situated executives, the actual annual bonus to which Mr. Miquelon would have been entitled had he remained employed through the payment date; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; (iv) outplacement services; (v) a lump sum payment equal to 24 months of continued COBRA coverage; and (vi) group term life insurance for up to 24 months following the termination; provided, that, if Mr. Miquelon's employment is terminated by us without Cause or by Mr. Miquelon for Good Reason within 6 months prior to and in connection with a Change of Control, Mr. Miquelon will be entitled to the foregoing benefits immediately following Change of Control, reduced by any severance benefits Mr. Miquelon already received under the CEO Agreement. In addition, the CEO Agreement provides that any payments or benefits payable to Mr. Miquelon in connection with a Change of Control shall be subject to a Section 280G "best net" cutback.

For purposes of the CEO Agreement, "Cause" means one or more of the following: (i) the executive's conviction for committing an act of fraud, embezzlement, theft or other criminal act constituting a felony; (ii) the 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; (iii) the engaging by the executive in gross negligence or gross misconduct (including dishonesty, disloyalty or misappropriation) that is materially and demonstrably injurious to the Company; (iv) the executive's material breach of the Company's Code of Business Conduct; (v) the continued failure by executive to substantially perform his 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 (vi) the continued failure by the 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.

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For purposes of the CEO Agreement, “Change of Control” means (i) the sale of all or substantially all of the assets of Jo-Ann Stores, LLC, JOANN Inc., or any wholly owned subsidiary of JOANN Inc. that is situated between JOANN Inc. and Jo-Ann Stores, LLC, or an Intermediate Subsidiary, to any other person or entity (other than Jo-Ann Stores, LLC, any of its subsidiaries, LGP, or any employee benefit plan maintained by Jo-Ann Stores, LLC or any of its subsidiaries), or (ii) a change in beneficial ownership or control of Jo-Ann Stores, LLC, JOANN Inc. or any Intermediate Subsidiary effected through a transaction or series of transactions (other than an offering of common stock or other securities to the general public through a registration statement filed with the SEC) 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) (other than Jo-Ann Stores, LLC, any of its subsidiaries, LGP, or any employee benefit plan maintained by Jo-Ann Stores, LLC or any of its subsidiaries), directly or indirectly acquires beneficial ownership of securities of Jo-Ann Stores, LLC, JOANN Inc. or any Intermediate Subsidiary possessing more than 50% of the total combined voting power of such entity’s securities outstanding immediately after such acquisition.

For purposes of the CEO Agreement, “Good Reason” means, on or after a Change of Control, any material adverse change by the Company in the executive’s job title, duties, responsibility or authority; failure by the Company to pay the 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 team members of the Company); any material reduction in the executive’s short-term incentive compensation opportunities; the termination or denial of the executive’s right to participate in material employment related benefits that are offered to similarly-situated team members of the Company; the movement of the executive’s principal location of work to a new location that is in excess of 50 miles from the executive’s principal location of work as of the date hereof without the executive’s consent; or failure by the Company to require any successor to assume and agree to perform the Company’s obligations as successors to the Company; provided that none of the events described in this definition of Good Reason shall constitute Good Reason unless the 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.

Mr. Miquelon is subject to two-year post-termination non-competition and non-solicitation of customers and employees covenants, as well as perpetual confidentiality and non-disparagement covenants.

*Matt Susz*

On October 30, 2020, we entered into an agreement with Mr. Susz providing for his at will employment with us and for severance payments and benefits upon certain qualifying terminations of Mr. Susz’s employment, or the CFO Agreement.

Pursuant to the CFO Agreement, if Mr. Susz’s employment is terminated by us without Cause prior to a Change of Control (each as defined below), then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) an 18-month continuation of his base salary, payable in accordance with the Company’s normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

In the event Mr. Susz’s employment is terminated by us without Cause or by Mr. Susz for Good Reason within the period commencing six months prior to and ending twelve months following a Change of Control, then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) a 24-month continuation of his base salary, payable in accordance with the Company’s normal payroll practices in effect at the applicable time, (ii) his short-term incentive payment for the year in which termination occurs equal to the greater of (1) his average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Mr. Susz was employed with us) and (2) his target annual bonus for the year in which termination occurs;



(iii) all long-term incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

For purposes of the CFO Agreement, “Cause” has the same meaning as in the CEO Agreement.

For purposes of the CFO Agreement, “Change of Control” has the same meaning as in the CEO Agreement.

For purposes of the CFO Agreement, “Good Reason” has the same meaning as in the CEO Agreement.

The CFO Agreement contains an 18-month post-termination non-competition covenant and a non-solicitation of customers and employees covenant, as well as perpetual confidentiality and non-disparagement covenants.

*Janet Duliga*

On October 30, 2020, we entered into an agreement with Ms. Duliga providing for her at will employment with us and for severance payments and benefits upon certain qualifying terminations of Ms. Duliga’s employment, or the CAO Agreement.

Pursuant to the CAO Agreement, if Ms. Duliga’s employment is terminated by us without Cause prior to a Change of Control (each as defined below), then, subject to her timely signing and non-revocation of a release of claims, she will be entitled to: (i) an 18-month continuation of her base salary, payable in accordance with the Company’s normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

In the event Ms. Duliga’s employment is terminated by us without Cause or by Ms. Duliga for Good Reason within the period commencing six months prior to and ending twelve months following a Change of Control, then, subject to her timely signing and non-revocation of a release of claims, she will be entitled to: (i) a 24-month continuation of her base salary, payable in accordance with the Company’s normal payroll practices in effect at the applicable time, (ii) her short-term incentive payment for the year in which termination occurs equal to the greater of (1) her average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Ms. Duliga was employed with us) and (2) her target annual bonus for the year in which termination occurs; (iii) all long-term incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

For purposes of the CAO Agreement, “Cause” has the same meaning as in the CEO Agreement.

For purposes of the CAO Agreement, “Change of Control” has the same meaning as in the CEO Agreement.

For purposes of the CAO Agreement, “Good Reason” has the same meaning as in the CEO Agreement.

The CAO Agreement contains an 18-month post-termination non-competition covenant and a non-solicitation of customers and employees covenant, as well as perpetual confidentiality and non-disparagement covenants.

*Christopher DiTullio*

On October 30, 2020, we entered into an agreement with Mr. DiTullio providing for his at will employment with us and for severance payments and benefits upon certain qualifying terminations of Mr. DiTullio’s employment, or the CCO Agreement.

Pursuant to the CCO Agreement, if Mr. DiTullio's employment is terminated by us without Cause prior to a Change of Control (each as defined below), then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) an 18-month continuation of his base salary, payable in accordance with the Company's normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

In the event Mr. DiTullio's employment is terminated by us without Cause or by Mr. DiTullio for Good Reason within the period commencing six months prior to and ending twelve months following a Change of Control, then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) a 24-month continuation of his base salary, payable in accordance with the Company's normal payroll practices in effect at the applicable time, (ii) his short-term incentive payment for the year in which termination occurs equal to the greater of (1) his average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Mr. DiTullio was employed with us) and (2) his target annual bonus for the year in which termination occurs; (iii) all long-term incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

For purposes of the CCO Agreement, "Cause" has the same meaning as in the CEO Agreement.

For purposes of the CCO Agreement, "Change of Control" has the same meaning as in the CEO Agreement.

For purposes of the CCO Agreement, "Good Reason" has the same meaning as in the CEO Agreement.

The CCO Agreement contains an 18-month post-termination non-competition covenant and a non-solicitation of customers and employees covenant, as well as perpetual confidentiality and non-disparagement covenants.

#### *Robert Will*

On November 30, 2020, we entered into an agreement with Mr. Will providing for his at will employment with us and for severance payments and benefits upon certain qualifying terminations of Mr. Will's employment, or the CMO Agreement.

Pursuant to the CMO Agreement, if Mr. Will's employment is terminated by us without Cause prior to a Change of Control (each as defined below), then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) an 18-month continuation of his base salary, payable in accordance with the Company's normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

In the event Mr. Will's employment is terminated by us without Cause or by Mr. Will for Good Reason within the period commencing six months prior to and ending twelve months following a Change of Control, then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) a 24-month continuation of his base salary, payable in accordance with the Company's normal payroll practices in effect at the applicable time, (ii) his short-term incentive payment for the year in which termination occurs equal to the greater of (1) his average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Mr. Will was employed with us) and (2) his target annual bonus for the year in which termination occurs; (iii) all long-term incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

For purposes of the CMO Agreement, "Cause" has the same meaning as in the CEO Agreement.

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For purposes of the CMO Agreement, “Change of Control” has the same meaning as in the CEO Agreement.

For purposes of the CMO Agreement, “Good Reason” has the same meaning as in the CEO Agreement.

The CMO Agreement contains an 18-month post-termination non-competition covenant and a non-solicitation of customers and employees covenant, as well as perpetual confidentiality and non-disparagement covenants.

### Outstanding Equity Awards at Fiscal Year-End Table

The following table summarizes the number of shares of common stock underlying outstanding equity incentive plan awards for each named executive officer as of January 30, 2021:

Name	Grant Date	Number of Securities Underlying Unexercised Options (#)	Option Awards		
			Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
Wade Miquelon	04/04/2016 (1)	274,818	68,705	6.99	04/04/2026
	03/21/2019 (1)	—	223,290	11.18	03/21/2029
	04/06/2020 (1)	—	180,349	1.17	04/06/2030
Matt Susz	12/11/2011 (1)	117,227	—	4.08	12/11/2021
	04/20/2016 (1)	34,352	8,588	6.99	04/20/2026
	06/28/2018 (1)	17,176	25,764	10.08	06/28/2028
	03/21/2019 (1)	—	107,351	11.18	03/21/2029
	04/06/2020 (1)	—	85,880	1.17	04/06/2030
Janet Duliga	02/23/2016 (1)	117,227	—	6.99	02/23/2026
	03/21/2019 (1)	—	76,004	11.18	03/21/2029
	04/06/2020 (1)	—	85,880	1.17	04/06/2030
Christopher DiTullio	06/01/2016 (1)	93,781	23,445	7.81	06/01/2026
	03/21/2019 (1)	—	76,004	11.18	03/21/2029
	04/06/2020 (1)	—	85,880	1.17	04/06/2030
Robert Will	09/13/2016 (1)	93,781	23,445	8.85	09/13/2026
	03/21/2019 (1)	—	76,004	11.18	03/21/2029
	04/06/2020 (1)	—	85,880	1.17	04/06/2030

- (1) Each of the option grants vest in annual installments over a period of five years, with 40% of the shares covered by such option vesting on the two-year anniversary of the vesting commencement date, and an additional 20% vesting on each of the following three anniversaries thereof, subject to the executive’s continued service through the applicable vesting dates. In the event of a change in control (as defined in the 2012 Plan), each option will fully accelerate and vest, subject to the executive’s continued service through the date of such change in control.

### Nonqualified Deferred Compensation Table

We maintain a nonqualified deferred compensation plan for a select group of our highly compensated employees, in which all of our named executive officers are eligible to participate. The following table contains information regarding the nonqualified deferred compensation plans.

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<u>Name</u>	<u>Executive Contributions in Last FY (\$)</u>	<u>Registrant Contributions in Last FY (\$)(1)</u>	<u>Aggregate Earnings in Last FY (\$)(2)(3)</u>	<u>Aggregate Withdrawals/ Distributions (\$)</u>	<u>Aggregate Balance at Last FYE (\$)</u>
Wade Miquelon	—	—	—	—	—
Matt Susz	20,303	9,011	58,986		478,059
Janet Duliga	17,298	8,649	13,458		134,611
Christopher DiTullio	—	—	—	—	—
Robert Will	—	—	—	—	—

(1) Reflects contributions made to the plan by the Company.

(2) Reflects the amount of the aggregate interest or other earnings accrued during the last fiscal year.

(3) These amounts do not represent above-market earnings and thus are not reported in the Summary Compensation Table.

### **Potential Payments Upon Termination or Change in Control**

In this section, we describe payments that may be made to our named executive officers upon several events of termination, assuming the termination event occurred on the last day of fiscal year 2021 (except as otherwise noted).

We have entered into certain severance and equity agreements with each of our named executive officers, as described below, that provide for potential payments upon either a termination of employment or upon a change in control.

#### ***Wade Miquelon***

Pursuant to the CEO Agreement, if Mr. Miquelon's employment is terminated by us without Cause prior to a Change of Control (each as defined above), then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) an 18-month continuation of his base salary, payable in accordance with the Company's normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; (iv) outplacement services; (v) subject to his timely election pursuant to COBRA, reimbursement for up to 18 months of continued group health premiums; and (vi) group term life insurance for up to 18 months following the termination.

In the event Mr. Miquelon's employment is terminated by us without Cause or by Mr. Miquelon for Good Reason (as defined above) within the period commencing six months prior to and ending twenty-four months following a Change of Control, then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) a lump sum cash payment equal to two times the sum of (a) his base salary and (b) the greater of (1) his average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Mr. Miquelon was employed with us) and (2) his target annual bonus for the year in which termination occurs; (ii) a pro rata target annual bonus with respect to the year in which termination occurs; provided, that if such termination occurs after the end of a bonus year but prior to when bonuses have been paid to similarly situated executives, the actual annual bonus to which Mr. Miquelon would have been entitled had he remained employed through the payment date; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; (iv) outplacement services; (v) a lump sum payment equal to 24 months of continued COBRA coverage; and (vi) group term life insurance for up to 24 months following the termination; provided that, if Mr. Miquelon's employment is terminated by us without Cause or by Mr. Miquelon for Good Reason within 6 months prior to and in connection with a Change of Control, Mr. Miquelon will be entitled to the foregoing benefits immediately following Change of Control, reduced by any severance benefits Mr. Miquelon already received under the CEO Agreement. In addition, the CEO Agreement provides that any payments or benefits payable to Mr. Miquelon in connection with a Change of Control shall be subject to a Section 280G "best net" cutback.

***Matt Susz***

Pursuant to the CFO Agreement, if Mr. Susz's employment is terminated by us without Cause prior to a Change of Control (each as defined above), then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) an 18-month continuation of his base salary, payable in accordance with the Company's normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

In the event Mr. Susz's employment is terminated by us without Cause or by Mr. Susz for Good Reason within the period commencing six months prior to and ending twelve months following a Change of Control, then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) a 24-month continuation of his base salary, payable in accordance with the Company's normal payroll practices in effect at the applicable time, (ii) his short-term incentive payment for the year in which termination occurs equal to the greater of (1) his average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Mr. Susz was employed with us) and (2) his target annual bonus for the year in which termination occurs; (iii) all long-term incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

***Janet Duliga***

Pursuant to the CAO Agreement, if Ms. Duliga's employment is terminated by us without Cause prior to a Change of Control (each as defined above), then, subject to her timely signing and non-revocation of a release of claims, she will be entitled to: (i) an 18-month continuation of her base salary, payable in accordance with the Company's normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

In the event Ms. Duliga's employment is terminated by us without Cause or by Ms. Duliga for Good Reason within the period commencing six months prior to and ending twelve months following a Change of Control, then, subject to her timely signing and non-revocation of a release of claims, she will be entitled to: (i) a 24-month continuation of her base salary, payable in accordance with the Company's normal payroll practices in effect at the applicable time, (ii) her short-term incentive payment for the year in which termination occurs equal to the greater of (1) her average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Ms. Duliga was employed with us) and (2) her target annual bonus for the year in which termination occurs; (iii) all long-term incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

***Christopher DiTullio***

Pursuant to the CCO Agreement, if Mr. DiTullio's employment is terminated by us without Cause prior to a Change of Control (each as defined above), then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) an 18-month continuation of his base salary, payable in accordance with the Company's normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

In the event Mr. DiTullio's employment is terminated by us without Cause or by Mr. DiTullio for Good Reason within the period commencing six months prior to and ending twelve months following a Change of Control, then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) a 24-month continuation of his base salary, payable in accordance with the Company's normal payroll practices in effect at the applicable time, (ii) his short-term incentive payment for the year in which termination occurs equal

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to the greater of (1) his average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Mr. DiTullio was employed with us) and (2) his target annual bonus for the year in which termination occurs; (iii) all long-term incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

### **Robert Will**

Pursuant to the CMO Agreement, if Mr. Will's employment is terminated by us without Cause prior to a Change of Control (each as defined above), then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) an 18-month continuation of his base salary, payable in accordance with the Company's normal payroll practices; (ii) a pro rata short-term incentive payment that would have been earned for the year in which termination occurs; (iii) all long-term equity incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

In the event Mr. Will's employment is terminated by us without Cause or by Mr. Will for Good Reason within the period commencing six months prior to and ending twelve months following a Change of Control, then, subject to his timely signing and non-revocation of a release of claims, he will be entitled to: (i) a 24-month continuation of his base salary, payable in accordance with the Company's normal payroll practices in effect at the applicable time, (ii) his short-term incentive payment for the year in which termination occurs equal to the greater of (1) his average annual cash bonus over the prior three completed fiscal years (or such lesser number of years Mr. Will was employed with us) and (2) his target annual bonus for the year in which termination occurs; (iii) all long-term incentives will be subject to repurchase in accordance with the Shareholders Agreement; and (iv) outplacement services.

### **Option Agreements**

The option agreements entered into with each of our named executive officers provide for full acceleration of the named executives' stock options in the event of a change in control (as defined in the 2012 Plan).

### **Summary of Potential Payments Upon Termination or Change in Control**

The following table summarizes the payments that would be made to our named executive officers upon the occurrence of certain qualifying terminations of employment or change in control, in any case, occurring on January 29, 2021 (the last business day of our most recently completed fiscal year):

<u>Name</u>	<u>Benefit</u>	<u>Termination Without Cause (no Change in Control) (\$)</u>	<u>Change in Control (no Termination) (\$)(1)(4)</u>	<u>Termination Without Cause or for Good Reason in Connection with a Change in Control (\$)</u>
Wade Miquelon	Cash	2,062,500 (2)	—	3,300,000 (5)
	Equity Acceleration	—	2,293,200	—
	All Other Payments or Benefits	41,384 (3)	—	50,178 (6)
	Total	2,103,884	2,293,200	3,350,178
Matt Susz	Cash	866,637 (2)	—	1,094,700 (5)
	Equity Acceleration	—	1,020,500	—
	All Other Payments or Benefits	15,000 (3)	—	15,000 (7)
	Total	881,637	1,020,500	1,109,700
Janet Duliga	Cash	835,762 (2)	—	1,055,700 (5)
	Equity Acceleration	—	1,037,520	—
	All Other Payments or Benefits	15,000 (3)	—	15,000 (7)

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<u>Name</u>	<u>Benefit</u>	<u>Termination Without Cause (no Change in Control) (\$)</u>	<u>Change in Control (no Termination) (\$)(1)(4)</u>	<u>Termination Without Cause or for Good Reason in Connection with a Change in Control (\$)</u>
	Total	850,762	1,037,520	1,070,700 (5)
Christopher DiTullio	Cash	843,752 (2)	—	1,065,792
	Equity Acceleration	—	1,018,410	—
	All Other Payments or Benefits	15,000 (3)	—	15,000 (7)
	Total	858,752	1,018,410	1,080,792
Robert Will	Cash	816,098 (2)	—	1,030,860 (5)
	Equity Acceleration	—	993,840	—
	All Other Payments or Benefits	15,000 (3)	—	15,000 (7)
	Total	831,098	993,840	1,045,860

- (1) Amounts reflected in the “Change in Control (no Termination)” column were calculated assuming that no qualifying termination occurred in connection with the change in control. The values of any additional benefits to the named executive officers that would arise only if a termination were to occur in connection with a change in control are disclosed in the footnotes to the “Termination Without Cause or for Good Reason in Connection with a Change in Control.”
- (2) Amounts reflect (i) 18 months of the executive’s base salary at termination and (ii) the executive’s target annual bonus.
- (3) Amounts reflect the value of outplacement services and, for Mr. Miquelon, the value associated with the continued provision of health benefits for 18 months.
- (4) Amounts reflect the value of unvested option awards on January 29, 2021 that would be subject to accelerated vesting. As there was no public market for our shares prior to this offering, the amount reported was based on the fair market value of a share as of January 29, 2021, as determined with reference to a third-party valuation.
- (5) Amounts reflect: for Mr. Miquelon, two times the sum of (a) his base salary and (b) target annual bonus, and for the other named executive officers, (i) 24 months of the executive’s base salary and (ii) the executive’s target annual bonus.
- (6) Amount reflects the value of outplacement services, the value associated with the continued provision of health benefits for 24 months and the value associated with continued group term life insurance benefits for 18 months.
- (7) Amounts reflect the value of outplacement services.

### Compensation of Our Directors

For fiscal year 2021, directors of the Company were not eligible to receive additional compensation for their services as directors other than Mr. Webb, as described below.

#### Director Compensation Table for Fiscal Year 2021

The following table contains information concerning the compensation of our non-employee directors in fiscal year 2021:

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)(1)</u>	<u>Total (\$)</u>
Darrell Webb	80,000	80,000

- (1) Amount reflects the cash retainer fee paid to Mr. Webb for his service on our board of directors for fiscal year 2021.

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The table below shows the aggregate numbers of option awards (exercisable and unexercisable) held as of January 30, 2021 by each non-employee director who was serving as of January 30, 2021.

<b>Name</b>	<b>Options Outstanding at Fiscal Year End (Exercisable)</b>	<b>Options Outstanding at Fiscal Year End (Unexercisable)</b>
Darrell Webb	195,732	—

### *Non-Employee Director Compensation Policy*

In connection with this offering, we expect to adopt a compensation program for our non-employee directors that consists of annual retainer fees and equity awards.

Pursuant to this non-employee director compensation policy, each non-employee director will receive an annual retainer of \$70,000. In addition, non-employee directors serving on committees of our board of directors will receive the following additional annual fees, each earned on a quarterly basis: the chairperson of our audit committee will receive an additional annual fee of \$25,000, and other members of our audit committee will receive an additional annual fee of \$12,500; the chairperson of our compensation committee will receive an additional annual fee of \$20,000 and other members of our compensation committee will receive an additional annual fee of \$10,000; and the chairperson of our nominating and governance committee will receive an additional annual fee of \$15,000, and other members of our nominating and governance committee will receive an additional annual fee of \$7,500. Each non-employee director serving at the time of the offering will receive a one-time restricted stock unit award with a grant date value of \$125,000 in connection with the offering, which will vest on the first anniversary of the grant date. Each director will also receive an annual restricted stock unit award with a grant date value of \$125,000 (with prorated awards made to directors who join on a date other than an annual meeting following the first annual meeting after the closing of this offering), which will generally vest in full on the day immediately prior to the date of our annual shareholder meeting immediately following the date of grant, subject to the non-employee director continuing in service through such meeting date. The equity awards granted pursuant to this policy will accelerate and vest in full upon a change in control (as defined in the 2021 Plan). Any cash compensation payable under this policy for the service of non-employee directors employed by or affiliated with LGP will be paid to LGP.

## **Equity Plans**

### *Existing Equity Plan*

We currently maintain our 2012 Plan, as described above. After the closing of this offering and following the effectiveness of the 2021 Plan, no further grants will be made under the 2012 Plan.

### *2021 Equity Incentive Plan*

In connection with the offering, we have adopted the 2021 Plan under which we may grant cash and equity incentive awards to eligible service providers in order to attract, motivate and retain the talent for which we compete. The material terms of the 2021 Plan are summarized below.

#### *Eligibility and Administration*

Our employees, consultants and directors, and employees, consultants and directors of our parents and subsidiaries are eligible to receive awards under the 2021 Plan. The 2021 Plan will be administered by our board of directors, which may delegate its duties and responsibilities to committees of our directors and/or officers (referred to collectively as the plan administrator below), subject to certain limitations that may be imposed



under Section 16 of the Exchange Act, and/or stock exchange rules, as applicable. The plan administrator has the authority to make all determinations and interpretations under, prescribe all forms for use with, and adopt rules for the administration of, the 2021 Plan, subject to its express terms and conditions. The plan administrator will also set the terms and conditions of all awards under the 2021 Plan, including any vesting and vesting acceleration conditions.

#### *Limitation on Awards and Shares Available*

The maximum number of shares of our common stock available for issuance under the 2021 Plan is equal to the sum of (i) 2,000,000 shares of our common stock, (ii) an annual increase on the first day of each year beginning in 2022 and ending in and including 2031, equal to the lesser of (A) four percent (4%) of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year and (B) such lesser amount as determined by our board of directors, and (iii) any shares of our common stock subject to awards under the existing equity plan which are forfeited or lapse unexercised and which following the effective date are not issued under such plan; provided, however, no more than 2,000,000 shares may be issued upon the exercise of incentive stock options, or ISOs. The share reserve formula under the 2021 Plan is intended to provide us with the continuing ability to grant equity awards to eligible employees, directors and consultants for the ten-year term of the 2021 Plan.

Awards granted under the 2021 Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by an entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock will not reduce the shares authorized for grant under the 2021 Plan. The maximum grant date fair value of cash and equity awards granted to any non-employee director pursuant to the 2021 Plan during any calendar year is \$600,000.

#### *Awards*

The 2021 Plan provides for the grant of stock options, including ISOs, and nonqualified stock options, or NSOs, restricted stock, dividend equivalents, stock payments, restricted stock units, or RSUs, other incentive awards, SARs, and cash awards. No determination has been made as to the types or amounts of awards that will be granted to certain individuals pursuant to the 2021 Plan. Certain awards under the 2021 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. All awards under the 2021 Plan will be set forth in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards other than cash awards generally will be settled in shares of our common stock, but the plan administrator may provide for cash settlement of any award. A brief description of each award type follows.

- **Stock Options.** Stock options provide for the purchase of shares of our common stock in the future at an exercise price set on the grant date. ISOs, by contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other requirements of the Code are satisfied. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant (or 110% in the case of ISOs granted to certain significant stockholders), except with respect to certain substitute options granted in connection with a corporate transaction. The term of a stock option may not be longer than ten years (or five years in the case of ISOs granted to certain significant stockholders).
- **SARs.** SARs entitle their holder, upon exercise, to receive from us an amount equal to the appreciation of the shares subject to the award between the grant date and the exercise date. The exercise price of a SAR may not be less than 100% of the fair market value of the underlying share on the date of grant (except with respect to certain substitute SARs granted in connection with a corporate transaction) and the term of a SAR may not be longer than ten years.

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- **Restricted Stock and RSUs.** Restricted stock is an award of nontransferable shares of our common stock that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. RSUs are contractual promises to deliver shares of our common stock in the future, which may also remain forfeitable unless and until specified conditions are met. Delivery of the shares underlying RSUs may be deferred under the terms of the award or at the election of the participant, if the plan administrator permits such a deferral.
- **Stock Payments, Other Incentive Awards and Cash Awards.** Stock payments are awards of fully vested shares of our common stock that may, but need not, be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to any individual who is eligible to receive awards. Other incentive awards are awards other than those enumerated in this summary that are denominated in, linked to or derived from shares of our common stock or value metrics related to our shares, and may remain forfeitable unless and until specified conditions are met. Cash awards are cash incentive bonuses subject to performance goals.
- **Dividend Equivalents.** Dividend equivalents represent the right to receive the equivalent value of dividends paid on shares of our common stock and may be granted alone or in tandem with awards other than stock options or SARs. Dividend equivalents are credited as of dividend record dates during the period between the date an award is granted and the date such award vests, is exercised, is distributed or expires, as determined by the plan administrator.

### *Vesting*

Vesting conditions determined by the plan administrator may apply to each award and may include continued service, performance and/or other conditions.

### *Certain Transactions*

The plan administrator has broad discretion to take action under the 2021 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our stockholders known as “equity restructurings,” the plan administrator will make equitable adjustments to the 2021 Plan and outstanding awards. In the event of a “change in control” of the company (as defined in the 2021 Plan), to the extent that the surviving entity declines to continue, convert, assume or replace outstanding awards, then the plan administrator may provide that all such awards will terminate in exchange for cash or other consideration, or become fully vested and exercisable in connection with the transaction. Upon or in anticipation of a change in control, the plan administrator may cause any outstanding awards to terminate at a specified time in the future and give the participant the right to exercise such awards during a period of time determined by the plan administrator in its sole discretion. Individual award agreements may provide for additional accelerated vesting and payment provisions.

### *Foreign Participants, Claw-Back Provisions, Transferability, and Participant Payments*

The plan administrator may modify award terms, establish subplans and/or adjust other terms and conditions of awards, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States. All awards will be subject to the provisions of any claw-back policy implemented by us to the extent set forth in such claw-back policy and/or in the applicable award agreement. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the 2021 Plan are generally non-transferable, and are exercisable only by the participant. With regard to tax withholding, exercise price and

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purchase price obligations arising in connection with awards under the 2021 Plan, the plan administrator may, in its discretion, accept cash or check, provide for net withholding of shares, allow shares of our common stock that meet specified conditions to be repurchased, allow a “market sell order” or such other consideration as it deems suitable.

### *Plan Amendment and Termination*

Our board of directors may amend or terminate the 2021 Plan at any time; however, except in connection with certain changes in our capital structure, stockholder approval will be required for any amendment that increases the number of shares available under the 2021 Plan. No award may be granted pursuant to the 2021 Plan after the tenth anniversary of the earlier of (i) the date on which our board of directors adopts the 2021 Plan and (ii) the date on which our stockholders approve the 2021 Plan.

### **2021 Employee Stock Purchase Plan**

In connection with this offering, we have adopted the 2021 Employee Stock Purchase Plan, or the ESPP. The material terms of the ESPP are summarized below.

#### *Shares Available; Administration*

The aggregate number of shares of our common stock that will initially be reserved for issuance under our ESPP will be equal to the sum of (i) 400,000 shares and (ii) an annual increase on the first day of each calendar year beginning in 2022 and ending in 2031 equal to the lesser of (A) 400,000 shares, (B) one percent (1%) of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year and (C) such smaller number of shares as determined by our board of directors. Our board of directors or the compensation committee will have authority to interpret the terms of the ESPP and determine eligibility of participants. We expect that our board of directors will be the initial administrator of the ESPP.

#### *Eligibility*

We expect that our employees, other than employees who, immediately after the grant of a right to purchase common stock under the ESPP, would own (directly or through attribution) stock possessing 5% or more of the total combined voting power or value of all classes of our common or other class of stock, will be eligible to participate in the ESPP. However, consistent with Section 423 of the Code the plan administrator may provide that other groups of employees, including without limitation those who do not meet designated service requirements or those whose participation would be in violation of applicable foreign laws, will not be eligible to participate in the ESPP.

#### *Grant of Rights*

The ESPP will be intended to qualify under Section 423 of the Code and shares of our common stock will be offered under the ESPP during offering periods. The length of the offering periods under the ESPP will be determined by the plan administrator and may be up to 27 months long. Employee payroll deductions will be used to purchase shares on each purchase date during an offering period. The purchase dates for each offering period will be the final trading day in each purchase period. Offering periods under the ESPP will commence when determined by the plan administrator. The plan administrator may, in its discretion, modify the terms of future offering periods. We do not expect that any offering periods will commence under the ESPP at the time of this offering.

The ESPP will permit participants to purchase common stock through payroll deductions of up to a fixed dollar amount or percentage of their eligible compensation, which includes a participant’s gross base

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compensation for services to us. The plan administrator will establish a maximum number of shares that may be purchased by a participant during any offering period, which, in the absence of a contrary designation, will be equal to 5,000 shares. In addition, no employee will be permitted to accrue the right to purchase stock under the ESPP at a rate in excess of \$25,000 worth of shares during any calendar year during which such a purchase right is outstanding (based on the fair market value per share of our common stock as of the first trading day of the offering period).

On the first trading day of each offering period, each participant will automatically be granted an option to purchase shares of our common stock. The option will expire at the end of the applicable offering period and will be exercised on each purchase date during such offering period to the extent of the payroll deductions accumulated during the offering period. The purchase price of the shares will not be less than 85% of the fair market value of our common stock on the purchase date, which will be the final trading day of the purchase period. Participants may voluntarily end their participation in the ESPP prior to the end of the applicable offering period, and will be paid their accrued payroll deductions that have not yet been used to purchase shares of common stock. Participation will end automatically upon a participant's termination of employment.

A participant will not be permitted to transfer rights granted under the ESPP other than by will, the laws of descent and distribution or as otherwise provided under the ESPP.

### *Certain Transactions*

In the event of certain transactions or events affecting our common stock, such as any stock dividend or other distribution, reorganization, merger, consolidation, or other corporate transaction, the plan administrator will make equitable adjustments to the ESPP and outstanding rights. In addition, in the event of the foregoing transactions or events or certain significant transactions, the plan administrator may provide for (1) either the replacement of outstanding rights with other rights or property or termination of outstanding rights in exchange for cash, (2) the assumption or substitution of outstanding rights by the successor or survivor corporation or parent or subsidiary thereof, if any, (3) the adjustment in the number and type of shares of stock subject to outstanding rights, (4) the use of participants' accumulated payroll deductions to purchase stock on a new purchase date prior to the next scheduled purchase date and termination of any rights under ongoing offering periods or (5) the termination of all outstanding rights.

### *Plan Amendment*

The plan administrator may amend, suspend or terminate the ESPP at any time. However, stockholder approval of any amendment to the ESPP will be obtained for any amendment that increases the aggregate number or changes the type of shares that may be sold pursuant to rights under the ESPP, changes the corporations or classes of corporations the employees of which are eligible to participate in the ESPP or changes the ESPP in any manner that would cause the ESPP to no longer be an employee stock purchase plan within the meaning of Section 423(b) of the Code.

## PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of March 4, 2021, and as adjusted to reflect the sale of the shares of common stock offered in this offering for:

- each person or entity who is known by us to beneficially own more than 5% of our common stock;
- each of our directors, director nominees and named executive officers;
- all of our directors, director nominees and executive officers as a group; and
- each of the Selling Shareholders.

Information with respect to beneficial ownership has been furnished to us by each director, director nominee, executive officer or shareholder listed in the table below, as the case may be. The amounts and percentages of our common stock beneficially owned are reported on the basis of rules of the SEC governing the determination of beneficial ownership of securities. Under these rules, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days after March 4, 2021. More than one person may be deemed to be a beneficial owner of the same securities.

Percentage of beneficial ownership prior to this offering is based on 34,902,380 shares of common stock outstanding as of March 4, 2021. Percentage of beneficial ownership after this offering is based on 40,371,130 shares of common stock outstanding (assuming no exercise of the underwriters’ option to purchase additional shares) after giving effect to the sale by us of the shares of common stock offered hereby. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, warrants or other rights held by such person that are currently exercisable or that will become exercisable or will otherwise vest within 60 days of March 4, 2021 are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person. For a discussion of our stock split, see “Prospectus Summary—The Offering” and “Description of Capital Stock.”

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Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. The table below excludes any shares of our common stock that may be purchased in this offering pursuant to the reserved share program. See “Underwriting—Reserved Share Program.” Unless otherwise indicated below, the address for each person or entity listed below is c/o JOANN Inc., 5555 Darrow Road, Hudson, Ohio, 44236.

Name of Beneficial Owner	Shares Beneficially Owned Prior to this Offering		Shares to be sold in this Offering	Shares Beneficially Owned After this Offering Assuming the Underwriters’ Option is Not Exercised		Assuming the Underwriters’ Option is Exercised in Full	
	Number of Shares	Percentage	Number of Shares	Number of Shares	Percentage	Number of Shares	Percentage
<b>5% and Selling Shareholders</b>							
Entities affiliated with Leonard Green & Partners, L.P. (1)	33,091,191	94.8%	5,263,834	27,827,357	68.9%	27,827,357	66.2%
Entities affiliated with TCW/Crescent (2)	1,288,211	3.7%	204,916	1,083,295	2.7%	1,083,295	2.6%
<b>Directors, Director Nominees and Named Executive Officers</b>							
Lily Chang	—	—	—	—	—	—	—
Christopher DiTullio	130,623	*	—	130,623	*	130,623	*
Janet Duliga	147,628	*	—	147,628	*	147,628	*
Marybeth Hays	—	—	—	—	—	—	—
Anne Mehlman	—	—	—	—	—	—	—
Wade Miquelon	432,839	1.2%	—	432,839	1.1%	432,839	1.0%
Jonathan Sokoloff(1)	33,091,191	94.8%	5,263,834	27,827,357	68.9%	27,827,357	66.2%
Matt Susz	220,283	*	—	220,283	*	220,283	*
Darrell Webb	402,321	1.1%	—	402,321	1.0%	402,321	1.0%
Robert Will	124,182	*	—	124,182	*	124,182	*
John Yoon(1)	33,091,191	94.8%	5,263,834	27,827,357	68.9%	27,827,357	66.2%
All directors, director nominees and executive officers as a group (15 persons)	<u>34,791,163</u>	<u>95.6%</u>	<u>5,263,834</u>	<u>29,527,329</u>	<u>70.5%</u>	<u>29,527,329</u>	<u>67.9%</u>

\* Represents beneficial ownership of less than 1% of our outstanding common stock.

- (1) Voting and investment power with respect to the shares of our common stock held by Green Equity Investors V, L.P., Green Equity Investors Side V, L.P., and Needle Coinvest LLC, or collectively, Green V, is shared. Messrs. Sokoloff and Yoon may also be deemed to share voting and investment power with respect to such shares due to their positions with affiliates of Green V, and each disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Each of the foregoing entities’ and individuals’ address is c/o Leonard Green & Partners, L.P., 11111 Santa Monica Boulevard, Suite 2000, Los Angeles, California 90025.
- (2) Represents (i) 691,186 shares of our common stock held by TCW/Crescent Mezzanine Partners V, L.P., (ii) 171,648 shares of our common stock held by TCW/Crescent Mezzanine Partners VB, L.P., (iii) 310,727 shares of our common stock held by TCW/Crescent Mezzanine Partners VC, L.P. (collectively the “TCW/Crescent Mezzanine V Funds”), (iv) 63,122 shares of our common stock held by SEI Trust Company as trustee for TCW Capital Trust, and (v) 51,528 shares of our common stock held by MAC Equity Holdings I, LLC (“MAC Equity”). TCW/Crescent Mezzanine Management V, LLC (“Mezz Management V”) is the investment manager to each of the TCW/Crescent Mezzanine V Funds. The ultimate managers of Mezz Management V are Crescent Capital Group LP (“Crescent”) and TCW Asset Management Company LLC (“TAMCO”). MAC Capital, Ltd. (“MAC Capital,” and together with MAC Equity, the “MAC Entities”) is the sole member of MAC Equity. The ultimate managers of Mac Capital are TAMCO and Crescent. The address for the TCW/Crescent Mezzanine V Funds, the MAC Entities and Crescent is 11100 Santa Monica Boulevard, Suite 2000, Los Angeles, CA 90025. The address for SEI Trust Company is 1 Freedom Valley Drive, P.O. Box 1100, Oaks, PA 19456. The address for TCW Capital Trust and TAMCO is 865 S. Figueroa Street, Suite 1800, Los Angeles, CA 90017.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

The following is a description of transactions to which we were a party since January 29, 2017 in which the amount involved exceeded or will exceed \$120,000, and in which any of our executive officers, directors or holders of more than 5% of any class of our voting securities, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest.

### **Shareholders Agreement**

On October 16, 2012, the Company, LGP, certain of our directors and executive officers and certain other shareholders entered into a shareholders agreement. The shareholders agreement contains, among other things, certain restrictions on the ability of LGP and our other shareholders to freely transfer shares of our stock, a right of first refusal to the Company and LGP for other shareholders' shares, a repurchase right for the Company for certain shares held by management shareholders and drag-along and tag-along rights in connection with certain transfers of shares by LGP. It also provides that each party to the shareholders agreement agrees to vote all of their shares to elect the initial individuals designated to serve on our board. The shareholders agreement also provides for piggyback registration rights with customary cutback rights for management holders as described below. At the consummation of this offering, the provisions of the shareholders agreement (subject to the survival of certain obligations, such as those relating to registration rights described below) will terminate.

Upon the closing of this offering, we will amend and restate the existing shareholders agreement to eliminate certain provisions (but maintain those related to the registration rights, which are described below) and to provide specific board rights and obligations. Following this offering, the Shareholders Agreement will include provisions pursuant to which we will grant LGP and certain other shareholders (or such permitted transferee or affiliate) the right to cause us, in certain instances, at our expense, to file registration statements under the Securities Act covering resales of our common stock held by such shareholders (or such permitted transferee or affiliate) or to piggyback on such registration statements in certain circumstances. These shares will represent approximately 69% of our common stock after this offering, or approximately 66% if the underwriters exercise their option to purchase additional shares in full. These shares also may be sold under Rule 144 under the Securities Act, depending on their holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates. The Shareholders Agreement will also require us to indemnify LGP (or such permitted transferee or affiliate) and its affiliates in connection with any registrations of our securities. In addition, the Shareholders Agreement will provide that LGP is entitled to designate individuals to be included in the slate of nominees recommended by our board of directors for election to our board of directors, so as to ensure that the composition of our board of directors and its committees complies with the provisions of the Shareholders Agreement related to the composition of our board of directors and its committees, which are discussed under "Management—Composition of the Board of Directors after this Offering" and "Management—Committees of the Board of Directors."

### **Management Services Agreement**

On March 18, 2011, and in connection with the acquisition of the Company by LGP, Jo-Ann Stores, LLC (formerly Jo-Ann Stores, Inc.) entered into a management services agreement with the advisory affiliate of LGP, pursuant to which LGP agreed to provide certain management and financial services. In each of fiscal year 2018, fiscal year 2019 and fiscal year 2020, we paid \$5.0 million in fees and out of pocket expenses to LGP under the management services agreement. Due to the impact of the COVID-19 pandemic, starting in April 2020, the management fee payable to LGP was forgiven until the end of calendar year 2020. During the thirty-nine weeks ended October 31, 2020, we paid \$0.8 million in fees and out of pocket expenses to LGP under the management services agreement. The management services agreement with LGP will terminate without any termination payment automatically upon the closing of this offering, subject to the survival of certain obligations, including as to indemnification. Following the consummation of this offering, LGP will not provide managerial services to us in any form.

## **Indemnification Agreements**

Our amended and restated bylaws, as will be in effect prior to the closing of this offering, provide that we will indemnify our directors and officers to the fullest extent permitted by the DGCL, subject to certain exceptions contained in our amended and restated bylaws. In addition, our amended and restated certificate of incorporation, as will be in effect prior to the closing of this offering, will provide that our directors will not be liable for monetary damages for breach of fiduciary duty.

Prior to the closing of this offering, we will enter into indemnification agreements with each of our executive officers and directors. The indemnification agreements will provide the indemnitees with contractual rights to indemnification, and expense advancement and reimbursement, to the fullest extent permitted under the DGCL, subject to certain exceptions contained in those agreements.

There is no pending litigation or proceeding naming any of our directors or officers for which indemnification is being sought, and we are not aware of any pending litigation that may result in claims for indemnification by any director or executive officer.

## **Reserved Share Program**

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 6% of the shares offered by this prospectus for sale to some of our directors, officers, employees, business associates and related persons. See “Underwriting—Reserved Shares.”

## **Our Policy Regarding Related Party Transactions**

Our board of directors recognizes the fact that transactions with related persons present a heightened risk of conflicts of interests or improper valuation (or the perception thereof). In connection with this offering, our board of directors intends to adopt a written policy on transactions with related persons that is in conformity with the requirements for issuers having publicly held common stock that is listed on Nasdaq. Under such policy:

- any related person transaction, and any material amendment or modification to a related person transaction, must be reviewed and approved or ratified by a committee of the board of directors composed solely of independent directors who are disinterested or by the disinterested members of the board of directors; and
- any employment relationship or transaction involving an executive officer and any related compensation must be approved by the compensation committee of the board of directors or recommended by the compensation committee to the board of directors for its approval.

In connection with the review and approval or ratification of a related person transaction:

- management must disclose to the committee or disinterested directors, as applicable, the name of the related person and the basis on which the person is a related person, the material terms of the related person transaction, including the approximate dollar value of the amount involved in the transaction and all the material facts as to the related person’s direct or indirect interest in, or relationship to, the related person transaction;
- management must advise the committee or disinterested directors, as applicable, as to whether the related person transaction complies with the terms of our agreements governing our material outstanding indebtedness that limit or restrict our ability to enter into a related person transaction;
- management must advise the committee or disinterested directors, as applicable, as to whether the related person transaction will be required to be disclosed in our applicable filings under the



Securities Act or the Exchange Act, and related rules, and, to the extent required to be disclosed, management must ensure that the related person transaction is disclosed in accordance with such Acts and related rules; and

- management must advise the committee or disinterested directors, as applicable, as to whether the related person transaction constitutes a “personal loan” for purposes of Section 402 of the Sarbanes-Oxley Act.

In addition, the related person transaction policy will provide that the committee or disinterested directors, as applicable, in connection with any approval or ratification of a related person transaction involving a non-employee director or director nominee, should consider whether such transaction would compromise the director or director nominee’s status as an “independent,” or “outside” director, as applicable, under the rules and regulations of the SEC, Nasdaq and the U.S. Internal Revenue Code of 1986, as amended.

## DESCRIPTION OF CAPITAL STOCK

The following descriptions of our capital stock and provisions of our amended and restated certificate of incorporation and our amended and restated bylaws are summaries and are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws, which are filed as exhibits to the registration statement of which this prospectus forms a part.

### General

Our authorized capital stock following this offering consists of 200,000,000 shares of common stock, par value \$0.01 per share, and 5,000,000 shares of preferred stock, par value \$0.01 per share. Unless the board of directors determines otherwise, we will issue all shares of our capital stock in uncertificated form. We urge you to read our amended and restated certificate of incorporation and our amended and restated bylaws.

### Common Stock

Our amended and restated certificate of incorporation authorizes a total of 200,000,000 shares of common stock. Upon the consummation of this offering, we expect that 40,371,130 shares of common stock, or 42,011,755 shares of common stock if the underwriters exercise their option to purchase additional shares from us in full, will be issued and outstanding.

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of shareholders and do not have cumulative voting rights. An election of directors by our shareholders shall be determined by a plurality of the votes cast by the shareholders entitled to vote on the election. Holders of common stock are entitled to receive proportionately any dividends as may be declared by our board of directors, subject to any preferential dividend rights of any series of preferred stock that we may designate and issue in the future.

In the event of our liquidation, dissolution, or winding up, the holders of common stock are entitled to receive proportionately our net assets available for distribution to shareholders after the payment in full of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. There will be no sinking fund provisions applicable to our common stock. The rights, preferences and privileges of holders of common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

### Preferred Stock

Our amended and restated certificate of incorporation authorizes a total of 5,000,000 shares of preferred stock. Upon the closing of this offering, we will have no shares of preferred stock issued or outstanding.

Under the terms of our amended and restated certificate of incorporation, our board of directors is authorized to direct us to issue shares of preferred stock in one or more series without shareholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a shareholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

## **Dividends**

The DGCL permits a corporation to declare and pay dividends out of “surplus” or, if there is no “surplus,” out of its net profits for the fiscal year in which the dividend is declared or the preceding fiscal year. “Surplus” is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by the board of directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equal the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

Declaration and payment of any dividend will be subject to the discretion of our board of directors. The time and amount of dividends will depend upon our financial condition, operations, cash requirements and availability, debt repayment obligations, capital expenditure needs, restrictions in our debt instruments, industry trends, the provisions of Delaware law affecting the payment of distributions to shareholders and any other factors our board of directors may consider relevant.

Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. Our ability to pay dividends will be limited by covenants in our existing indebtedness and may be limited by the agreements governing other indebtedness that we or our subsidiaries incur in the future. See “Description of Certain Indebtedness.” In addition, because we are a holding company and have no direct operations, we will only be able to pay dividends from funds we receive from our subsidiaries.

## **Authorized but Unissued Shares**

The authorized but unissued shares of our common stock and our preferred stock are available for future issuance without shareholder approval, subject to any limitations imposed by the listing standards of Nasdaq. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

## **Shareholders Agreement**

Upon the closing of this offering, we will amend and restate the existing shareholders agreement and enter into the Shareholders Agreement pursuant to which LGP will have specified board representation rights, governance rights and other rights. See “Certain Relationships and Related Party Transactions—Shareholders Agreement.”

## **Registration Rights**

Upon the closing of this offering, the holders of 27,842,386 shares of our common stock, including certain Selling Shareholders, or their transferees, will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreement. See “Certain Relationships and Related Party Transactions—Shareholders Agreement” elsewhere in this prospectus.

## **Exclusive Venue**

Our amended and restated certificate of incorporation and amended and restated bylaws will require, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our shareholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware (or the federal district court for the District of Delaware or other state courts of the State of Delaware if the Court of Chancery in the State of Delaware does not have jurisdiction). The amended and restated certificate of incorporation and proposed bylaws will also require that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; however, there is uncertainty as to whether a court would enforce such provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Although we believe these provisions benefit us by providing increased consistency in the application of applicable law in the types of lawsuits to which they apply, the provisions may have the effect of discouraging lawsuits against our directors and officers. These provisions would not apply to any suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

## **Conflicts of Interest**

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or shareholders. Our amended and restated certificate of incorporation will, to the maximum extent permitted from time to time by Delaware law, renounce any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to our officers, directors or shareholders or their respective affiliates, other than those officers, directors, shareholders or affiliates who are our or our subsidiaries' employees. Our amended and restated certificate of incorporation will provide that, to the fullest extent permitted by law, none of LGP or any of their affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) or his or her affiliates will have any duty to refrain from (i) engaging in a corporate opportunity in the same or similar lines of business in which we or our affiliates now engage or propose to engage or (ii) otherwise competing with us or our affiliates. In addition, to the fullest extent permitted by law, in the event that LGP or any non-employee director acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself or himself or its or his affiliates or for us or our affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to us or any of our affiliates and they may take any such opportunity for themselves or offer it to another person or entity. Our amended and restated certificate of incorporation will not renounce our interest in any business opportunity that is expressly offered to a non-employee director solely in his or her capacity as a director or officer of the Company. To the fullest extent permitted by law, no business opportunity will be deemed to be a potential corporate opportunity for us unless we would be permitted, to undertake the opportunity under our amended and restated certificate of incorporation, we have sufficient financial resources to undertake the opportunity and the opportunity would be in line with our business.

## **Limitations on Liability and Indemnification of Officers and Directors**

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our amended and restated certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these

provisions is to eliminate the rights of us and our shareholders, through shareholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director if the director has breached his or her duty of loyalty, failed to act in good faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper personal benefit from his or her actions as a director.

Our amended and restated bylaws provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification and advancement provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

We currently are party to indemnification agreements with certain of our directors and officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

#### **Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, Our Amended and Restated Bylaws and Delaware Law**

Certain provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our shareholders. However, they also give our board of directors the power to discourage acquisitions that some shareholders may favor.

#### ***Classified Board of Directors***

Our amended and restated certificate of incorporation provides that our board of directors is divided into three classes, with each class serving three-year staggered terms. As a result, approximately one-third of our directors are expected to be elected each year. Pursuant to the terms of the Shareholders Agreement, directors designated by LGP may only be removed with or without cause by the request of LGP. In all other cases, our amended and restated certificate of incorporation provides that directors may only be removed from our board of directors for cause by the affirmative vote of at least two-thirds of the voting power of the then outstanding shares of voting stock, following such time as when LGP ceases to own, or no longer has the right to direct the vote of, 50% or more of the voting power of our common stock. Prior to that time, any individual director may be removed with or without cause by the affirmative vote of a majority of the confirmed voting power of our common stock. See "Management—Committees of the Board of Directors." These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control of us or our management.

### ***Requirements for Advance Notification of Shareholder Meetings, Nominations and Proposals***

Our amended and restated certificate of incorporation will provide that, after the date on which LGP and their affiliates cease to beneficially own, in the aggregate, more than 50% in voting power of our stock entitled to vote generally in the election of directors, special meetings of the shareholders may be called only by the chairman of the board, a resolution adopted by the affirmative vote of the majority of the directors then in office and not by our shareholders or any other person or persons. Our amended and restated bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. In addition, any shareholder who wishes to bring business before an annual meeting or nominate directors must comply with the advance notice requirements set forth in our amended and restated bylaws. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers or changes in control of us or our management.

### ***Shareholder Action by Written Consent***

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the shareholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation prohibits shareholder action by written consent (and, thus, requires that all shareholder actions be taken at a meeting of our shareholders), if LGP ceases to own, or no longer has the right to direct the vote of, 50% or more of the voting power of our common stock.

### ***Approval for Amendment of Certificate of Incorporation and Bylaws***

Our amended and restated certificate of incorporation further provides that the affirmative vote of holders of at least two-thirds of the voting power of all of the then outstanding shares of voting stock, voting as a single class, will be required to amend certain provisions of our amended and restated certificate of incorporation, including provisions relating to the size of the board, removal of directors, special meetings, actions by written consent and cumulative voting, if LGP ceases to own, or no longer has the right to direct the vote of, 50% or more of the voting power of our common stock. The affirmative vote of holders of at least two-thirds of the voting power of all of the then outstanding shares of voting stock, voting as a single class, will be required to amend or repeal our bylaws, if LGP ceases to own, or no longer has the right to direct the vote of, 50% or more of the voting power of our common stock, although our bylaws may be amended by a simple majority vote of our board of directors.

### ***Business Combinations***

We have opted out of Section 203 of the DGCL; however, our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain “business combinations” with any “interested shareholder” for a three-year period following the time that the shareholder became an interested shareholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;
- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least two-thirds of our outstanding voting stock that is not owned by the interested shareholder.

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Generally, a “business combination” includes a merger, asset, or stock sale or other transaction resulting in a financial benefit to the interested shareholder. Subject to certain exceptions, an “interested shareholder” is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of our outstanding voting stock. For purposes of this section only, “voting stock” has the meaning given to it in Section 203 of the DGCL.

Under certain circumstances, this provision will make it more difficult for a person who would be an “interested shareholder” to effect various business combinations with us for a three-year period. This provision may encourage companies interested in acquiring us to negotiate in advance with our board of directors because the shareholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction which results in the shareholder becoming an interested shareholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interests.

Our amended and restated certificate of incorporation provides that LGP and their affiliates, and any of their respective direct or indirect transferees and any group as to which such persons are a party, do not constitute “interested shareholders” for purposes of this provision.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be Computershare, Inc.

### **Stock Exchange Listing**

We have applied to list our common stock on Nasdaq Global Market under the symbol “JOAN.”

## DESCRIPTION OF CERTAIN INDEBTEDNESS

On October 21, 2016, Jo-Ann Stores, LLC, or the Borrower, entered into a senior secured first lien term loan facility, which was amended on July 21, 2017, or the First Lien Facility. On May 21, 2018, the Borrower entered into a senior secured second lien term loan facility, or the Second Lien Facility, and, together with the First Lien Facility, the Term Loan Facilities. On November 25, 2020, the Borrower entered into an amendment to the senior secured asset based revolving credit facility originally dated October 21, 2016, and the amendment together with the original 2016 revolving credit facility, the ABL Facility. The Borrower entered into the ABL Facility and Term Loan Facilities to refinance our prior credit facilities and notes. Borrowings under the ABL Facility are also used to finance or refinance working capital and capital expenditures and for general corporate purposes.

We intend to use the net proceeds we receive in this offering to pay down outstanding borrowings on our Second Lien Facility and the remainder, if any, to pay down outstanding borrowings on our ABL Facility. See “Use of Proceeds.”

### **ABL Facility**

#### ***General***

On November 25, 2020, the Borrower and certain of our subsidiaries (as well as Needle Holdings LLC (or Holdings)), as guarantors, entered into the ABL Facility with the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (in such capacities, the ABL Agent). The ABL Facility is scheduled to mature on the earliest of (i) November 25, 2025, (ii) the date that is 91 days inside the maturity date of the First Lien Facility if the First Lien Facility has not been refinanced (or, if refinanced, the scheduled maturity date of the applicable debt instrument that refinances such First Lien Facility to the extent the First Lien Facility (or such other debt instrument) has not been retired in fully by such date) and (iii) 91 days inside the maturity date of the Second Lien Facility if the Second Lien Facility has not been refinanced (or, if refinanced, the scheduled maturity date of the applicable debt instrument that refinances such Second Lien Facility to the extent the Second Lien Facility (or such other debt instrument) has not been retired in fully by such date). There is no scheduled amortization under the ABL Facility.

The ABL Facility provides for revolving borrowings of up to \$500.0 million subject to borrowing base availability. The borrowing base is equal to the sum (subject to certain reserves and adjustments) of (i) 90% of eligible credit card receivables, (ii) the net recovery percentage of eligible letter of credit inventory multiplied by 90% multiplied by the cost of eligible letter, (iii) the net recovery percentage of eligible inventory multiplied by 90% to 92.5% (based on seasonality) of the cost of eligible inventory, net of inventory reserves attributable to eligible inventory, (iv) the net recovery percentage of eligible in-transit inventory multiplied by 90% to 92.5% (based on seasonality) of the cost of eligible in-transit inventory, net of in-transit inventory reserves attributable to eligible in-transit inventory, minus (v) the then amount of all availability reserves. Subject to the borrowing base availability, the ABL Facility also includes a letter of credit subfacility of up to \$125.0 million and a swing line subfacility for same-day borrowings of up to \$30.0 million. Borrowings under the ABL Facility are subject to the satisfaction of customary conditions, including absence of default and accuracy of representations and warranties.

#### ***Interest***

Borrowings under the ABL Facility bear interest at a rate per annum equal to, at our option, either (i) adjusted LIBOR (which shall not be less than 0.75%) plus the applicable rate or (ii) base rate (determined by reference to the highest of (a) the prime rate published by Bank of America, N.A., (b) the federal funds effective rate plus 0.5% and (c) one-month LIBOR plus 1.00%) plus the applicable rate. The applicable rates under the ABL Facility are subject to step-ups and step-downs based on the Borrower’s average daily availability for the



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immediately preceding fiscal quarter in accordance with the following schedule (with the interest rate through the first full fiscal quarter after November 25, 2020, set at Pricing Level II):

<u>Pricing Level</u>	<u>Average Daily Availability</u>	<u>LIBOR Rate Loans</u>	<u>Base Rate</u>
I	Greater than or equal to 66.67% of line cap	1.75%	0.75%
II	Less than 66.67% of line cap but greater than or equal to 33.33% of line cap	2.00%	1.00%
III	Less than 33.33% of line cap	2.25%	1.25%

### ***Optional and Mandatory Prepayments; Cash Dominion***

At our option, the ABL Facility may be prepaid at any time without a premium or penalty with notice to the ABL Agent. We may also terminate or permanently reduce the unused commitments under the ABL Facility, with notice to the ABL Agent. Such termination or reduction must be in a minimum aggregate amount of \$1.0 million or in whole multiples of \$500,000 in excess thereof. In addition, we are not permitted to terminate or reduce the commitments if such termination or reduction (and any concurrent prepayments) would cause the total outstanding amount to exceed the amount of the ABL Facility. To the extent the borrowings under the ABL Facility at any time exceed the lesser of (i) the revolving credit commitment in effect at such time and (ii) the borrowing base at such time, we are required to prepay the borrowings under the ABL Facility in the amount of such excess.

We will be required to sweep substantially all cash receipts from the sale of inventory, collection of receivables and dispositions of the ABL Priority Collateral (defined below) into certain concentration accounts under the dominion and control of the administrative agent under the ABL Facility and all such cash will be used to repay outstanding borrowings under the ABL Facility (i) during the existence of certain specified events of default or (ii) when we fail to maintain availability of at least the greater of \$35.0 million and 10.0% of the line cap for five consecutive business days.

### ***Guarantee and Collateral***

Obligations in respect of the ABL Facility are guaranteed by Holdings and each of the Borrower's material existing, newly acquired or created wholly-owned domestic restricted subsidiaries. Obligations under the ABL Facility, as well as obligations to the ABL Facility lenders and their affiliates under certain secured cash management agreements and secured hedge agreements, are secured by a first priority lien on the Borrower's and the guarantors' accounts receivable, inventory, deposit accounts, securities accounts, commodities accounts, cash and cash equivalents, and chattel paper, documents, instruments, general intangibles (excluding intellectual property), books, records, proceeds and supporting obligations relating to the foregoing, collectively, the ABL Priority Collateral; and a third priority lien on the Borrower's and the guarantors' and their wholly-owned subsidiaries' capital stock (which will be limited, in the case of any foreign subsidiaries, to 65% of the voting stock and 100% of the non-voting stock of any first-tier foreign subsidiaries); and the Borrower's and the guarantors' intercompany debt and certain other "fixed assets" other than the ABL Priority Collateral, collectively, the Term Loan Priority Collateral.

### ***Covenants and Other Matters***

The ABL Facility requires that we comply with a number of covenants, as well as certain financial tests. If we fail to maintain availability of at least the greater of \$35.0 million and 10% of the line cap, the consolidated fixed charge coverage ratio of the most recently completed period of four consecutive fiscal quarters must be 1.00 to 1.00 or higher until our availability is at least the greater of \$35.0 million and 10% of the line cap for 20 consecutive days. The covenants also limit, in certain circumstances, our ability to take a variety of actions, including:

- pay dividends on, repurchase, or make distributions in respect of our capital stock or make other restricted payments;

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- incur additional indebtedness or issue certain disqualified stock and preferred stock;
- create liens;
- make investments, loans and advances;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates;
- prepay certain junior indebtedness;
- make certain changes to our lines of business; and
- designate our subsidiaries as unrestricted subsidiaries.

The Borrower's future compliance with its financial covenants and tests under the ABL Facility will depend on its ability to maintain sufficient liquidity, generate earnings and manage its assets effectively. The ABL Facility also has various non-financial covenants, both requiring the Borrower and the guarantors to refrain from taking certain future actions (as described above) and requiring the Borrower and the guarantors to take certain actions, such as keeping in good standing its corporate existence, maintaining insurance and providing the bank lending group with financial information on a timely basis. The ABL Facility also contains certain customary representations and warranties and events of default, including, among other things, payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, certain events under ERISA, material judgments, actual or asserted failure of any material guaranty or security document supporting the ABL Facility to be in full force and effect and change of control. If such an event of default occurs, the administrative agent under the ABL Facility would be entitled to take various actions, including the acceleration of amounts due under the ABL Facility and all actions permitted to be taken by a secured creditor.

### **Term Loan Facilities**

#### ***General***

On October 21, 2016, the Borrower, and certain of our subsidiaries (as well as Holdings), as guarantors, entered into the First Lien Facility, with the lenders party thereto, and Bank of America, N.A., as administrative agent and collateral agent (in such capacities, the First Lien Agent). The initial First Lien Facility provided for term loans of up to \$725.0 million, or the Initial First Lien Loan. On July 21, 2017, the Borrower, and certain of our subsidiaries, as guarantors, entered into an incremental amendment, which provided for an additional \$180.0 million of term loans (collectively with the Initial First Lien Loan, the First Lien Loan). The First Lien Loan amortizes in nominal quarterly installments equal to 0.25% of the original aggregate principal amount of the First Lien Loan and matures on October 21, 2023.

On May 21, 2018, the Borrower, and certain of our subsidiaries (as well as Holdings), as guarantors, entered into the Second Lien Facility, with the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (in such capacities, the Second Lien Agent). The Second Lien Facility provides for term loans of \$225.0 million, or the Second Lien Loan and, together with the First Lien Loan, the Term Loans. The Second Lien Loan does not amortize and matures on May 21, 2024.

As mentioned above, the Term Loan Facilities permit the Borrower to add one or more incremental term loans up to \$100.0 million (shared between the First Lien Facility and the Second Lien Facility) plus additional amounts subject to our compliance, with respect to the First Lien Facility, with a secured net leverage ratio test, and with respect to the Second Lien Facility, with a total net leverage ratio test.

### ***Interest***

The Term Loans Facilities bear interest at a rate per annum equal to, at the Borrower's option, either (i) adjusted LIBOR (subject to a LIBOR floor of 1.00%) plus the applicable rate or (ii) base rate (determined by reference to, (x) with respect to the First Lien Facility, the highest of (a) the prime rate published by Bank of America, N.A., (b) the federal funds effective rate plus 0.5% and (c) one-month LIBOR plus 1% and (y) with respect to the Second Lien Facility, the highest of (a) the prime rate published by Bank of America, N.A., (b) the federal funds effective rate plus 0.5%, (c) one-month LIBOR plus 1% and 2%) plus the applicable rate. The applicable rate under the First Lien Facility is 5.00% for LIBOR loans and 4.00% for base rate loans. The applicable rate under the Second Lien Facility is 9.25% for LIBOR loans and 8.25% for base rate loans.

### ***Optional and Mandatory Prepayments***

At our option, the First Lien Loan may be prepaid at any time, in whole or in part, with notice to the First Lien Agent. A prepayment premium applied to certain prepayments of the First Lien Loan until October 21, 2017, and no longer applies.

At our option, the Second Lien Loan may be prepaid at any time (but subject to the restrictions contained in the ABL Intercreditor Agreement and First Lien/Second Lien Intercreditor Agreement), in whole or in part, with notice to the Second Lien Agent. A prepayment premium applied to certain prepayments of the Second Lien Loan until May 21, 2020, and no longer applies.

In addition, subject to the satisfaction of certain conditions, the Borrower is permitted to offer its lenders to repurchase loans held by them under the Term Loan Facilities at a discount.

Under certain circumstances and subject to certain exceptions, the Term Loan Facilities will be subject to mandatory prepayments in the amount equal to: (x) 100% of the net cash proceeds of certain assets sales and issuances or incurrence of non-permitted indebtedness and (y) 50% of annual excess cash flow for any fiscal year, such percentage to decrease to 25% and 0% depending on the attainment of certain secured net leverage ratio targets.

### ***Guarantee and Collateral***

The Borrower's obligations in respect of the Term Loan Facilities are guaranteed by Holdings and each of the Borrower's material existing and newly acquired or created wholly-owned domestic restricted subsidiaries. The Borrower's obligations under the Term Loan Facilities are secured by a first priority lien on the Term Loan Priority Collateral and a second priority lien on the ABL Priority Collateral. As between the First Lien Facility and the Second Lien Facility, liens securing the Second Lien Loan are junior and subordinated to the liens securing the First Lien Facility.

### ***Covenants and Other Matters***

The Term Loan Facilities have various non-financial covenants, customary representations and warranties, events of defaults and remedies, similar to those described in respect of the ABL Facility above. There are no financial maintenance covenants in the Term Loan Facilities.

## SHARES ELIGIBLE FOR FUTURE SALE

The sale of a substantial amount of our common stock in the public market after this offering could adversely affect the prevailing market price of our common stock. Furthermore, the majority of shares outstanding prior to the consummation of this offering will be subject to the contractual and legal restrictions on resale described below. The sale of a substantial amount of common stock in the public market after these restrictions lapse, or the expectation that such a sale may occur, could adversely affect the prevailing market price of our common stock and our ability to raise equity capital in the future.

Upon consummation of this offering, we expect to have outstanding an aggregate of 40,371,130 shares of our common stock, assuming no exercise of outstanding options and assuming that the underwriters have not exercised their option to purchase additional shares. All of the shares of common stock sold in this offering will be freely transferable without restriction or further registration under the Securities Act by persons other than “affiliates,” as that term is defined in Rule 144 under the Securities Act. Generally, the balance of our outstanding shares of common stock are “restricted securities” within the meaning of Rule 144 under the Securities Act, and the sale of those shares will be subject to the limitations and restrictions that are described below. Shares of our common stock that are not restricted securities and are purchased by our affiliates will be “control securities” under Rule 144. Restricted securities may be sold in the public market only if registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act. These rules are summarized below. Control securities may be sold in the public market subject to the restrictions set forth in Rule 144, other than the holding period requirement.

Upon the expiration of the lock-up agreements described below 180 days after the date of this prospectus, and subject to the provisions of Rule 144, an additional 29,433,630 shares will be available for sale in the public market. The sale of these restricted securities is subject, in the case of shares held by affiliates, to the volume restrictions contained in Rule 144.

### Lock-up Agreements

In connection with this offering, we and the Selling Shareholders, our executive officers and directors and our other existing security holders have agreed with the underwriters not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of the representatives, subject to certain limited exceptions. This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

### Rule 144

In general, under Rule 144 as in effect on the date of this prospectus, beginning 90 days after the consummation of this offering, a person who is an affiliate, and who has beneficially owned our common stock for at least six months, is entitled to sell in any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 403,711 shares immediately after consummation of this offering; or
- the average weekly trading volume in our common stock on Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales by our affiliates under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. An “affiliate” is a person that directly,

or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with an issuer.

Under Rule 144, a person who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least six months, would be entitled to sell those shares subject only to availability of current public information about us, and after beneficially owning such shares for at least twelve months, would be entitled to sell an unlimited number of shares without restriction. To the extent that our affiliates sell their common stock, other than pursuant to Rule 144 or a registration statement, the purchaser's holding period for the purpose of effecting a sale under Rule 144 commences on the date of transfer from the affiliate.

#### **Rule 701**

In general, under Rule 701 as in effect on the date of this prospectus, any of our employees, directors, officers, consultants or advisors who purchased shares from us in reliance on Rule 701 in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering, or who purchased shares from us after that date upon the exercise of options granted before that date, are eligible to resell such shares 90 days after the effective date of this offering in reliance upon Rule 144. If such person is not an affiliate, such sale may be made subject only to the manner of sale provisions of Rule 144. If such a person is an affiliate, such sale may be made under Rule 144 without compliance with the holding period requirement, but subject to the other Rule 144 restrictions described above. However, substantially all Rule 701 shares are subject to lock-up agreements as described above and will become eligible for sale in compliance with Rule 144 only upon the expiration of the restrictions set forth in those agreements.

#### **Stock Plans**

We intend to file a registration statement or statements on Form S-8 under the Securities Act covering shares of common stock reserved for issuance under our new omnibus incentive plan and pursuant to all outstanding option grants made prior to this offering. These registration statements are expected to be filed as soon as practicable after the closing date of this offering. Shares issued upon the exercise of stock options after the effective date of the applicable Form S-8 registration statement will be eligible for resale in the public market without restriction, subject to Rule 144 limitations applicable to affiliates and the lock-up agreements described above.

#### **Registration Rights**

Following this offering, some of our shareholders will, under some circumstances, have the right to require us to register their shares for future sale. See "Certain Relationships and Related Party Transactions—Shareholders Agreement."

**MATERIAL U.S. FEDERAL TAX CONSIDERATIONS  
FOR NON-U.S. HOLDERS OF OUR COMMON STOCK**

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued or sold pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or the IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income and the alternative minimum tax. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- “qualified foreign pension funds” as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our common stock being taken into account in an applicable financial statement.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

#### **Definition of a Non-U.S. Holder**

For purposes of this discussion, a “Non-U.S. Holder” is any beneficial owner of our common stock that is neither a “U.S. person” nor an entity or arrangement treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

#### **Distributions**

If we make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder’s adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under “—Sale or Other Taxable Disposition.”

Subject to the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S.

Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends generally will be subject to U.S. federal income tax on a net income basis at the regular rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

### **Sale or Other Taxable Disposition**

A Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest, or USRPI, by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

A Non-U.S. Holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on gain realized upon the sale or other taxable disposition of our common stock, which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition of our common stock by a Non-U.S. Holder will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.



## **Information Reporting and Backup Withholding**

Payments of dividends on our common stock to a Non-U.S. Holder will not be subject to backup withholding if the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or the holder otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any distributions on our common stock paid to the Non-U.S. Holder, regardless of whether such distributions constitute dividends or whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

## **Additional Withholding Tax on Payments Made to Foreign Accounts**

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our common stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of stock, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

## **CERTAIN ERISA CONSIDERATIONS**

The following is a summary of certain considerations associated with the purchase of shares of common stock by (i) “employee benefit plans” within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, that are subject to Title I of ERISA, (ii) plans, collective investment trusts, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or any other U.S. or non-U.S. federal, state, local or other laws or regulations that are substantially similar to such provisions of ERISA or the Code, or collectively, Similar Laws, and (iii) entities whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement described in clauses (i) and (ii), pursuant to ERISA or otherwise (each of the foregoing described in clauses (i), (ii) and (iii) referred to hereunder as a Plan).

Section 406 of ERISA and Section 4975 of the Code prohibit Plans which are subject to Title I of ERISA or Section 4975 of the Code, or the Covered Plans, from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. The acquisition of shares of common stock by a Covered Plan with respect to which the issuer, selling shareholder or an underwriter is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired in accordance with an applicable statutory, class or individual prohibited transaction exemption.

Plans that are governmental plans, certain church plans and non-U.S. plans may not be subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, they may nevertheless be subject to Similar Laws. Fiduciaries of any such plans should consult with their counsel before acquiring any of our common stock. The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing common stock on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of common stock. Neither this discussion nor anything provided in this prospectus is, or is intended to be, investment advice directed at any potential Plan purchasers, or at Plan purchasers generally, and such purchasers of any shares of common stock should consult with and rely on their own counsel and advisers as to whether an investment in the common stock is suitable for the Plan.

## UNDERWRITING

BofA Securities, Inc. and Credit Suisse Securities (USA) LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us, the Selling Shareholders and the underwriters, we and the Selling Shareholders have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us and the Selling Shareholders, the number of shares of common stock set forth opposite its name below.

<u>Underwriter</u>	<u>Number of Shares</u>
BofA Securities, Inc.	
Credit Suisse Securities (USA) LLC	
Guggenheim Securities, LLC	
Barclays Capital Inc.	
Wells Fargo Securities, LLC	
Piper Sandler & Co.	
William Blair & Company, L.L.C.	
Houlihan Lokey Capital, Inc.	
Telsey Advisory Group LLC	
Loop Capital Markets LLC	
Samuel A. Ramirez & Company, Inc.	
Total	<u>10,937,500</u>

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We and the Selling Shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commissions and Discounts

The representatives have advised us and the Selling Shareholders that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$                      per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

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The following table shows the public offering price, underwriting discount and proceeds, before expenses, to us and the Selling Shareholders. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$
Proceeds, before expenses, to the Selling Shareholders	\$	\$	\$

The expenses of the offering, not including the underwriting discount, are estimated at \$3.5 million and are payable by us.

We have also agreed to reimburse the underwriters for certain expenses in connection with this offering in the amount up to \$30,000.

### **Option to Purchase Additional Shares**

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to 1,640,625 additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

### **No Sales of Similar Securities**

We and the Selling Shareholders, our executive officers and directors and our other existing security holders have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of the representatives, subject to certain limited exceptions.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

### **Listing**

We expect the shares to be approved for listing on Nasdaq Global Market under the symbol "JOAN."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us, the Selling Shareholders and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us;
- our financial information;
- the history of, and the prospects for, our company and the industry in which we compete;

- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

#### **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. “Naked” short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on Nasdaq, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Reserved Share Program**

At our request, an affiliate of BofA Securities, Inc., a participating underwriter, has reserved for sale, at the initial public offering price, up to 6% of the shares offered by this prospectus for sale to some of our directors, officers, employees, business associates and related persons. If these persons purchase reserved shares it will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

## **Electronic Distribution**

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

## **Other Relationships**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the underwriters and/or their respective affiliates are lenders under the Second Lien Credit Facility and/or the ABL Facility and, as a result, will receive a portion of the net proceeds from this offering.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **European Economic Area**

In relation to each Member State of the European Economic Area (each a Relevant State), no shares have been offered or will be offered pursuant to this offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

- a. to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- b. to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or
- c. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares shall require the Issuer or any underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person in a Relevant State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the representatives that it is a qualified investor within the meaning of Article 2(e) of the Prospectus Regulation.

In the case of any shares being offered to a financial intermediary as that term is used in Article 1(4) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant State to qualified investors, in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

The above selling restriction is in addition to any other selling restrictions set out below.

In connection with the offering the underwriters are not acting for anyone other than the issuer and will not be responsible to anyone other than the issuer for providing the protections afforded to their clients nor for providing advice in relation to the offering.

#### **Notice to Prospective Investors in the United Kingdom**

An offer to the public of any shares may not be made in the United Kingdom, except that an offer to the public in the United Kingdom of any shares may be made at any time under the following exemptions under the UK Prospectus Regulation:

- (a) to any legal entity which is a “qualified investor” as defined under the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (as amended, “FSMA”),

provided that no such offer of shares shall result in a requirement for the Issuer or any underwriters to publish a prospectus pursuant to section 85 of the FSMA or a supplemental prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Each person who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the representatives that it is a qualified investor within the meaning of Article 2 of the UK Prospectus Regulation.

In the case of any shares being offered to a financial intermediary as that term is used in Article 1(4) of the UK Prospectus Regulation, each financial intermediary will also be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public, other than their offer or resale in the United Kingdom to qualified investors as so defined or in circumstances in which the prior consent of the of the representatives has been obtained to each such proposed offer or resale.

The Company, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

#### **Notice to Prospective Investors in Switzerland**

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

#### **Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

#### **Notice to Prospective Investors in Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or ASIC, in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, the Exempt Investors, who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.



The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

#### **Notice to Prospective Investors in Hong Kong**

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

#### **Notice to Prospective Investors in Japan**

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

#### **Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the shares were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time, the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investment) (Securities and Securities based Derivatives Contract) Regulations 2018.

#### **Notice to Prospective Investors in Canada**

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

## **LEGAL MATTERS**

The validity of the shares of common stock offered hereby will be passed upon for us by Latham & Watkins LLP. The validity of the shares of common stock offered hereby will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP.

## **EXPERTS**

The consolidated financial statements of JOANN Inc. at February 1, 2020 and February 2, 2019 and for each of the years ended February 1, 2020, February 2, 2019 and February 3, 2018, appearing in this Prospectus and Registration Statement have been audited by Ernst and Young, LLP, independent registered public accounting firm, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

## **WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement and its exhibits. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be reviewed for the complete contents of these contracts and documents. A copy of the registration statement and its exhibits may be obtained from the SEC upon the payment of fees prescribed by it. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding companies that file electronically with it.

Upon completion of this offering, we will become subject to the information and periodic and current reporting requirements of the Exchange Act, and in accordance therewith, will file periodic and current reports, proxy statements and other information with the SEC. The registration statement, such periodic and current reports and other information can be obtained electronically by means of the SEC's website at [www.sec.gov](http://www.sec.gov).

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of JOANN Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of JOANN Inc. and subsidiaries (the Company), formerly known as Jo-Ann Stores Holdings Inc., as of February 1, 2020 and February 2, 2019, the related statements of comprehensive income (loss), shareholders' equity (deficit) and cash flows for the years ended February 1, 2020, February 2, 2019 and February 3, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for the years ended February 1, 2020, February 2, 2019 and February 3, 2018 in conformity with U.S. generally accepted accounting principles.

### Adoption of ASU No. 2016-02, Leases

As discussed in Note 5 to the consolidated financial statements, the Company changed its method of accounting for leases in 2020 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended, effective February 3, 2019, using the modified retrospective approach.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

**Valuation of Goodwill**

*Description of the Matter*

At February 1, 2020, the Company's goodwill balance was \$162.0 million. As discussed in Notes 1 and 8 to the consolidated financial statements, the Company evaluates the carrying amount of goodwill for impairment annually as of the first day of the fourth quarter or more frequently if indicators of impairment exist. The Company performs an initial assessment of qualitative factors to determine whether it is more likely than not that the reporting unit's fair value is less than its carrying value. If management concludes the qualitative assessment is not sufficient to conclude on whether the fair value is less than the carrying value, a quantitative impairment test is performed. As part of the quantitative approach, the Company determines the fair value of the reporting unit using a discounted cash flow approach and the market comparable method. Given negative comparable sales and declining margins attributable to the impact of U.S. tariffs on imported merchandise from China, the Company determined that an interim impairment evaluation of goodwill was necessary for its JOANN reporting unit for which it was concluded an impairment existed and recorded a goodwill impairment charge of \$130.4 million during the second quarter of fiscal 2020. Due to a weaker than expected peak selling season, another quantitative impairment analysis of goodwill related to the JOANN reporting unit was completed as of November 30, 2019. Based on the analyses performed, the Company recognized a goodwill impairment charge of \$351.4 million during the fourth quarter of fiscal 2020.

Auditing the Company's goodwill impairment assessment was complex and judgmental due to the significant estimation required to determine the fair value of the JOANN reporting unit. In particular, the fair value estimates were sensitive to significant assumptions such as the weighted average cost of capital, revenue growth rates, EBITDA margins, and perpetual growth rates, which are affected by expectations about future market or economic conditions.

*How We Addressed the Matter in Our Audit*

To test the estimated fair value of the JOANN reporting unit, our audit procedures included, among others, evaluating the Company's fair value methodology, testing the significant assumptions discussed above and testing the underlying data used by the Company in its analysis. For example, we compared the significant assumptions used by management to current industry and economic trends and assessed the historical accuracy of management's estimates. We also involved a valuation specialist to assist in our evaluation of the weighted average cost of capital and market multiples.

/s/ Ernst & Young LLP

We have served as the Company's auditors since 2002.

Cleveland, Ohio

December 18, 2020, except as to the second paragraph of Note 1, as to which the date is February 16, 2021, and except as to the third paragraph of Note 15, as to which the date is March 4, 2021.

**JOANN INC.**  
**Consolidated Balance Sheets**

	February 1, 2020	February 2, 2019
	(Dollars in millions)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 24.4	\$ 51.5
Inventories	649.7	615.8
Prepaid expenses and other current assets	45.7	42.7
Total current assets	719.8	710.0
Property, equipment and leasehold improvements, net	309.0	298.4
Operating lease assets	707.1	—
Goodwill	162.0	643.8
Intangible assets, net	384.2	403.4
Other assets	19.2	15.2
Total assets	<u>\$ 2,301.3</u>	<u>\$ 2,070.8</u>
<b>Liabilities and Shareholders' (Deficit) Equity</b>		
Current liabilities:		
Accounts payable	\$ 227.1	\$ 224.9
Accrued expenses	105.0	144.0
Current portion of operating lease liabilities	157.0	—
Current portion of long-term debt	9.1	26.0
Total current liabilities	498.2	394.9
Long-term debt, net	1,210.2	1,106.3
Long-term operating lease liabilities	645.2	—
Long-term deferred income taxes	91.0	82.9
Other long-term liabilities	28.7	113.5
Shareholders' (deficit) equity:		
Common stock, stated value \$0.01 per share; 200,000,000 authorized; issued 36,822,658 and 36,715,433 shares at February 1, 2020 and February 2, 2019, respectively	0.3	0.3
Additional paid-in capital	123.2	121.7
Retained (deficit) earnings	(281.3)	265.3
Accumulated other comprehensive loss	(0.9)	(1.3)
Treasury stock at cost; 1,920,278 and 1,863,237 shares at February 1, 2020 and February 2, 2019, respectively	(13.3)	(12.8)
Total shareholders' (deficit) equity	(172.0)	373.2
Total liabilities and shareholders' (deficit) equity	<u>\$ 2,301.3</u>	<u>\$ 2,070.8</u>

*See notes to consolidated financial statements.*

**JOANN INC.**  
**Consolidated Statements of Comprehensive Income (Loss)**

	February 1, 2020	Fiscal Year-Ended February 2, 2019	February 3, 2018
	(Dollars in millions except per share data)		
Net sales	\$ 2,241.2	\$ 2,324.8	\$ 2,314.3
Cost of sales	1,135.9	1,148.3	1,130.3
Selling, general and administrative expenses	977.4	951.4	943.4
Depreciation and amortization	77.5	76.0	78.8
Goodwill and trade name impairment	486.8	—	—
Operating (loss) profit	(436.4)	149.1	161.8
Interest expense, net	101.9	101.1	95.4
Debt related (gain) loss	(3.8)	2.4	0.9
(Loss) income before income taxes	(534.5)	45.6	65.5
Income tax provision (benefit)	12.1	10.3	(31.0)
Net (loss) income	\$ (546.6)	\$ 35.3	\$ 96.5
Other comprehensive income (loss):			
Cash flow hedges	0.5	(1.8)	—
Income tax (provision) benefit on cash flow hedges	(0.1)	0.5	—
Other comprehensive income (loss)	0.4	(1.3)	—
Comprehensive (loss) income	\$ (546.2)	\$ 34.0	\$ 96.5
Earnings per common share:			
Basic	\$ (15.67)	\$ 1.01	\$ 2.77
Diluted	\$ (15.67)	\$ 1.00	\$ 2.74
Weighted-average common shares outstanding:			
Basic	34,882,306	34,852,196	34,857,305
Diluted	34,882,306	35,297,708	35,188,523

*See notes to consolidated financial statements.*



**JOANN INC.**  
**Consolidated Statements of Cash Flows**

	February 1, 2020	Fiscal Year-Ended February 2, 2019 (Dollars in millions)	February 3, 2018
Net cash (used for) provided by operating activities:			
Net (loss) income	\$ (546.6)	\$ 35.3	\$ 96.5
Adjustments to reconcile net (loss) income to net cash (used for) provided by operating activities:			
Non-cash operating lease expense	139.4	—	—
Depreciation and amortization	77.5	76.0	78.8
Deferred income taxes	7.9	(16.2)	(57.4)
Stock-based compensation expense	1.2	0.6	1.0
Amortization of deferred financing costs and original issue discount	4.3	4.1	4.7
Debt related (gain) loss	(3.8)	2.4	0.9
Loss on disposal and impairment of fixed assets	1.0	3.2	1.4
Goodwill and trade name impairment	486.8	—	—
Changes in operating assets and liabilities:			
Increase in inventories	(33.9)	(39.1)	(16.6)
Increase in prepaid expenses and other current assets	(3.5)	(4.6)	(15.4)
Increase in accounts payable	2.2	47.6	36.2
(Decrease) increase in accrued expenses	(18.5)	0.6	(20.4)
Decrease in operating lease liabilities	(147.1)	—	—
Increase (decrease) in other long-term liabilities	1.2	(12.5)	(10.7)
Other, net	(2.0)	1.6	(1.3)
Net cash (used for) provided by operating activities	(33.9)	99.0	97.7
Net cash used for investing activities:			
Capital expenditures	(78.6)	(48.4)	(44.0)
Proceeds from sale of fixed assets	—	1.7	—
Acquisition	—	—	(6.8)
Other investing activities	(0.9)	(3.0)	—
Net cash used for investing activities	(79.5)	(49.7)	(50.8)
Net cash provided by (used for) financing activities:			
Senior note repurchases	—	(274.5)	(178.2)
Term loan proceeds, net of original issue discount	—	221.6	178.2
Term loan payments	(26.0)	(25.3)	(10.4)
Borrowings on revolving credit facility	526.3	555.4	323.1
Payments on revolving credit facility	(410.8)	(497.4)	(352.6)
Purchase and retirement of debt	(2.4)	—	—
Premium payments on interest rate cap agreements	—	(2.2)	—
Principal payments on finance lease obligations	(0.7)	—	—
Purchase of common stock	(0.5)	—	(0.7)
Proceeds from exercise of stock options	0.3	—	0.1
Financing fees paid	—	(2.7)	(1.8)
Other financing activities	0.1	—	—
Net cash provided by (used for) financing activities	86.3	(25.1)	(42.3)
Net (decrease) increase in cash and cash equivalents	(27.1)	24.2	4.6
Cash and cash equivalents at beginning of period	51.5	27.3	22.7
Cash and cash equivalents at end of period	<u>\$ 24.4</u>	<u>\$ 51.5</u>	<u>\$ 27.3</u>
Cash paid during the period for:			
Interest	\$ 97.4	\$ 104.0	\$ 106.4
Income taxes, net of refunds	18.6	23.0	32.7

*See notes to consolidated financial statements.*

**JOANN INC.**  
**Consolidated Statements of Shareholders' Equity (Deficit)**

	Net Common Shares (Shares in thousands)	Treasury Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings (Deficit) (Dollars in millions)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity (Deficit)
<b>Balance, January 28, 2017</b>	<b>34,884.2</b>	<b>1,791.1</b>	<b>\$ 0.3</b>	<b>\$ 119.9</b>	<b>\$ (12.1)</b>	<b>\$ 133.5</b>	<b>\$ —</b>	<b>\$ 241.6</b>
Net income	—	—	—	—	—	96.5	—	96.5
Stock-based compensation	—	—	—	1.0	—	—	—	1.0
Purchase of common stock	(72.1)	72.1	—	—	(0.7)	—	—	(0.7)
Exercise of stock options	40.2	—	—	0.1	—	—	—	0.1
Other	(0.1)	—	—	0.1	—	—	—	0.1
<b>Balance, February 3, 2018</b>	<b>34,852.2</b>	<b>1,863.2</b>	<b>\$ 0.3</b>	<b>\$ 121.1</b>	<b>\$ (12.8)</b>	<b>\$ 230.0</b>	<b>\$ —</b>	<b>\$ 338.6</b>
Net income	—	—	—	—	—	35.3	—	35.3
Stock-based compensation	—	—	—	0.6	—	—	—	0.6
Unrealized loss from hedge accounting	—	—	—	—	—	—	(1.3)	(1.3)
<b>Balance, February 2, 2019</b>	<b>34,852.2</b>	<b>1,863.2</b>	<b>\$ 0.3</b>	<b>\$ 121.7</b>	<b>\$ (12.8)</b>	<b>\$ 265.3</b>	<b>\$ (1.3)</b>	<b>\$ 373.2</b>
Net loss	—	—	—	—	—	(546.6)	—	(546.6)
Stock-based compensation	—	—	—	1.2	—	—	—	1.2
Purchase of common stock	(57.1)	57.1	—	—	(0.5)	—	—	(0.5)
Exercise of stock options	107.3	—	—	0.3	—	—	—	0.3
Unrealized gain from hedge accounting	—	—	—	—	—	—	0.4	0.4
<b>Balance, February 1, 2020</b>	<b>34,902.4</b>	<b>1,920.3</b>	<b>\$ 0.3</b>	<b>\$ 123.2</b>	<b>\$ (13.3)</b>	<b>\$ (281.3)</b>	<b>\$ (0.9)</b>	<b>\$ (172.0)</b>

*See notes to consolidated financial statements.*

**JOANN Inc.**  
**Notes to Consolidated Financial Statements**

**Note 1—Significant Accounting Policies**

***Nature of Operations***

We are the nation's largest specialty retailer of fabrics and sewing accessories and one of the largest specialty retailers of crafts, serving customers in their pursuit of apparel and craft sewing, crafting, home decorating and other creative endeavors. Our retail stores (operating as JOANN, Jo-Ann Fabric and Craft Stores and Jo-Ann Stores) and website (www.joann.com) feature a variety of competitively priced merchandise used in sewing, crafting and home decorating projects, including fabrics, notions, crafts, frames, paper crafting material, artificial floral, home accents, finished seasonal and home décor merchandise. Our complementary website Creativebug (www.creativebug.com) offers an extensive array of online arts and crafts instructional videos for the do-it-yourself ("DIY") community where customers can learn how to paint, draw, sew, quilt, knit, crochet, and much more, while capturing the intimate experience of learning from top designers and artists. As of February 1, 2020, we operated 867 retail stores in 49 states.

The significant accounting policies applied in preparing the accompanying consolidated financial statements of the Company are summarized below.

***Basis of Presentation***

The consolidated financial statements include the accounts of JOANN Inc. (formerly known as Jo-Ann Stores Holdings Inc.) (the "Holding Company"), Needle Holdings LLC ("Needle Holdings") and Jo-Ann Stores, LLC and its wholly-owned subsidiaries ("Jo-Ann"). Effective February 9, 2021, Jo-Ann Stores Holdings Inc. amended its certificate of incorporation to change its corporate name to "JOANN Inc." The amendment was approved by the Board of Directors and was effected by the filing of a Certificate of Amendment with the Delaware Secretary of State. All of the entities referenced in the prior sentence hereinafter will be referred to collectively as the "Company" and are all owned by affiliates of Leonard Green & Partners, L.P. ("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 options, 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 sheet 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 options and the payment of dividends or distributions.

***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.

***Fiscal Year***

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 2020 refers to the year ended February 1, 2020). Fiscal years consist of 52 weeks, unless noted otherwise. Fiscal 2018 was a 53-week year.

### ***Recently Adopted Accounting Guidance***

In the second quarter of fiscal 2020, the Company adopted Accounting Standards Update (“ASU”) No. 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which eliminates the requirement to calculate the implied fair value of goodwill to measure the amount of impairment loss, if any, under the second step of the current goodwill impairment test. Under this guidance, the goodwill impairment loss is measured as the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. In both the second quarter and fourth quarter of fiscal 2020, the Company completed a quantitative impairment analysis of goodwill in accordance with ASU 2017-04, which resulted in non-cash goodwill impairment charges of \$130.4 million and \$351.4 million, respectively. See Notes to Consolidated Financial Statements, Note 8—Goodwill and Other Intangible Assets for further details.

In the first quarter of fiscal 2020, the Company adopted ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments,” which addresses various cash flow classification scenarios and is intended to eliminate diversity in practice. We used the retrospective transition method to adopt this standard, with no material impact to the Consolidated Statements of Cash Flows.

In the first quarter of fiscal 2020, the Company adopted ASU No. 2016-02, “Leases (Topic 842),” which requires an entity to recognize lease assets and liabilities on the balance sheet and to disclose key information about an entity’s leasing arrangements. ASU 2016-02 requires companies to use a modified retrospective transition approach. In July 2018, the FASB issued ASU No. 2018-11, “Leases (Topic 842): Targeted Improvements” which provided an additional transition option that allows companies to continue applying the guidance under the previous lease standard in the comparative periods presented in the consolidated financial statements. We utilized the additional transition option to adopt ASU 2016-02. As a result, the standard was applied starting February 3, 2019 and prior periods were not restated. The Company elected the package of practical expedients permitted under the transition guidance within the new standard. This election allowed the carryforward of historical conclusions for lease identification, lease classification, and initial direct costs. The Company is accounting for leases with a term of less than one year under the short-term policy election. The Company also elected the practical expedient to not separate lease components from the non-lease components for all classes of leased assets. The Company chose not to elect the hindsight practical expedient.

Adoption of the new standard did not materially affect our Consolidated Statements of Comprehensive Income (Loss) or Consolidated Statements of Cash Flows, but resulted in the recognition of approximately \$807 million of lease assets and liabilities on the Consolidated Balance Sheet as of February 3, 2019. In connection with the adoption, pre-existing liabilities for deferred rent, various lease incentives and favorable and unfavorable lease rights were reclassified as a component of the lease assets. Adoption did not require the Company to record an adjustment to opening retained earnings. Refer to Note 5—Leases for additional information.

In the first quarter of fiscal 2019, the Company adopted ASU No. 2014-09, “Revenue Recognition— Revenue from Contracts with Customers”, which is a comprehensive revenue recognition standard that supersedes nearly all existing revenue recognition guidance under GAAP. This guidance requires entities to recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. We used the modified retrospective transition method to adopt this standard, with no adjustments required to our opening retained earnings. The adoption did not have a material impact to our consolidated financial statements.

### ***Future Adoption of Recently Issued Accounting Guidance***

In August 2018, the FASB issued ASU No. 2018-15, “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract,” which aligns the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The guidance amends Accounting Standards Codification (“ASC”) 350 to include in its scope implementation costs of a cloud

computing arrangement that is a service contract and clarifies that a customer should apply ASC 350 to determine which implementation costs should be capitalized in such a cloud computing arrangement. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019, with early adoption permitted. The Company will adopt ASU 2018-15 in the first quarter of fiscal 2021 using the prospective approach. The Company does not expect adoption to have a material impact on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which introduces new guidance for estimating credit losses on certain types of financial instruments based on expected losses and the timing of the recognition of such losses. The Company will adopt ASU 2016-13 in the first quarter of fiscal 2021. The Company does not expect adoption to have a material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating the amended guidance and the impact on its consolidated financial statements and related disclosures.

### ***Cash and Cash Equivalents***

Cash equivalents are all highly-liquid investments with original maturities of three months or less.

### ***Inventories***

Inventories are stated at the lower of cost or net realizable value with cost determined on a weighted average basis. Inventory valuation methods require certain management estimates and judgments, which affect the ending inventory valuation at cost, as well as the cost of sales reported for the year. These valuation methods include estimates of net realizable value on product designated for clearance and estimates of shrink between periods when the Company conducts distribution center inventory cycle counts and store physical inventories to substantiate inventory balances.

The Company’s accrual for shrink is based on the actual historical shrink results of recent distribution center inventory cycle counts and store physical inventories. These estimates are compared to actual results as physical inventory counts are taken and reconciled to the general ledger. The majority of the Company’s store physical inventory counts are taken in the first three quarters of each year and the shrink accrual recorded at February 1, 2020 is based on shrink results of these prior physical inventory counts. Store locations that have been open one year or longer are physically inventoried at least once over an 18-month cycle, with stores exhibiting a higher rate of shrink to sales inventoried at least once per year. The Company continually monitors and adjusts the shrink rate estimates based on the results of store physical inventory counts and shrink trends.

Inventory reserves for clearance product are estimated based on a number of factors, including, but not limited to, quantities of slow moving or carryover seasonal merchandise on hand, historical recovery statistics and future merchandising plans. The accuracy of the Company’s estimates can be affected by many factors, some of which are outside of the Company’s control, including changes in economic conditions and consumer buying trends.

Consignment inventory is not reflected in the Company’s consolidated financial statements. Consignment inventory consists of patterns, magazines, books, calendars, DVDs, ribbons and seeds.

Consignment inventory can be returned to the vendor at any time. At the time consigned inventory is sold, the Company records the purchase liability in accounts payable and the related cost of merchandise in cost of sales.

### ***Property, Equipment and Leasehold Improvements***

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of the assets principally by the straight-line method. The major classes of assets and ranges of estimated useful lives are: buildings and building/land improvements from 10 to 40 years; furniture and fixtures from five to 10 years; purchased software and computer equipment from three to five years; leasehold improvements for the lesser of 10 years or over the remaining life of the lease; and finance lease assets for the term of the underlying lease. Maintenance and repair expenditures are charged to expense as incurred and improvements and major renewals are capitalized.

### ***Software Development***

The Company capitalized \$16.3 million in fiscal 2020 and \$5.6 million in fiscal 2019 for internal use software acquired from third parties. The capitalized amounts are included in property, equipment and leasehold improvements, net. The Company amortizes internal use software on a straight-line basis over periods ranging from three to five years beginning at the time the software becomes operational. Amortization expense was \$6.6 million in fiscal 2020, \$4.7 million in fiscal 2019 and \$4.2 million in fiscal 2018. The unamortized balance for internal use software is \$23.0 million as of February 1, 2020 and \$13.3 million as of February 2, 2019.

### ***Goodwill and Other Intangible Assets***

Goodwill represents the excess of acquisition cost over the fair value of the net assets of acquired entities. The goodwill carried on the accompanying Consolidated Balance Sheet at February 1, 2020 was the resulting value of JOANN becoming a wholly-owned subsidiary of Needle Holdings in March 2011 (the "Merger") of \$640.0 million, less impairment charges of \$481.8 million recorded during fiscal 2020, and \$3.8 million as a result of the acquisition of Creativebug, LLC ("Creativebug") in April 2017. The Company tests goodwill and intangible assets for impairment annually and more frequently if circumstances indicate that impairment may exist.

The Company assesses the carrying value of goodwill at the reporting unit level. A reporting unit is the operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. As of February 1, 2020, the Company has two reporting units, JOANN and Creativebug.

Annually, as of the first day of the fourth quarter, or more frequently if circumstances indicate impairment may exist, the Company assesses qualitative factors to determine whether any circumstances exist which would indicate that it is more-likely-than-not that the fair values of the reporting units are below their respective carrying values. If such circumstances exist, a quantitative assessment is performed. The quantitative assessment compares the fair value of a reporting unit to its current carrying value. We determine the estimated fair value of a reporting unit based on valuation techniques including discounted cash flows as well as a market comparable method. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired.

In fiscal 2020, the Company completed two quantitative goodwill impairment tests for the JOANN reporting unit and concluded that goodwill impairment existed in the aggregate amount of \$481.8 million. Based on a quantitative assessment, the Company determined that no goodwill impairment existed for the JOANN reporting unit in fiscal 2019.

Annually, as of the first day of the fourth quarter, or more frequently if circumstances indicate impairment may exist, the Company assesses qualitative factors to determine whether any circumstances exist which would indicate that it is more-likely-than-not that the fair values of the indefinite-lived intangible assets not subject to amortization (JOANN Trade Name and Joann.com Domain Name) are below their respective

carrying values. If such circumstances exist, a quantitative assessment is performed. The quantitative assessment compares the fair value of an intangible asset to its current carrying value. We determine the estimated fair value of an intangible asset based upon the relief from royalty method which evaluates the appropriate royalty rate for the asset.

In fiscal 2020, the Company completed two quantitative impairment tests for the JOANN Trade Name and concluded that impairment existed in the amount of \$5.0 million. No quantitative assessment of the Joann.com Domain Name was performed in fiscal 2020, as the Company concluded based on qualitative assessments that it not was not-more-likely-than not that the fair value of the Joann.com Domain Name unit did not exceed its carrying value. Based on quantitative assessments, the Company determined that no impairment existed for the JOANN Trade Name or Joann.com Domain Name in fiscal 2019.

See Notes to Consolidated Financial Statements, Note 8—Goodwill and Other Intangible Assets for further details.

### ***Impairment of Long-Lived and Operating Lease Assets***

The Company evaluates long-lived and operating lease assets for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Factors considered that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results and significant changes in the manner of use of the assets or the Company's overall business strategies. Potential impairment exists if the estimated undiscounted cash flow expected to result from the use of the asset is less than the carrying value of the asset. The amount of the impairment loss represents the excess of the carrying value of the asset over its fair value. Management estimates fair value based on a projected discounted cash flow method using a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model. Additional factors are taken into consideration, such as local market conditions, operating environment and other trends.

Based on management's ongoing review of the performance of its stores, utilization of assets and other facilities, impairment losses included within SG&A expenses on the accompanying Consolidated Statements of Comprehensive Income (Loss) amounted to \$0.2 million for fiscal 2020, \$0.4 million for fiscal 2019 and \$1.1 million for fiscal 2018.

### ***Store Pre-Opening and Closing Costs***

Store pre-opening costs are expensed as incurred and relate to the costs incurred prior to a new store or remodeled store opening, which includes the hiring and training costs for new employees, processing costs of initial merchandise and rental expense for the period prior to the store opening for business.

The Company recognizes costs associated with exit or disposal activities at the time the obligation is incurred. In addition, any liabilities that arise from exit or disposal activities are initially measured and recorded at fair value.

	February 1, 2020	Fiscal Year-Ended February 2, 2019 (Dollars in millions)	February 3, 2018
Store pre-opening costs	\$ 7.5	\$ 4.7	\$ 3.3
Store closing costs	1.8	1.4	1.2
Total	<u>\$ 9.3</u>	<u>\$ 6.1</u>	<u>\$ 4.5</u>

### ***Accrued Expenses***

The Company estimates certain material expenses in an effort to record those expenses in the period incurred. The Company's most material estimates relate to compensation, taxes and insurance-related expenses, significant portions of which are self-insured. The ultimate cost of the Company's workers' compensation and general liability insurance accruals are recorded based on actuarial valuations and historical claims experience. The Company's employee medical insurance accruals are recorded based on its medical claims processed, as well as historical medical claims experience for claims incurred but not yet reported. The Company maintains stop-loss coverage to limit the exposure to certain insurance-related risks. Differences in estimates and assumptions could result in an accrual requirement materially different from the calculated accrual. Historically, such differences have not been significant.

### ***Financial Instruments***

A financial instrument is cash or a contract that imposes an obligation to deliver or conveys a right to receive cash or another financial instrument. The carrying values of the Company's cash and cash equivalents, accounts payable and borrowings on our Revolving Credit Facility are considered to be representative of fair value due to the short maturity of these instruments.

See Notes to Consolidated Financial Statements, Note 4—Fair Value Measurement for discussion regarding the fair value of the Company's derivative instrument and term loan debt instruments.

### ***Income Taxes***

The Company does business in various jurisdictions that impose income taxes. The aggregate amount of income tax expense to accrue and the amount currently payable are based upon the tax statutes of each jurisdiction, pursuant to the asset and liability method. This process involves adjusting book income for items that are treated differently by the applicable taxing authorities. Deferred tax assets and liabilities are reflected on the balance sheet for temporary differences that will reverse in subsequent years. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are estimated to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period during which the change is enacted. The Company considers indefinite-lived intangibles as a potential future source of taxable income when considering the realizability of indefinite-lived deferred tax assets.

The current tax provision can be affected by the mix of income and identification or resolution of uncertain tax positions. Because income from different state jurisdictions may be taxed at different rates, the shift in mix between states during a year or over years can cause the effective tax rate to change. The rate is based on the best estimate of an annual effective rate, and those estimates are updated quarterly. The Company also regularly evaluates the status and likely outcomes of uncertain tax positions.

As a matter of course, the Company is regularly audited by federal, state and local tax authorities. For federal purposes, effective fiscal 2015, the Company is part of the Compliance Assurance Process ("CAP") program, pursuant to which it works collaboratively with the IRS in order to address issues prior to its filing of the return. Effective fiscal 2018, the Company is a CAP "Maintenance" taxpayer, such that the level of IRS audit testing has been further reduced. For fiscal 2021, the Company will be in the "bridge" phase of the CAP program, pursuant to which the IRS will not accept disclosures, will not conduct reviews and will not provide letters of assurance for the year. Reserves are provided for potential exposures when it is considered more-likely-than-not that a taxing authority may take a sustainable position on a matter contrary to the Company's position. The Company evaluates these reserves, including interest thereon, on a quarterly basis to ensure that they have been appropriately adjusted for events, including audit settlements that may impact the ultimate payment for such exposure.



**Revenue Recognition**

Revenue is primarily associated with sales of merchandise to customers within our retail stores and customers utilizing our e-commerce channels. Retail sales, net of estimated returns and point-of-sale coupons and discounts, are recorded at the point-of-sale when customers take control of the merchandise in stores. E-commerce sales include shipping revenue and are recorded upon delivery to the customer. Shipping and handling fees charged to customers are recorded as sales with related costs recorded as cost of sales. Sales taxes are not included in sales as the Company acts as a conduit for collecting and remitting sales taxes to the appropriate governmental authorities. Payment is typically due at the point-of-sale, thus the Company does not have material customer receivables.

The Company allows for merchandise to be returned under most circumstances. The current policy allows for customers to receive an even exchange or full refund based upon the original method of payment when the returned purchase is accompanied with a receipt. Historic customer return activity is used to estimate the returns reserve, which historically, has not been material to our consolidated financial statements. The Company presents the gross sales returns reserve in accounts payable and the estimated value of the merchandise expected to be returned in prepaid expenses and other current assets within the accompanying Consolidated Balance Sheets.

Proceeds from the sale of JOANN gift cards are recorded as a liability and recognized as net sales when redeemed by the holder. Gift card breakage represents the remaining balance of our liability for gift cards for which the likelihood of redemption by the customer is remote. Gift card breakage is recognized as net sales in proportion to the pattern of rights exercised by the customer and is determined based on historical redemption patterns. The Company recognized \$1.3 million of pre-tax income due to gift card breakage in fiscal 2020, \$1.4 million in fiscal 2019 and \$1.6 million in fiscal 2018. The Company generally is not required by law to escheat the value of unredeemed gift cards to the states in which it operates.

Activity related to the Company's gift card liabilities was as follows:

	<b>Fiscal Year- Ended</b>	
	<b>February 1, 2020</b>	<b>February 2, 2019</b>
	<b>(Dollars in millions)</b>	
Balance at beginning of period	\$ 30.8	\$ 29.5
Issuance of gift cards	40.1	40.8
Revenue recognized (a)	(37.1)	(38.1)
Gift card breakage	(1.3)	(1.4)
Balance at end of period	<u>\$ 32.5</u>	<u>\$ 30.8</u>

(a) Revenue recognized from the beginning liability during fiscal 2020 and fiscal 2019 totaled \$8.9 million and \$9.0 million, respectively.

**Cost of Sales**

Inbound freight and duties, including tariffs, related to import purchases and internal transfer costs are considered to be direct costs of the Company's merchandise and, accordingly, are recognized when the related merchandise is sold as cost of sales. Cost of sales does not include depreciation and amortization. Purchasing and receiving costs, warehousing costs and other costs of the Company's distribution network are considered to be period costs not directly attributable to the value of merchandise and, accordingly, are expensed as incurred as SG&A expenses.

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The Company receives vendor support, including cash discounts, volume discounts, allowances and markdown support. The Company has agreements in place with each vendor setting forth the specific conditions for each allowance or payment. Depending on the arrangement, the Company either recognizes the allowance as a reduction of current costs or defers the payment over the period the related merchandise is sold through cost of sales.

### ***Operating Leases***

Effective February 3, 2019 with the adoption of ASU 2016-02, the Company records right-of-use lease assets and lease liabilities on its Consolidated Balance Sheet. Lease liabilities are recorded at a discount based upon the Company's estimated incremental borrowing rate. Factors incorporated into the calculation of lease discount rates include the valuations and yields of the Company's term loan facilities, their credit spread over comparable U.S. Treasury rates, and an index of the credit spreads for U.S. Retail Company debt yields.

The Company records lease cost on a straight-line basis over the base, non-cancelable lease term commencing on the date that the Company takes physical possession of the property from the landlord, which may include a period prior to the opening of a store or other facility to make any necessary leasehold improvements and install fixtures. Any tenant allowances received are recorded as a reduction of lease payments when calculating the lease liability and the associated asset. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheet and lease expense for such leases is recognized on a straight-line basis over the lease term. The Company combines lease and non-lease components. Many leases include one or more options to renew, and the exercise of lease renewal options is at the Company's sole discretion. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

### ***Related Party Transactions***

The Company paid the annual management fee of \$5.0 million during each of fiscal 2020, fiscal 2019 and fiscal 2018 to LGP, which is included in SG&A expenses.

### ***Advertising Costs***

The Company expenses production costs of advertising the first time the advertising takes place. Advertising expense, net of co-operative advertising agreements, was \$64.5 million for fiscal 2020, \$65.6 million for fiscal 2019 and \$70.4 million for fiscal 2018. Included in prepaid expenses and other current assets were \$2.0 million at the end of fiscal 2020 and \$1.6 million at the end of fiscal 2019 relating to prepayments of production costs for advertising.

### ***Stock-Based Compensation***

The fair value of stock-based awards to employees is recognized as compensation expense on a straight-line basis over the requisite service period of the awards. The fair value of the stock-based awards is determined using the Black-Scholes option pricing model. Determining the fair value of options at the grant date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise and the associated volatility. The absence of an active market for the Company's common stock also requires the Company board of directors to determine the fair value of its common stock for purposes of granting stock options. The Company obtains contemporaneous third-party valuations to assist the board of directors in determining the fair value of the Company's common stock. See Notes to Consolidated Financial Statements, Note 10—Stock-Based Compensation for further details.

## Note 2—Financing

Long-term debt, net consisted of the following:

	February 1, 2020	February 2, 2019
	(Dollars in millions)	
Revolving Credit Facility	\$ 173.5	\$ 58.0
Term Loan due 2023	844.5	869.2
Term Loan due 2024	217.5	225.0
Total debt	1,235.5	1,152.2
Less unamortized discount and debt costs	(16.2)	(19.9)
Total debt, net	1,219.3	1,132.3
Less current portion of debt	(9.1)	(26.0)
Long-term debt, net	<u>\$ 1,210.2</u>	<u>\$ 1,106.3</u>

On October 21, 2016, the Company entered into an amended and restated five-year \$400.0 million Revolving Credit Facility (\$139.8 million drawn at close) and a new seven-year \$725.0 million Term Loan due 2023 (the “Transaction”). Proceeds from the Transaction of \$864.8 million, together with approximately \$18.1 million of cash, were used to fully repay the pre-existing senior secured credit facilities of \$582.5 million plus accrued interest of \$5.5 million and to pay fees and expenses of \$20.9 million related to the Transaction, with the remainder used to repay approximately \$271.8 million principal plus \$2.2 million accrued interest of the JOANN senior notes.

On July 21, 2017, the Company completed syndication of an incremental term loan in an aggregate principal amount of \$180.0 million (the “Incremental Term Loan”) by obtaining an increase in the principal amount of initial term loans under the term loan credit agreement dated October 21, 2016. Proceeds from the Incremental Term Loan of \$178.2 million were used to pay fees and expenses of \$1.8 million related to the Incremental Term Loan, with the remainder used to repurchase \$171.6 million principal plus \$4.8 million of accrued interest of the JOANN senior notes due 2019. On August 14, 2017, the Company repurchased the remaining balance of \$6.6 million face value of the JOANN senior notes due 2019 utilizing its Revolving Credit Facility.

On May 21, 2018, the Company completed syndication of the Term Loan due 2024 in an aggregate principal amount of \$225.0 million. Proceeds from the Term Loan due 2024 of \$221.6 million together with approximately \$58.0 million of borrowings on the Company’s Revolving Credit Facility were used to pay fees and expenses of \$2.4 million related to the Term Loan due 2024, which is accounted for as debt related (gain) loss within the accompanying Consolidated Statements of Comprehensive Income (Loss), with the remainder used to fully repay \$274.5 million principal plus \$2.7 million accrued interest of the Holding Company senior notes due 2019. An additional \$0.3 million of fees and expenses were paid subsequent to the closing date.

### *Revolving Credit Facility*

On October 21, 2016, the Company entered into an agreement to amend and restate various terms of the asset-based Revolving Credit Facility dated March 11, 2011 (as amended and in effect March 14, 2013). The amended and restated facility provides for senior secured financing of up to \$400.0 million, subject to a borrowing base, maturing on October 20, 2021. The borrowing base equals the sum of (i) the appraised net orderly liquidation value of eligible inventory at an advance rate of 90.0 percent to 92.5 percent, based on seasonality, plus (ii) 90.0 to 92.5 percent of the appraised net orderly liquidation value of eligible in-transit inventory, based on seasonality, plus (iii) 90.0 percent of eligible credit and debit card receivables, plus (iv) 90.0 percent of eligible letter of credit inventory, minus (v) certain availability reserves. The amended 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 is guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions.

The maturity date of the amended facility is October 20, 2021. Under the amended facility, base rate loans bear an additional margin of 0.50 percent when average historical excess capacity is less than 40.0 percent of the maximum credit and 0.25 percent when average historical excess capacity is greater than or equal to 40.0 percent of the maximum credit. Eurodollar rate loans bear an additional margin of 1.50 percent when average historical excess capacity is less than 40.0 percent of the maximum credit and 1.25 percent when average historical excess capacity is greater than or equal to 40.0 percent of the maximum credit. Unused commitment fees on the amended facility are at a rate of 0.25 percent per annum. Interest for base rate loans is due on the first business day of the calendar quarter subsequent to the borrowing period. Interest for Eurodollar rate loans is due the day that the Eurodollar rate loan expires or if the duration of the loan is more than three months, interest is due every three months from the first day of the interest period. JOANN has the option to request an increase in the size of the facility up to \$100.0 million (for a total facility of \$500.0 million) in increments of \$20.0 million, provided that no default exists or would arise from the increase. However, the lenders under the Revolving Credit Facility are under no obligation to provide any such additional increments.

The amended and restated credit agreement requires that from the time excess availability on any day is less than the greater of (i) \$35.0 million and (ii) 10 percent of the Maximum Credit until the time excess availability is greater than the greater of (i) \$35.0 million and (ii) 10 percent of the Maximum Credit for 30 consecutive calendar days, the consolidated fixed charge coverage ratio shall be not less than 1.0 to 1.0.

The Revolving Credit Facility contains customary covenants that, among other things, impose restrictions on JOANN's ability to incur additional indebtedness, guarantee obligations, create liens against its assets or revenues, engage in mergers or consolidations, dispose of assets, make investments, loan or advance funds, engage in certain transactions with affiliates or change the nature of its business. JOANN is also restricted in its ability to pay dividends or make other distributions.

A breach of any of these covenants could result in an event of default. Upon the occurrence and continuation of an event of default, the lenders could elect to declare all amounts outstanding under the Revolving Credit Facility to be due and payable and to terminate all commitments to extend further credit. Such actions by the lenders could cause cross defaults under our other indebtedness. If JOANN is unable to repay amounts due, the lenders under the Revolving Credit Facility could proceed against the collateral granted to them to secure that indebtedness.

The total fees and expenses associated with amending the Revolving Credit Facility were approximately \$1.7 million, which fees represent banking, legal and other professional services. These fees and expenses were recorded as deferred costs and are being amortized over the life of the Revolving Credit Facility. Additionally related to the amendment of the Revolving Credit Facility, \$0.4 million of debt extinguishment costs were recorded in fiscal 2017 related to the previously deferred costs of the Revolving Credit Facility.

As of February 1, 2020, there were \$173.5 million of borrowings on the Revolving Credit Facility and our outstanding letters of credit obligation was \$20.3 million. As of February 1, 2020, our excess availability on the Revolving Credit Facility was \$206.2 million. During fiscal 2020, the weighted average interest rate for borrowings under the Revolving Credit Facility was 3.42 percent compared to 3.62 percent during fiscal 2019. As of February 2, 2019, the Company had \$58.0 million of borrowings on the Revolving Credit Facility and our outstanding letters of credit obligation was \$25.3 million.

### ***Term Loan due 2023***

On October 21, 2016, the Company entered into a \$725.0 million senior secured term loan facility (the "Term Loan due 2023") which was issued at 98.0 percent of face value. On July 21, 2017, the Company completed syndication of the Incremental Term Loan in an aggregate principal amount of \$180.0 million, which was issued at 99.0 percent of face value, by obtaining an increase in the principal amount of the Term Loan due 2023. Proceeds from the Incremental Term Loan of \$178.2 million were used to pay \$1.8 million of fees and expenses related to the Incremental Term Loan, with the remainder used to repurchase \$171.6 million plus \$4.8 million of accrued interest of the previously outstanding senior notes issued by JOANN, due 2019.

The Term Loan due 2023 facility is with a syndicate of lenders and is secured by substantially all the assets of JOANN, excluding the Revolving Credit Facility collateral, and has a second priority security interest in the Revolving Credit Facility collateral. It is guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions.

The Term Loan due 2023 has a maturity date of October 20, 2023. Base rate loans bear an additional margin of 4.0 percent, while Eurodollar rate loans bear an additional margin of 5.0 percent. Eurodollar rate loans are subject to a 1.0 percent LIBOR floor. Interest payments are made (a) as to any loan other than a base rate loan, the last day of each interest period applicable to such loan and the applicable maturity date; provided that if any interest period for a Eurodollar rate loan exceeds three months, the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates; and (b) as to any base rate loan, the last business day of each January, April, July and October and the applicable maturity date. During fiscal 2020, the weighted average interest rate for borrowings under the Term Loan due 2023 facility was 7.46 percent compared to 7.40 percent during fiscal 2019.

The Term Loan due 2023 has mandatory quarterly repayments of \$2.3 million on the last business day of each January, April, July and October. The Term Loan due 2023 also contains a provision requiring up to 50.0 percent of “excess cash flow” (as defined in the Term Loan due 2023 agreement and commencing with the fiscal year ended February 3, 2018) to be applied toward payment of principal on that facility, with step-downs to 25.0 percent and 0.0 percent should the senior secured net leverage ratio be less than 2.50x and 2.00x, respectively. There is no excess cash flow payment due for fiscal 2020. For fiscal 2019, senior secured debt was greater than 2.50x adjusted EBITDA; therefore, 50.0 percent of excess cash flow was required as a payment of principal on the Term Loan due 2023. An excess cash flow principal payment of \$15.7 million related to fiscal year 2019 was made in March of fiscal 2020.

The Term Loan due 2023 agreement does not contain any financial covenants.

The Term Loan due 2023 was issued at a \$14.5 million discount. A portion of the discount in the amount of \$11.1 million was recorded as a reduction of debt and is being amortized over the life of the Term Loan due 2023 and \$3.4 million of the discount was recorded as debt related (gain) loss in fiscal 2017.

The Incremental Term Loan was issued at a \$1.8 million discount, which was recorded as a reduction of debt and is being amortized over the life of the Term Loan due 2023. The total fees and expenses associated with issuing the Incremental Term Loan were \$1.8 million, which fees represent banking, legal and other professional fees. These fees and expenses were recorded as a reduction of debt and are being amortized over the life of the Term Loan due 2023.

The Term Loan due 2023 contains customary covenants that, among other things, impose restrictions on JOANN’s ability to incur additional indebtedness, guarantee obligations, create liens against its assets or revenues, engage in mergers or consolidations, dispose of assets, make investments, loan or advance funds, engage in certain transactions with affiliates or change the nature of its business. JOANN also is restricted in its ability to pay dividends or make other distributions.

A breach of any of these covenants could result in an event of default. Upon the occurrence and continuation of an event of default, the lenders could elect to declare all amounts outstanding under the Term Loan due 2023 to be due and payable and to terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under our other indebtedness. If JOANN is unable to repay amounts due, then the lenders under the Term Loan due 2023 could then proceed against the collateral granted to them to secure that indebtedness.

#### ***Term Loan Due 2024***

On May 21, 2018, the Company entered into a \$225.0 million term loan facility (the “Term Loan due 2024”), which was issued at 98.5 percent of face value. The Term Loan due 2024 is with a syndicate of lenders. The Term Loan due 2024 is secured by a second priority security interest in all the assets of JOANN, excluding

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the Revolving Credit Facility collateral, and has a third priority security interest in the Revolving Credit Facility collateral. It is guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions.

The Term Loan due 2024 has a maturity date of May 21, 2024. Base rate loans bear an additional margin of 8.25 percent, while Eurodollar rate loans bear an additional margin of 9.25 percent. Eurodollar rate loans are subject to a 1.0 percent LIBOR floor. Interest payments are made (a) as to any loan other than a base rate loan, the last day of each interest period applicable to such loan and the applicable maturity date; provided that if any interest period for a Eurodollar rate loan exceeds three months, the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates; and (b) as to any base rate loan, the last business day of each January, April, July and October and the applicable maturity date. During fiscal 2020, the weighted average interest rate for borrowings under the Term Loan due 2024 was 11.72 percent compared to 11.76 percent during fiscal 2019.

The Term Loan due 2024 does not require amortization payments. The Term Loan due 2024 contains a provision requiring up to 50.0 percent of “excess cash flow” (as defined in the Term Loan due 2024 agreement and commencing with the fiscal year ended February 2, 2019) to be applied toward payment of principal on that facility with step-downs to 25.0 percent and 0.0 percent should the First Lien Net Leverage Ratio (as defined in the Term Loan due 2024 agreement) be less than or equal to 2.50x and 2.00x, respectively; provided, however, for so long as any indebtedness is outstanding under the Term Loan due 2024 agreement, any permitted priority secured debt or any permitted refinancing of any of the foregoing, only declined proceeds shall be subject to the prepayment requirements. There is no excess cash flow payment due for fiscal 2020. An excess cash flow principal payment of \$1.2 million related to fiscal 2019 was made in April of fiscal 2020.

The Term Loan due 2024 agreement does not contain any financial covenants.

The Term Loan due 2024 was issued at a \$3.4 million discount, which was recorded as a reduction of debt and is being amortized over the life of the Term Loan due 2024. The total fees and expenses associated with issuing the Term Loan due 2024 were \$2.7 million, which fees represent banking, legal and other professional fees. These fees and expenses were recorded as deferred costs and are being amortized over the life of the Term Loan due 2024.

During the fourth quarter of fiscal 2020, the Company repurchased \$6.3 million in face value of the Term Loan due 2024 at an average of 38 percent of par, resulting in a \$3.8 million gain, which is included in debt related (gain) loss within the accompanying Consolidated Statements of Comprehensive Income (Loss) and the accompanying Consolidated Statements of Cash Flows. A write-off of the deferred charges and original issue discount, totaling \$0.1 million, associated with the original debt issuance was recognized as an offset to debt related (gain) loss.

The Term Loan due 2024 contains customary covenants that, among other things, impose restrictions on JOANN’s ability to incur additional indebtedness, guarantee obligations, create liens against its assets or revenues, engage in mergers or consolidations, dispose of assets, make investments, loan or advance funds, engage in certain transactions with affiliates or change the nature of its business. JOANN also is restricted in its ability to pay dividends or make other distributions.

A breach of any of these covenants could result in an event of default. Upon the occurrence and continuation of an event of default, the lenders could elect to declare all amounts outstanding under the Term Loan due 2024 to be due and payable and to terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under our other indebtedness. If JOANN is unable to repay amounts due, then the lenders under the Term Loan due 2024 could then proceed against the collateral granted to them to secure that indebtedness.

At February 1, 2020, the Company was in compliance with all covenants under its credit agreements.

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The covenants contained in the credit agreements restrict JOANN's ability to pay dividends or make other distributions; accordingly, any dividends may only be made in accordance with such covenants. Among other restrictions, the credit agreements allow for dividends after an initial public offering in amounts not to exceed 6% per annum of the net proceeds received by, or contributed to Jo-Ann Stores, LLC. So long as there is no event of default, the credit agreements also allow dividends in amounts not less than \$25 million, which amount can increase if certain other conditions are satisfied, including if JOANN's leverage does not exceed certain thresholds. Additionally, the Revolving Credit Facility allows for unlimited dividends, so long as there is no event of default and the Company's excess availability is greater than 20% of the maximum credit, calculated on a pro forma basis for 60 days.

At February 1, 2020, the Company's fixed minimum debt principal maturities were as follows:

<u>Fiscal Year</u>	<u>Revolving Credit Facility</u>	<u>Term Loan due 2023</u> (Dollars in millions)	<u>Term Loan due 2024</u>	<u>Total</u>
2021	\$ —	\$ 9.1	\$ —	\$ 9.1
2022	173.5	6.8	—	180.3
2023	—	9.1	—	9.1
2024	—	819.5	—	819.5
Thereafter	—	—	217.5	217.5
	<u>\$ 173.5</u>	<u>\$ 844.5</u>	<u>\$ 217.5</u>	<u>\$1,235.5</u>

### 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.

In July 2018, the Company purchased, for \$2.2 million, a forward starting interest rate cap based on 3-month London Inter-Bank Offered Rate ("LIBOR") effective October 23, 2018 through October 23, 2021. The objective of the hedging instrument is to offset the variability of cash flows in term loan debt interest payments attributable to fluctuations in LIBOR beyond 3.5 percent. The interest rate cap qualifies as an effective hedge instrument and has been designated as a cash flow hedge of variability in LIBOR-based interest payments. The interest rate cap is recognized in our Consolidated Balance Sheets at fair value. Changes in the fair value of this instrument are recorded in Other Comprehensive Income (Loss) and will be reclassified to interest expense in the same period(s) during which the hedged transactions affect earnings.

The following table summarizes the fair value and balance sheet classification of the Company's outstanding derivative within the accompanying Consolidated Balance Sheets as of February 1, 2020 and February 2, 2019:

<u>Instrument</u>	<u>Balance Sheet Location</u>	<u>February 1, 2020</u> (Dollars in millions)	<u>February 2, 2019</u>
Interest Rate Cap	Other Assets	\$ —	\$ 0.2

The interest rate cap had an amortized notional amount of \$703.5 million and \$725.7 million as of February 1, 2020 and February 2, 2019, respectively.

The Company's interest rate cap was deemed effective for the period ending February 1, 2020 and the Company expects the derivative will continue to be effective. The time value of the interest rate cap is excluded from the assessment of effectiveness and is being amortized to interest expense over the life of the hedge. The Company does not expect any material reclassification out of Other Comprehensive Income (Loss) into earnings during the next 12 months.

The impacts of the Company's derivative instrument on the accompanying Consolidated Statements of Comprehensive Income (Loss) for fiscal 2020 and fiscal 2019 are presented in the table below:

	<b>Fiscal Year-Ended</b>	
	<b>February 1, 2020</b>	<b>February 2, 2019</b>
	<b>(Dollars in millions)</b>	
Gain (loss) recognized in Other Comprehensive Income (Loss) on derivatives, gross of income taxes	\$ 0.5	\$ (1.8)
Amount reclassified from Other Comprehensive Income (Loss) into earnings	—	—
Amortization of excluded component to interest expense	0.7	0.2

#### 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 following provides the carrying and fair value of the Company's derivative instrument as of February 1, 2020 and February 2, 2019:

		<b>February 1, 2020</b>		<b>February 2, 2019</b>	
	<b>Level</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
			<b>(Dollars in millions)</b>		
Interest rate cap	2	\$ —	\$ —	\$ 0.2	\$ 0.2

The valuation of the interest rate cap is measured as the present value of all expected future cash flows based on the LIBOR-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.



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The fair values of cash and cash equivalents and accounts payable 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 our Consolidated Balance Sheets. The fair value of the Company's term loans was determined based on quoted market prices or recent trades of these debt instruments in less active markets. If our 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 values of the Company's term loans as of February 1, 2020 and February 2, 2019:

	<u>February 1, 2020</u>		<u>February 2, 2019</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
		(Dollars in millions)		
Term Loan due 2023 (a)	\$ 833.1	\$599.8	\$ 854.9	\$844.2
Term Loan due 2024 (a)	212.7	74.4	219.4	211.7

(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—Leases**

With the exception of one store, all of the Company's retail stores operate out of leased facilities. Our store leases generally have initial terms of 10 years with renewal options for up to 20 years. We lease a distribution center located in Visalia, California. The initial term of the Visalia, California lease expires in October 2026 and we have renewal options for up to an additional 40 years. The Company also leases certain computer and store equipment, with lease terms that are generally five years or less. The Company generally has lease arrangements that have minimum lease payments. Certain of the Company's leased store locations have variable payments based upon actual costs of common area maintenance, real estate taxes and property and liability insurance. In addition, some of the Company's leased store locations have provisions for variable payments based upon a specified percentage of defined sales volume or dependent on an existing index or rate, such as the consumer price index or the prime interest rate. Also, some of the Company's leases contain escalation clauses and provide for contingent rents based on a percent of sales in excess of defined minimums.

As most of the Company's leases include one or more options to renew and extend the lease term, the exercise of lease renewal options is at the Company's sole discretion. Generally, a renewal option is not deemed to be reasonably certain to be exercised until such option is legally executed. The Company's leases do not include purchase options or residual value guarantees on the leased property. The depreciable life of leasehold improvements are limited by the expected lease term.

A majority of the Company's leases are classified as operating leases and the associated assets and liabilities are presented as separate captions in the Consolidated Balance Sheet. At February 1, 2020, the weighted-average remaining lease term for the Company's operating leases was 5.96 years, and the weighted average discount rate was 7.79%. For fiscal 2020, operating lease cost of \$204.5 million and variable lease cost of \$57.5 million were reflected as selling, general and administrative expenses in the Consolidated Statement of

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Comprehensive Income (Loss). Cash paid for amounts included in the measurement of operating lease liabilities of \$221.3 million was reflected in cash flows provided by operating activities in the Consolidated Statement of Cash Flows.

The Company has a small number of leases classified as finance leases which are presented in the Consolidated Balance Sheet as follows:

	<u>Classification</u>	<u>February 1, 2020</u>	<u>February 2, 2019</u>	
		(Dollars in millions)		
Assets:				
Finance lease assets, net	Property, equipment and leasehold improvements, net	\$ 4.3	\$ —	
Liabilities				
Current portion of finance lease liabilities	Accrued expenses	1.5	—	
Long-term portion of finance lease liabilities	Other long-term liabilities	2.6	—	

In fiscal 2020, the Company incurred \$0.5 million of finance lease amortization expense which is presented as depreciation and amortization within the accompanying Consolidated Statement of Comprehensive Income (Loss) and \$0.1 million of finance lease interest expense which is presented as interest expense, net within the accompanying Consolidated Statement of Comprehensive Income (Loss). No expense related to finance leases was incurred in fiscal 2019 or fiscal 2018.

The following is a schedule of future minimum rental payments under non-cancelable operating and financing leases:

<u>Fiscal Year:</u>	<u>Future Minimum Rental Payments</u>		
	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
<u>(Dollars in millions)</u>			
2021	\$ 221.2	1.6	\$ 222.8
2022	198.0	1.6	199.6
2023	168.6	1.0	169.6
2024	137.1	—	137.1
2025	102.0	—	102.0
Thereafter	231.1	—	231.1
Total Lease payments	\$1,058.0	\$ 4.2	\$1,062.2
Less: imputed interest	(255.8)	(0.1)	(255.9)
Present value of lease liabilities	<u>\$ 802.2</u>	<u>\$ 4.1</u>	<u>\$ 806.3</u>

**Note 6—Accrued Expenses and Other Long-Term Liabilities**

Accrued expenses consists of the following:

	February 1, 2020	February 2, 2019
	(Dollars in millions)	
Accrued taxes	\$ 24.5	\$ 36.3
Accrued compensation	24.4	28.1
Accrued interest	2.7	3.2
Workers' compensation and general liability insurance	11.1	10.3
Occupancy and rent-related liabilities (a)	1.8	22.2
Customer gift cards	32.4	30.7
Capital expenditures payable	1.2	2.7
Finance lease obligations	1.5	—
Other	5.4	10.5
Total accrued expenses	<u>\$ 105.0</u>	<u>\$ 144.0</u>

- (a) In connection with the adoption of ASU 2016-02 in the first quarter of fiscal 2020, pre-existing liabilities for deferred rent and various lease incentives were reclassified as a component of the operating lease assets. Refer to Note 5—Leases for additional information.

Other long-term liabilities consist of the following:

	February 1, 2020	February 2, 2019
	(Dollars in millions)	
Workers' compensation and general liability insurance	\$ 17.2	\$ 17.3
Occupancy and rent-related liabilities (a)	—	88.5
Unfavorable lease rights, net (a)	—	0.5
Finance lease obligations	2.6	—
Other	8.9	7.2
Total other long-term liabilities	<u>\$ 28.7</u>	<u>\$ 113.5</u>

- (a) In connection with the adoption of ASU 2016-02 in the first quarter of fiscal 2020, pre-existing liabilities for deferred rent, various lease incentives and unfavorable lease rights were reclassified as a component of the operating lease assets. Refer to Note 5—Leases for additional information.

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Total discounted insurance liabilities for the fiscal year ended 2020 were \$28.3 million, reflecting a 0.7 percent discount rate, and for the fiscal year ended 2019 were \$27.6 million, reflecting a 1.3 percent discount rate. The long-term portion of certain workers' compensation and general liability accruals are discounted to their net present value based on expected loss payment patterns determined by independent actuaries using actual historical payments. The following table represents a five year schedule for estimated future long term insurance liabilities:

<u>Fiscal Year-Ended</u>	<u>Liability</u> (Dollars in millions)
2022	\$ 6.3
2023	4.4
2024	2.7
2025	1.5
2026	1.0
Thereafter	1.3
Total long-term workers' compensation and general liability insurance	<u>\$ 17.2</u>

### **Note 7—Property, Equipment and Leasehold Improvements**

Property, equipment and leasehold improvements consisted of the following:

	<u>February 1, 2020</u>	<u>February 2, 2019</u>
	(Dollars in millions)	
Land and buildings	\$ 81.8	\$ 80.7
Furniture, fixtures and equipment	344.6	339.1
Purchased software and computer equipment	121.9	99.4
Leasehold improvements	349.0	319.8
Construction in progress	1.5	2.8
Finance lease assets	4.8	—
	<u>903.6</u>	<u>841.8</u>
Less accumulated depreciation and amortization	<u>(594.6)</u>	<u>(543.4)</u>
Property, equipment and leasehold improvements, net	<u>\$ 309.0</u>	<u>\$ 298.4</u>

Depreciation expense was \$70.3 million in fiscal 2020, \$68.7 million in fiscal 2019 and \$71.6 million in fiscal 2018.

### **Note 8—Goodwill and Other Intangible Assets**

In connection with the Merger and the acquisition of Creativebug, the Company acquired certain intangible assets and recognized goodwill based on the excess of purchase price over the fair value of assets acquired and liabilities assumed.

Changes in the carrying value of goodwill were as follows:

	<b>Fiscal Year-Ended</b>	
	<b>February 1, 2020</b>	<b>February 2, 2019</b>
	<b>(Dollars in millions)</b>	
Goodwill, balance at beginning of year	\$ 643.8	\$ 643.8
Impairment	(481.8)	—
Goodwill, balance at end of year	<u>\$ 162.0</u>	<u>\$ 643.8</u>

The carrying amount of goodwill attributable to the Creativebug acquisition is deductible for income tax purposes, ratably over 15 years. The remaining carrying amount of goodwill is not deductible for income tax purposes.

The carrying amount and accumulated amortization of identifiable intangible assets was:

		<b>February 1, 2020</b>		<b>February 2, 2019</b>	
	<b>Estimated Life in Years</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization (Dollars in millions)</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
JOANN trade name		\$ 325.0	\$ —	\$ 330.0	\$ —
Joann.com domain name		10.0	—	10.0	—
Creativebug trade name	10	0.1	—	0.1	—
Technology	3	0.9	0.8	0.9	0.5
Favorable lease rights (a)	up to 17	—	—	14.0	7.1
Customer relationships	16	110.0	61.0	110.3	54.3
Total intangible assets		<u>\$ 446.0</u>	<u>\$ 61.8</u>	<u>\$ 465.3</u>	<u>\$ 61.9</u>

(a) In connection with the adoption of ASU 2016-02 in the first quarter of fiscal 2020, favorable lease rights were reclassified as a component of the operating lease assets. Refer to Note 5—Leases for additional information.

Due to the Company's negative comparable sales and declining margins, primarily as a result of the expected ongoing impact of U.S. tariffs on imported merchandise from China enacted during the second half of fiscal 2019 and subsequently increased during the second quarter of fiscal 2020, a quantitative impairment analysis of goodwill related to the JOANN reporting unit was completed as of July 6, 2019. The Company performed a discounted cash flow analysis and a market multiple analysis and used the resulting average as the fair value. Based on the analyses performed, the carrying value of the reporting unit exceeded the fair value of the reporting unit; therefore, the Company recognized a non-cash goodwill impairment charge of \$130.4 million, which was recorded as goodwill and trade name impairment within the accompanying Consolidated Statements of Comprehensive Income (Loss) during the second quarter of fiscal 2020. As of July 6, 2019, the Company also performed a quantitative impairment analysis of the JOANN Trade Name utilizing a relief from royalty approach by comparing the fair value of the trade name to its carrying value. Based on this information, the Company determined there was no impairment related to the JOANN Trade Name during the second quarter of fiscal 2020.

As of November 2, 2019, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more-likely-than-not that the fair values of the JOANN reporting unit, JOANN Trade Name and Joann.com Domain Name did not exceed their respective carrying values and concluded no such events or circumstances existed which would require a quantitative impairment test be performed.

Due to a weaker than expected peak selling season, another quantitative impairment analysis of goodwill related to the JOANN reporting unit was completed as of November 30, 2019. The Company performed a discounted cash flow analysis and a market multiple analysis and used the resulting average as the fair value. Based on the analyses performed, the carrying value of the reporting unit exceeded the fair value of the reporting unit; therefore, the Company recognized a non-cash goodwill impairment charge of \$351.4 million, which was recorded as goodwill and trade name impairment within the accompanying Consolidated Statements of Comprehensive Income (Loss) during the fourth quarter of fiscal 2020. As of November 30, 2019, the Company also performed another quantitative impairment analysis of the JOANN Trade Name utilizing a relief from royalty approach by comparing the fair value of the trade name to its carrying value. Based on this information, the Company recognized a non-cash pre-tax impairment charge of \$5.0 million, which was recorded as goodwill and trade name impairment within the accompanying Consolidated Statements of Comprehensive Income (Loss) during the fourth quarter of fiscal 2020.

As of February 1, 2020, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more-likely-than-not that the fair value of the Joann.com Domain Name did not exceed its carrying value and concluded no such events or circumstances existed which would require a quantitative impairment test be performed.

For fiscal 2020, 2019 and 2018, intangible asset amortization expense of \$7.2 million, \$7.3 million and \$7.2 million, respectively was recognized by the Company. The weighted average remaining amortization period of finite-lived intangible assets as of February 1, 2020 and February 2, 2019 approximated 7.1 years and 8.5 year, respectively. Amortization of favorable lease rights is included in SG&A expenses in the accompanying Consolidated Statements of Comprehensive Income (Loss).

The remaining amortization of intangible assets, excluding favorable lease rights, with definitive lives by year is as follows (in millions):

<u>Fiscal Year</u>	<u>Amortization</u>
2021	\$ 6.9
2022	6.9
2023	6.9
2024	6.9
2025	6.9
Thereafter	14.7
Total	<u>\$ 49.2</u>

#### **Note 9—Income Taxes**

During fiscal 2018 and fiscal 2019, we recorded a combined tax benefit of \$51.9 million reflecting the impact of the reduction of the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018, as mandated by the Tax Cuts and Jobs Act (the “Tax Act”).

At the end of fiscal 2020, the Company’s unrecognized tax benefits are \$9.9 million, of which \$9.4 million would affect the effective tax rate, if recognized. During fiscal 2020 and fiscal 2019, the Company filed amended Federal income tax returns for four prior tax years. Based on the view that it is not more-likely-than-not that the revised tax return positions will ultimately be sustained, the Company has not recognized the positions as a tax provision but has included them in the current total of unrecognized tax benefits, as reflected below.

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 as of the end of fiscal 2020 and fiscal 2019 were \$0.3 million and \$0.1 million, respectively.

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The Company files income tax returns in the U.S., China and various state and local jurisdictions. For U.S. federal, state and local purposes, the Company is no longer subject to income tax examinations by taxing authorities for fiscal years prior to fiscal 2015, with some exceptions for state and local purposes due to longer statutes of limitations or the extensions of statutes of limitations. The Company expects to decrease its uncertain tax positions by \$1.4 million within the next fiscal year due to settlement with state taxing authorities and the expiration of statutes of limitations, all of which is expected to be recognized as an income tax benefit.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the past three fiscal years is as follows:

	February 1, 2020	Fiscal Year-Ended February 2, 2019 (Dollars in millions)	February 3, 2018
<b>Balance at beginning of fiscal year</b>	\$ 2.8	\$ 1.0	\$ 1.0
Increases related to prior year tax positions	7.1	1.8	—
Decreases related to prior year tax positions	—	—	—
Settlements	—	—	—
Lapse of statute of limitations	—	—	—
<b>Balance at end of fiscal year</b>	<u>\$ 9.9</u>	<u>\$ 2.8</u>	<u>\$ 1.0</u>

The significant components of the income tax provision are as follows:

	February 1, 2020	Fiscal Year-Ended February 2, 2019 (Dollars in millions)	February 3, 2018
<b>Current:</b>			
Federal	\$ 2.3	\$ 20.2	\$ 22.2
State and local	1.9	6.3	4.2
	4.2	26.5	26.4
<b>Deferred</b>	7.9	(16.2)	(57.4)
<b>Income tax provision (benefit)</b>	<u>\$ 12.1</u>	<u>\$ 10.3</u>	<u>\$ (31.0)</u>

The reconciliation of income tax provision at the statutory rate to the income tax provision is as follows:

	February 1, 2020	Fiscal Year-Ended February 2, 2019 (Dollars in millions)	February 3, 2018
Federal income tax provision at the statutory rate	\$ (112.2)	\$ 9.6	\$ 22.1
Effect of:			
Goodwill impairment	101.2	—	—
Changes in valuation allowances	29.3	0.7	(0.9)
State and local taxes, net of federal benefit	(4.6)	2.2	2.7
Officers' life insurance	(1.1)	(1.0)	(1.5)
Uncertain tax positions (inclusive of penalties and interest)	1.1	—	—
Federal general business credits	(0.9)	(0.7)	(0.8)
Other, net	(0.7)	(0.9)	(0.3)
Subtotal	12.1	9.9	21.3
Effect of the Tax Act	—	0.4	(52.3)
Income tax provision (benefit)	<u>\$ 12.1</u>	<u>\$ 10.3</u>	<u>\$ (31.0)</u>

The Company recorded additional valuation allowances during fiscal 2020 to reflect that the deferred tax assets relating to the federal interest expense deduction, the federal charitable contribution deduction and state income/franchise tax credits are not realizable. As of February 1, 2020, there is no longer forecasted future taxable income or other sufficient evidence existing to support the future realization of these deductions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities are as follows:

	February 1, 2020 (Dollars in millions)	February 2, 2019
Deferred tax assets:		
Lease obligations	\$ 207.5	\$ 26.5
Interest expense carryforward	27.6	10.4
Employee benefits	10.6	11.0
Inventory items	9.5	9.3
State credits	2.9	3.0
Federal net operating loss carryforwards	1.5	1.8
State net operating loss carryforwards	1.2	0.3
Valuation allowances	(30.7)	(1.4)
Unrecognized tax benefits	(0.3)	(0.3)
Other	6.0	5.9
	<u>235.8</u>	<u>66.5</u>
Deferred tax liabilities:		
Depreciation	(45.7)	(47.4)
Identified intangibles	(98.9)	(102.0)
Operating lease assets	(182.2)	—
	<u>(326.8)</u>	<u>(149.4)</u>
Total deferred taxes	<u>\$ (91.0)</u>	<u>\$ (82.9)</u>



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The Company has approximately \$7.2 million of gross federal net operating loss (“NOL”) carryforwards and \$15.4 million of gross state NOL carryforwards, which expire in fiscal 2021 through fiscal 2027 and fiscal 2021 through fiscal 2040, respectively. The Company has net state tax credits of \$2.9 million, with a valuation allowance of \$2.9 million related to state tax credits.

### **Note 10—Stock-Based Compensation**

In March 2011, as part of the Merger, the 2011 Stock Option Plan of Needle Holdings was adopted authorizing Needle Holdings to provide certain employees with options to purchase Needle Holdings common shares. The number of shares of common stock available for issuance was 3,649,336.

In October 2012, as part of the formation of the Holding Company, the Plan, formerly known as the 2011 Stock Option Plan of Needle Holdings, was assumed by the Holding Company. At that time, all options to purchase Needle Holding common shares were converted on an equal basis into options to purchase common shares of the Holding Company.

During fiscal 2016 and fiscal 2017, the Plan was amended increasing the number of shares of common stock available for issuance to 4,078,741 and 5,259,603, respectively.

#### ***Incentive Options***

The options expire ten years after the date of grant. The options vest and become exercisable based on continued service to the Company. The options generally vest over five years at 40 percent after the first two years and 20 percent each year thereafter.

As of February 1, 2020, there were 735,999 options still available to be issued under the Plan. The following is a summary of activity in the Plan for fiscal 2020:

	<b>Number of Options</b>	<b>Weighted-Average Exercise Price Per Option</b>	<b>Weighted-Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value (in millions)</b>
Outstanding at beginning of period	1,663,301	\$ 6.83		
Granted	1,009,524	\$ 11.18		
Exercised	(107,223)	\$ 2.92		
Cancelled	(452,158)	\$ 10.17		
Outstanding at end of period	2,113,444	\$ 8.39	6.7	\$ 0.2
Exercisable at end of period	882,346	\$ 5.98	4.5	\$ 0.2

The total intrinsic value of options exercised was \$0.6 million in fiscal 2020. There were no incentive options exercised in either fiscal 2019 or fiscal 2018, and as such, there was no intrinsic value to be calculated for fiscal 2019 or fiscal 2018. Cash proceeds from the exercise of stock option awards were \$0.3 million in fiscal 2020.

The weighted-average fair value of options granted was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions:

	February 1, 2020	Fiscal Year-Ended February 2, 2019	February 3, 2018
Weighted-average fair value per option	\$5.01	\$4.27	\$3.79
Expected volatility rate	39.01%	34.99%	34.17%
Risk free interest rate	2.53%	2.84% to 2.90%	2.50%
Expected life of options	7.0 years	7.0 years	7.0 years
Expected dividend yield	0.0%	0.0%	0.0%

The risk-free interest rate is the estimated average interest rate based on U.S. Treasury zero-coupon notes with terms consistent with the expected term of the awards. As the Company is privately held, there is no observable market for the Company's common stock. Therefore, stock price volatility was calculated using the historical stock price volatility of comparable companies over the expected life of the options granted. The Company has not recently declared or paid any cash dividends and had not planned to pay cash dividends at the date of grant. Consequently, it used an expected dividend yield of zero. Expected life represents the period that our stock-based awards are expected to be outstanding. The expected life assumptions are determined based on the vesting terms, exercise terms, and contractual lives of the options. The Company accounts for forfeiture of non-vested options as they occur.

The following table shows the expense recognized by the Company for stock-based compensation:

	February 1, 2020	Fiscal Year-Ended February 2, 2019 (Dollars in millions)	February 3, 2018
Stock option compensation expense	\$ 1.2	\$ 0.6	\$ 1.0

As of February 1, 2020, there was \$4.3 million of unrecognized compensation cost which is expected to be recognized over a weighted-average period of 6.4 years. Stock option compensation expense is recorded in Selling, general and administrative expenses within the accompanying Consolidated Statements of Comprehensive Income (Loss).

#### Note 11—Earnings Per Share

Basic (loss) income per share is computed based upon the weighted-average number of common shares outstanding. Diluted (loss) income 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 loss per share. For fiscal 2020, 2019 and 2018, 2,267,855, 431,995 and 775,713 shares issuable for equity-based awards, respectively, were excluded from the computation of diluted loss per share because the effect of their inclusion would have been anti-dilutive. In periods in which a net loss has occurred, as is the case for fiscal 2020, 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.

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The following table sets forth the reconciliation of the numerator and the denominator of basic and diluted (loss) income per share for fiscal 2020, 2019 and 2018:

	February 1, 2020	Fiscal Year-Ended February 2, 2019	February 3, 2018
	(Dollars in millions except per share data)		
Net (loss) income	\$ (546.6)	\$ 35.3	\$ 96.5
Weighted-average common shares outstanding – Basic	34,882,306	34,852,196	34,857,305
Effect of dilutive stock options	—	445,512	331,218
Weighted-average common shares outstanding – Diluted	34,882,306	35,297,708	35,188,523
Basic earnings per common share	\$ (15.67)	\$ 1.01	\$ 2.77
Diluted earnings per common share	\$ (15.67)	\$ 1.00	\$ 2.74

### Note 12—Segments and Disaggregated Revenue

In fiscal 2020, fiscal 2019 and fiscal 2018, the Company considered JOANN Stores and Non-Store Omni-Channel to be the Company's operating segments for purposes of determining reportable segments based on the criteria of ASC 280, Segment Reporting ("ASC 280"). Non-Store Omni-Channel does not meet the materiality criteria in ASC 280 and, therefore, is not disclosed separately as a reportable segment. The Company's operating segments are based on how our Chief Executive Officer, who is also our Chief Operating Decision Maker ("CODM"), makes decisions about allocating resources and assessing performance.

The following table shows revenue by product category:

	February 1, 2020	Fiscal Year-Ended February 2, 2019	February 3, 2018
	(Dollars in millions)		
Sewing	\$ 1,044.2	\$ 1,097.1	\$ 1,109.7
Arts and Crafts and Home Decor	1,155.6	1,189.9	1,165.1
Other	41.4	37.8	39.5
Total	<u>\$ 2,241.2</u>	<u>\$ 2,324.8</u>	<u>\$ 2,314.3</u>

Substantially all of the Company's identifiable assets are located in the United States. The Company does not have sales outside the United States, nor does any customer represent more than 10 percent of total revenues for any period presented.

### Note 13—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.

On April 17, 2017, a representative action under the California Private Attorney General Act was filed against the Company in Superior Court of the State of California, Alameda County (Priddy v. Jo-Ann Stores, LLC, Case No. RG17856962). The complaint alleged that the Company violated the California labor code by failing to provide "suitable" seats for the cashiers in its California stores. The parties reached a settlement for an amount consistent with the \$3.1 million reserve. The settlement was paid out during the second quarter of fiscal 2020 and there are no remaining obligations with respect to this matter.

**Note 14—Savings Plan Retirement and Postretirement Benefits**

The Company sponsors the Jo-Ann Stores, LLC 401(k) Savings Plan, which is a tax deferred savings plan whereby eligible employees may elect to contribute up to 50 percent of annual compensation on a pre-tax basis. The Company makes a 50 percent matching contribution up to six percent of the employee's annual compensation. The Company match is made in cash and is participant-directed. The amount of the Company's matching contribution was \$2.5 million in fiscal 2020, \$2.4 million in fiscal 2019 and \$2.5 million in fiscal 2018. The Company does not provide post-retirement health care benefits for its employees.

**Note 15—Subsequent Events**

Subsequent to the end of the fourth quarter of fiscal 2020, on November 25, 2020, the Company agreed to amend and restate various terms of the asset-based revolving credit agreement dated October 21, 2016, which provides for senior secured financing of up to \$500.0 million. The agreement matures on November 25, 2025 (subject to a springing maturity date to the extent the Term Loan due 2023 or the Term Loan due 2024 have not been refinanced prior to their current maturity date). No changes were made to the borrowing base formula. The amended 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.

Subsequent to the end of the fourth quarter of fiscal 2020, the Company repurchased \$347.0 million in face value of the term loans at an average of 54 percent of par, resulting in a \$152.9 million gain.

On March 3, 2021, our Board approved and effected a 85.8808880756715-for-one unit split of our common stock. All share and per share data included in these consolidated financial statements give effect to the stock split and have been retroactively adjusted for all periods.

**JOANN INC.**  
**Consolidated Balance Sheets**

	(Unaudited) October 31, 2020	November 2, 2019	February 1, 2020
	(Dollars in millions)		
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 33.2	\$ 26.8	\$ 24.4
Inventories	697.7	776.9	649.7
Prepaid expenses and other current assets	68.7	74.0	45.7
Total current assets	799.6	877.7	719.8
Property, equipment and leasehold improvements, net	296.0	317.6	309.0
Operating lease assets	864.4	716.4	707.1
Goodwill, net	162.0	513.4	162.0
Intangible assets, net	378.9	391.0	384.2
Other assets	18.7	14.5	19.2
Total assets	<u>\$ 2,519.6</u>	<u>\$ 2,830.6</u>	<u>\$ 2,301.3</u>
<b>Liabilities and Shareholders' Equity (Deficit)</b>			
Current liabilities:			
Accounts payable	\$ 328.9	\$ 280.0	\$ 227.1
Accrued expenses	138.3	96.9	105.0
Current portion of operating lease liabilities	184.2	155.4	157.0
Current portion of long-term debt	—	9.1	9.1
Total current liabilities	651.4	541.4	498.2
Long-term debt, net	921.6	1,337.2	1,210.2
Long-term operating lease liabilities	800.8	657.6	645.2
Long-term deferred income taxes	91.6	82.9	91.0
Other long-term liabilities	50.7	25.9	28.7
Shareholders' equity (deficit):			
Common stock, stated value \$0.01 per share; 200,000,000 authorized; issued 36,822,658 shares at October 31, 2020, November 2, 2019 and February 1, 2020	0.3	0.3	0.3
Additional paid-in capital	124.3	122.9	123.2
Retained (deficit) earnings	(107.3)	76.8	(281.3)
Accumulated other comprehensive loss	(0.5)	(1.1)	(0.9)
Treasury stock at cost; 1,920,278 shares at October 31, 2020, November 2, 2019 and February 1, 2020	(13.3)	(13.3)	(13.3)
Total shareholders' equity (deficit)	3.5	185.6	(172.0)
Total liabilities and shareholders' equity (deficit)	<u>\$ 2,519.6</u>	<u>\$ 2,830.6</u>	<u>\$ 2,301.3</u>

*See notes to unaudited consolidated financial statements.*

**JOANN INC.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**(Unaudited)**

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2020</b>	<b>November 2, 2019</b>
	<b>(Dollars in millions except per share data)</b>	
Net sales	\$ 1,921.5	\$ 1,545.6
Cost of sales	949.8	768.6
Selling, general and administrative expenses	818.2	723.0
Depreciation and amortization	59.8	57.3
Goodwill impairment	—	130.4
Operating profit (loss)	93.7	(133.7)
Interest expense, net	55.0	77.6
Debt related gain	(152.9)	—
Income (loss) before income taxes	191.6	(211.3)
Income tax provision (benefit)	17.6	(22.8)
Net income (loss)	\$ 174.0	\$ (188.5)
Other comprehensive income:		
Cash flow hedges	0.5	0.3
Income tax provision on cash flow hedges	(0.1)	(0.1)
Other comprehensive income	0.4	0.2
Comprehensive income (loss)	\$ 174.4	\$ (188.3)
Earnings per common share:		
Basic	\$ 4.99	\$ (5.40)
Diluted	\$ 4.88	\$ (5.40)
Weighted-average common shares outstanding:		
Basic	34,902,380	34,877,288
Diluted	35,666,429	34,877,288

*See notes to unaudited consolidated financial statements.*

**JOANN INC.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Thirty-Nine Weeks Ended</b> <b>October 31,</b> <b>2020</b>	<b>November 2,</b> <b>2019</b>
	<b>(Dollars in millions)</b>	
Net cash provided by (used for) operating activities:		
Net income (loss)	\$ 174.0	\$ (188.5)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Non-cash operating lease expense	113.2	104.4
Depreciation and amortization	59.8	57.3
Deferred income taxes	0.5	(0.1)
Stock-based compensation expense	1.1	0.9
Amortization of deferred financing costs and original issue discount	2.9	3.2
Debt related gain	(152.9)	—
Loss on disposal and impairment of fixed assets	2.1	0.4
Goodwill impairment	—	130.4
Changes in operating assets and liabilities:		
Increase in inventories	(48.0)	(161.1)
Increase in prepaid expenses and other current assets	(21.6)	(30.7)
Increase in accounts payable	101.8	55.1
Increase (decrease) in accrued expenses	26.5	(32.0)
Decrease in operating lease liabilities	(87.7)	(110.7)
Increase in other long-term liabilities	13.1	0.1
Other, net	1.0	0.9
Net cash provided by (used for) operating activities	185.8	(170.4)
Net cash used for investing activities:		
Capital expenditures	(28.7)	(64.8)
Proceeds from sales of fixed assets	0.5	—
Net cash used for investing activities	(28.2)	(64.8)
Net cash (used for) provided by financing activities:		
Term loan payments	(2.3)	(23.7)
Borrowings on revolving credit facility	464.5	458.0
Payments on revolving credit facility	(421.0)	(223.0)
Purchase and retirement of debt	(188.4)	—
Principal payments on finance lease obligations	(1.7)	(0.7)
Purchase of common stock	—	(0.5)
Proceeds from exercise of stock options	—	0.3
Other, net	0.1	0.1
Net cash (used for) provided by financing activities	(148.8)	210.5
Net increase (decrease) in cash and cash equivalents	8.8	(24.7)
Cash and cash equivalents at beginning of period	24.4	51.5
Cash and cash equivalents at end of period	<u>\$ 33.2</u>	<u>\$ 26.8</u>
Cash paid during the period for:		
Interest	\$ 48.7	\$ 73.8
Income taxes, net of refunds	41.7	18.9

*See notes to unaudited consolidated financial statements.*

**JOANN INC.**  
**Consolidated Statements of Shareholders' Equity**  
**(Unaudited)**

	Net Common Shares (Shares in thousands)	Treasury Shares	Common Stock Par Value	Thirty-Nine Weeks Ended			Accumulated Other Comprehensive Loss	Total Shareholders Equity
				Additional Paid-In Capital	Treasury Stock	Retained (Deficit) Earnings (Dollars in millions)		
<b>Balance, February 1, 2020</b>	<b>34,902.4</b>	<b>1,920.3</b>	<b>\$ 0.3</b>	<b>\$ 123.2</b>	<b>\$ (13.3)</b>	<b>\$ (281.3)</b>	<b>\$ (0.9)</b>	<b>\$ (172.0)</b>
Net income	—	—	—	—	—	174.0	—	174.0
Stock-based compensation	—	—	—	1.1	—	—	—	1.1
Unrealized gain from hedge accounting	—	—	—	—	—	—	0.4	0.4
<b>Balance, October 31, 2020</b>	<b>34,902.4</b>	<b>1,920.3</b>	<b>\$ 0.3</b>	<b>\$ 124.3</b>	<b>\$ (13.3)</b>	<b>\$ (107.3)</b>	<b>\$ (0.5)</b>	<b>\$ 3.5</b>
<b>Balance, February 2, 2019</b>	<b>34,852.2</b>	<b>1,863.2</b>	<b>\$ 0.3</b>	<b>\$ 121.7</b>	<b>\$ (12.8)</b>	<b>\$ 265.3</b>	<b>\$ (1.3)</b>	<b>\$ 373.2</b>
Net loss	—	—	—	—	—	(188.5)	—	(188.5)
Stock-based compensation	—	—	—	0.9	—	—	—	0.9
Purchase of common stock	(57.1)	57.1	—	—	(0.5)	—	—	(0.5)
Exercise of stock options	107.3	—	—	0.3	—	—	—	0.3
Unrealized gain from hedge accounting	—	—	—	—	—	—	0.2	0.2
<b>Balance, November 2, 2019</b>	<b>34,902.4</b>	<b>1,920.3</b>	<b>\$ 0.3</b>	<b>\$ 122.9</b>	<b>\$ (13.3)</b>	<b>\$ 76.8</b>	<b>\$ (1.1)</b>	<b>\$ 185.6</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### JOANN Inc.

#### Note 1—Significant Accounting Policies

##### *Nature of Operations*

We are the nation's largest specialty retailer of fabrics and sewing accessories and one of the largest specialty retailers of crafts, serving customers in their pursuit of apparel and craft sewing, crafting, home decorating and other creative endeavors. Our retail stores (operating as JOANN, Jo-Ann Fabric and Craft Stores and Jo-Ann stores) and website (www.joann.com) feature a variety of competitively priced merchandise used in sewing, crafting and home decorating projects, including fabrics, notions, crafts, frames, paper crafting material, artificial floral, home accents, finished seasonal and home décor merchandise. Our complementary website (www.creativebug.com) offers an extensive array of online arts and crafts instructional videos for the do-it-yourself (DIY) community where customers can learn how to paint, draw, sew, quilt, knit, crochet, and much more, while capturing the intimate experience of learning from top designers and artists. As of October 31, 2020, we operated 857 retail stores in 49 states.

##### *Basis of Presentation*

The consolidated financial statements include the accounts of JOANN Inc. (formerly known as Jo-Ann Stores Holdings Inc.) (the "Holding Company"), Needle Holdings LLC ("Needle Holdings") and Jo-Ann Stores, LLC and its wholly-owned subsidiaries ("Jo-Ann"). Effective February 9, 2021, Jo-Ann Stores Holdings Inc. amended its certificate of incorporation to change its corporate name to "JOANN Inc." The amendment was approved by the Board of Directors and was effected by the filing of a Certificate of Amendment with the Delaware Secretary of State. All of the entities referenced in the prior sentence hereinafter will be referred to collectively as the "Company" and are all owned by affiliates of Leonard Green & Partners, L.P. ("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 options, 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 Holding Company did not have any dividend distributions or debt outstanding during the first thirty-nine weeks of fiscal 2021 or the first thirty-nine weeks of fiscal 2020. The authorized, issued and outstanding common shares and treasury shares shown on the consolidated balance sheet 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 options and the payment of dividends or distributions.

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 2021 refers to the year ending January 30, 2021). Fiscal years consist of 52 weeks, unless noted otherwise.

The consolidated interim financial statements have been prepared without audit, in accordance with the accounting principles generally accepted in the United States ("GAAP"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures herein are adequate to make the information not misleading. The financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the fiscal year ended February 1, 2020.

Typical of most retail companies, JOANN'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.

## **COVID-19 Impact**

The Company's operating results for the thirty-nine weeks ended October 31, 2020 may not be indicative of the results that may be expected for the fiscal year ending January 30, 2021 because of the novel coronavirus ("COVID-19") pandemic. As a result of the pandemic, starting in mid-March 2020, the Company modified a number of its business practices, in response to legislation, executive orders and guidance from government entities and healthcare authorities (including the temporary closing of businesses deemed "non-essential," shelter in place orders, social distancing and quarantines). In response to government closure orders, we were forced to close hundreds of stores. During the second half of March 2020 and beginning of April 2020, approximately half of our stores were closed, either completely or to in-store traffic. However, the Company immediately began working diligently with local and national government officials in advocating that our business and the products we sell were essential in the fight against the COVID-19 virus, and therefore exempt from shelter-in-place and stay-at-home orders. Over the ensuing weeks, we began to re-open many of our stores across the country. Initially, many of these stores were re-opened for curbside pick-up only via our buy online pickup in store ("BOPIS") ordering process. At the beginning of the second quarter of fiscal 2021, we had fewer than 30 stores fully closed and roughly 400 stores open for curbside pick-up only, and by the end of the second quarter, all stores were fully operational and open to walk-in traffic. Throughout the entirety of the third quarter of fiscal 2021, all stores remained opened other than for short-term cleanings in select locations or for weather related disruptions and other hazards. There have been some occurrences of positive COVID-19 cases in our stores, resulting in the temporary closure of impacted stores for deep cleaning. Due to the conditions stated above, our ability to fulfill e-commerce orders via both our BOPIS and Ship from Store ("SFS") programs has proven to have a significant positive impact on our financial performance through the first thirty-nine weeks of fiscal 2021. Specific material impacts of the COVID-19 pandemic are described throughout our related financial disclosures.

Due to the large number of temporary store closures as a result of the COVID-19 pandemic, the Company negotiated with landlords for rent concessions, either in the form of rent abatement (meaning no rent due for select months) or rent deferral (meaning rent payments are delayed until a future period). As a result of these rent concessions, the Company has adjusted its operating lease liabilities on the accompanying Consolidated Balance Sheets.

## **Use of Estimates**

In the opinion of management, the accompanying interim Consolidated Balance Sheets and related interim Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Cash Flows include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with GAAP. 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.

### *COVID-19 Related Estimates*

While the full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated, the Company has made accounting estimates, where needed, based on the facts and circumstances available as of the reporting date.

The Company's accrual for shrink is based on the actual historical shrink results of recent distribution center inventory cycle counts and store physical inventories. These estimates are compared to actual results as physical inventory counts are taken and reconciled to the general ledger. The majority of the Company's store physical inventory counts are taken in the first three quarters of each year and the shrink accrual recorded at February 1, 2020 is based on shrink results of these prior physical inventory counts. Store locations that have

been open one year or longer are physically inventoried at least once over an 18-month cycle, with stores exhibiting a higher rate of shrink to sales inventoried at least once per year. The Company continually monitors and adjusts the shrink rate estimates based on the results of store physical inventory counts and shrink trends. During the first thirty-nine weeks of fiscal 2021, we canceled or rescheduled approximately 270 store physical inventories as a direct result of the COVID-19 crisis. Therefore, as of the end of the third quarter of fiscal 2021, our shrink reserve balance is higher than when compared to the end of the third quarter of fiscal 2020 to account for estimated shrink in those stores where physical counts needed to be delayed.

#### ***Recently Adopted Accounting Guidance***

In the first quarter of fiscal 2021, The Company adopted ASU No. 2018-15, “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract,” which aligns the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The guidance amends Accounting Standards Codification (ASC) 350 to include in its scope implementation costs of a cloud computing arrangement that is a service contract and clarifies that a customer should apply ASC 350 to determine which implementation costs should be capitalized in such a cloud computing arrangement. The Company adopted ASU 2018-15 effective February 2, 2020 using the prospective approach, and adoption did not have a material impact on the Company’s Consolidated Financial Statements.

In the first quarter of fiscal 2021, the Company adopted ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which introduces new guidance for estimating credit losses on certain types of financial instruments based on expected losses and the timing of the recognition of such losses. The Company adopted ASU 2016-13 effective February 2, 2020, and adoption did not have a material impact on the Company’s Consolidated Financial Statements.

#### ***Future Adoption of Recently Issued Accounting Guidance***

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating the amended guidance and the impact on its consolidated financial statements and related disclosures.

#### ***Goodwill and Other Intangible Assets***

Goodwill represents the excess of acquisition cost over the fair value of the net assets of acquired entities. The goodwill carried on the accompanying Consolidated Balance Sheet at October 31, 2020 was the resulting value of JOANN becoming a wholly-owned subsidiary of Needle Holdings in March 2011 (the “Merger”) of \$640.0 million, less impairment charges of \$481.8 million recorded during fiscal 2020, and \$3.8 million as a result of the acquisition of Creativebug, LLC (“Creativebug”) in April 2017.

The Company assesses the carrying value of goodwill at the reporting unit level. A reporting unit is the operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. As of October 31, 2020, the Company had two reporting units, JOANN and Creativebug.

Annually, as of the first day of the fourth quarter, or more frequently if circumstances indicate impairment may exist, the Company assesses qualitative factors to determine whether any circumstances exist which would indicate that it is more-likely-than-not that the fair values of the reporting units are below their respective carrying values. If such circumstances exist, a quantitative assessment is performed. The quantitative assessment compares the fair value of a reporting unit to its current carrying value. We determine the estimated fair value of a reporting unit based on valuation techniques including discounted cash flows as well as a market comparable method. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired.

Annually, as of the first day of the fourth quarter, or more frequently if circumstances indicate impairment may exist, the Company assesses qualitative factors to determine whether any circumstances exist which would indicate that it is more-likely-than-not that the fair values of the indefinite-lived intangible assets not subject to amortization (JOANN Trade Name and joann.com Domain Name) are below their respective carrying values. If such circumstances exist, a quantitative assessment is performed. The quantitative assessment compares the fair value of an intangible asset to its current carrying value. We determine the estimated fair value of an intangible asset based upon the relief from royalty method which evaluates the appropriate royalty rate for the asset.

See Notes to Consolidated Financial Statements, Note 6—Goodwill and Other Intangible Assets for further details.

#### ***Impairment of Long-Lived and Operating Lease Assets***

The Company evaluates long-lived and operating lease assets for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Factors considered that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results and significant changes in the manner of use of the assets or the Company's overall business strategies. Potential impairment exists if the estimated undiscounted cash flow expected to result from the use of the asset is less than the carrying value of the asset. The amount of the impairment loss represents the excess of the carrying value of the asset over its fair value. Management estimates fair value based on a projected discounted cash flow method using a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model. Additional factors are taken into consideration, such as local market conditions, operating environment and other trends.

As a result of the adverse impact of the COVID-19 pandemic on certain retail store locations during the first quarter of fiscal 2021, the Company recognized impairment losses in the amount of \$2.2 million within selling, general and administrative ("SG&A") expenses on the accompanying Consolidated Statements of Comprehensive Income (Loss). No impairment losses were recorded in the first quarter of fiscal 2020.

Based on management's ongoing review of the performance of the Company's stores, utilization of assets and other facilities, there were no impairment losses recorded during the second and third quarters of fiscal 2021 or during the second and third quarters of fiscal 2020.

#### ***Revenue Recognition***

Revenue is primarily associated with sales of merchandise to customers within our retail stores and customers utilizing our e-commerce channels. Retail sales, net of estimated returns and point-of-sale coupons and discounts, are recorded at the point-of-sale when customers take control of the merchandise in stores. E-commerce sales include shipping revenue and are recorded upon delivery to the customer. Shipping and handling fees charged to customers are recorded as sales with related costs recorded as cost of sales. Sales taxes are not included in sales as the Company acts as a conduit for collecting and remitting sales taxes to the appropriate governmental authorities. Payment is typically due at the point-of-sale, thus the Company does not have material customer receivables.

The Company allows for merchandise to be returned under most circumstances. The current policy allows for customers to receive an even exchange or full refund based upon the original method of payment when the returned purchase is accompanied with a receipt. Historic customer return activity is used to estimate the returns reserve, which historically, has not been material to our consolidated financial statements. The Company presents the gross sales returns reserve in accounts payable and the estimated value of the merchandise expected to be returned in prepaid expenses and other current assets within the accompanying Consolidated Balance Sheets.

Proceeds from the sale of JOANN gift cards are recorded as a liability and recognized as net sales when redeemed by the holder. Gift card breakage represents the remaining balance of our liability for gift cards for which the likelihood of redemption by the customer is remote. Gift card breakage is recognized as net sales in proportion to the pattern of rights exercised by the customer and is determined based on historical redemption patterns. During both the thirty-nine weeks ended October 31, 2020 and November 2, 2019, the Company recognized \$0.8 million of pre-tax income due to gift card breakage. The Company generally is not required by law to escheat the value of unredeemed gift cards to the states in which it operates.

Activity related to the Company's gift card liabilities was as follows:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2020</b>	<b>November 2, 2019</b>
	<b>(Dollars in millions)</b>	
Balance at beginning of period	\$ 32.5	\$ 30.8
Issuance of gift cards	21.7	19.1
Revenue recognized (a)	(24.6)	(23.7)
Gift card breakage	(0.8)	(0.8)
Balance at end of period	<u>\$ 28.8</u>	<u>\$ 25.4</u>

(a) Revenue recognized from the beginning liability during the first thirty-nine weeks of fiscal 2020 and fiscal 2019 totaled \$6.9 million and \$7.6 million, respectively.

### ***Financial Instruments***

A financial instrument is cash or a contract that imposes an obligation to deliver or conveys a right to receive cash or another financial instrument. The carrying values of the Company's cash and cash equivalents, accounts payable and borrowings on our Revolving Credit Facility (as defined below) are considered to be representative of fair value due to the short maturity of these instruments.

See Notes to Consolidated Financial Statements, Note 4 —Fair Value Measurement for discussion regarding the fair value of the Company's derivative instrument and term loan debt instruments.

### ***Related Party Transactions***

JOANN pays a management fee to LGP, which is included in SG&A expenses on the accompanying Consolidated Statements of Comprehensive Income (Loss). Starting in April 2020, the management fee payable to LGP has been forgiven until the end of calendar year 2020 due to the impact of the COVID-19 pandemic.

During the thirty-nine weeks ended October 31, 2020, the Company paid a management fee of \$0.8 million compared to \$3.8 million for the thirty-nine weeks ended November 2, 2019.

## Note 2—Financing

Long-term debt, net for Jo-Ann Stores, LLC consisted of the following:

	October 31, 2020	November 2, 2019 (Dollars in millions)	February 1, 2020
Revolving Credit Facility	\$ 217.0	\$ 293.0	\$ 173.5
Term Loan due 2023	635.4	846.7	844.5
Term Loan due 2024	77.3	223.8	217.5
Total debt	929.7	1,363.5	1,235.5
Less unamortized discount and debt costs	(8.1)	(17.2)	(16.2)
Total debt, net	921.6	1,346.3	1,219.3
Less current portion of debt	—	(9.1)	(9.1)
Long-term debt, net	<u>\$ 921.6</u>	<u>\$ 1,337.2</u>	<u>\$ 1,210.2</u>

### Revolving Credit Facility

On October 21, 2016, the Company entered into an asset-based revolving credit facility agreement (the “Revolving Credit Facility”), which provides for senior secured financing of up to \$400.0 million, subject to a borrowing base, maturing on October 20, 2021. The borrowing base equals the sum of (i) the appraised net orderly liquidation value of eligible inventory at an advance rate of 90.0 percent to 92.5 percent, based on seasonality, plus (ii) 90.0 to 92.5 percent of the appraised net orderly liquidation value of eligible in-transit inventory, based on seasonality, plus (iii) 90.0 percent of eligible credit and debit card receivables, plus (iv) 90.0 percent of eligible letter of credit inventory, minus (v) certain availability reserves. The 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 is guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions. The maturity date of the facility is October 20, 2021. Under the facility, base rate loans bear an additional margin of 0.50 percent when average historical excess capacity is less than 40.0 percent of the maximum credit and 0.25 percent when average historical excess capacity is greater than or equal to 40.0 percent of the maximum credit. Eurodollar rate loans bear an additional margin of 1.50 percent when average historical excess capacity is less than 40.0 percent of the maximum credit and 1.25 percent when average historical excess capacity is greater than or equal to 40.0 percent of the maximum credit. Unused commitment fees on the facility are at a rate of 0.25 percent per annum. Interest for base rate loans is due on the first business day of the calendar quarter subsequent to the borrowing period. Interest for Eurodollar rate loans is due the day that the Eurodollar rate loan expires or, if the duration of the loan is more than three months, interest is due every three months from the first day of the interest period. JOANN has the option to request an increase in the size of the facility up to \$100.0 million (for a total facility of \$500.0 million) in increments of \$20.0 million, provided that no default exists or would arise from the increase. However, the lenders under the Revolving Credit Facility are under no obligation to provide any such additional increments.

The Revolving Credit Facility agreement requires that from the time excess availability on any day is less than the greater of (i) \$35.0 million and (ii) 10 percent of the Maximum Credit (as defined in the credit agreement) until the time excess availability is greater than the greater of (i) \$35.0 million and (ii) 10 percent of the Maximum Credit for 30 consecutive calendar days, the consolidated fixed charge coverage ratio shall be not less than 1.0 to 1.0.

The total fees and expenses associated with the Revolving Credit Facility were \$1.7 million, which fees represent banking, legal and other professional services. These fees and expenses were recorded as deferred costs and are being amortized over the life of the Revolving Credit Facility. Additionally \$0.4 million of debt extinguishment costs were recorded in fiscal 2017 related to the previously deferred costs of the Revolving Credit Facility.

As of October 31, 2020, there were \$217.0 million of borrowings on the Revolving Credit Facility and our outstanding letters of credit obligation was \$23.6 million. As of October 31, 2020, our excess availability on the facility was \$159.4 million. During the third quarter of fiscal 2021, the weighted average interest rate for borrowings under the Revolving Credit Facility was 1.52 percent, compared to 3.41 percent for the third quarter of fiscal 2020. As of November 2, 2019, the Company had \$293.0 million of borrowings on the Revolving Credit Facility and our outstanding letters of credit obligation was \$28.2 million. As of November 2, 2019, our excess availability on the facility was \$78.8 million.

On November 25, 2020, the Company entered into an agreement to amend various terms of the asset-based revolving credit agreement dated October 21, 2016 (as amended, the “Amended Credit Agreement”), which provides for senior secured financing of up to \$500.0 million, subject to a borrowing base, maturing on November 25, 2025 (subject to a springing maturity date to the extent the Term Loan due 2023 or the Term Loan due 2024 have not been refinanced prior to their current maturity date). No changes were made to the borrowing base formula. The amended 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.

Under the Amended Credit Agreement, base rate loans bear an additional margin of 1.25 percent when average historical excess capacity is less than 33.33 percent of the maximum credit, 1.00 percent when average historical excess capacity is less than 66.67 percent and greater than or equal to 33.33 percent of the maximum credit, and 0.75 percent when average historical excess capacity is greater than or equal to 66.67 percent of the maximum credit. Eurodollar rate loans bear an additional margin of 2.25 percent when average historical excess capacity is less than 33.33 percent of the maximum credit, 2.00 percent when average historical excess capacity is less than 66.67 percent and greater than or equal to 33.33 percent of the maximum credit, and 1.75 percent when average historical excess capacity is greater than or equal to 66.67 percent of the maximum credit. Unused commitment fees on the amended facility remain calculated based on a rate of 0.25 percent per annum. Eurodollar rate loans are subject to a 0.75 percent LIBOR floor. In the event LIBOR ceases to be available during the term of the amended facility, the Amended Credit Agreement provides procedures to determine a “LIBOR Successor Rate.” JOANN has the option to request an increase in the size of the facility up to \$100.0 million (for a total facility of \$600.0 million) in increments of \$20.0 million, provided that no default exists or would arise from the increase. However, the lenders under the Amended Credit Agreement are under no obligation to provide any such additional amounts.

### ***Term Loan Due 2023***

The Term Loan due 2023 facility is with a syndicate of lenders and is secured by substantially all the assets of JOANN, excluding the Revolving Credit Facility collateral, and has a second priority security interest in the Revolving Credit Facility collateral. It is guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions.

The Term Loan due 2023 has a maturity date of October 20, 2023. Base rate loans bear an additional margin of 4.0 percent, while Eurodollar rate loans bear an additional margin of 5.0 percent. Eurodollar rate loans are subject to a 1.0 percent LIBOR floor. Interest payments are made (a) as to any loan other than a base rate loan, the last day of each interest period applicable to such loan and the applicable maturity date; provided that if any interest period for a Eurodollar rate loan exceeds three months, the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates; and (b) as to any base rate loan, the last business day of each January, April, July and October and the applicable maturity date. During the third quarter of fiscal 2021, the weighted average interest rate for borrowings under the Term Loan due 2023 facility was 6.08 percent, compared to 7.32 percent during the third quarter of fiscal 2020.

The Term Loan due 2023 provided for mandatory quarterly repayments of \$2.3 million on the last business day of each January, April, July and October. As of the second quarter of fiscal year 2021, the

mandatory quarterly repayments are no longer required as a result of the Company's debt repurchases (as described below) exceeding the total mandatory quarterly repayments due over the balance of the life of the loan. The Term Loan due 2023 also contains a provision requiring up to 50.0 percent of "excess cash flow" (as defined in the Term Loan due 2023 agreement and commencing with the fiscal year ended February 3, 2018) to be applied toward payment of principal on that facility, with step-downs to 25.0 percent and 0.0 percent should the senior secured net leverage ratio be less than 2.50x and 2.00x, respectively. For fiscal 2019, senior secured debt was greater than 2.50x adjusted EBITDA; therefore, 50.0 percent of excess cash flow was required as a payment of principal on the Term Loan due 2023. An excess cash flow principal payment of \$15.7 million related to fiscal 2019 was made in March of fiscal 2020. No excess cash flow principal payment was required related to fiscal 2020.

The Term Loan due 2023 agreement does not contain any financial covenants.

The Term Loan due 2023 was issued at a \$14.5 million discount. A portion of the discount in the amount of \$11.1 million was recorded as a reduction of debt and set up to amortize over the life of the Term Loan due 2023 and \$3.4 million of the discount was charged to earnings. A portion of the debt issuance costs and discount was written off in connection with the repurchase transactions described below.

The Incremental Term Loan was issued at a \$1.8 million discount, which was recorded as a reduction of debt and set up to amortize over the life of the Term Loan due 2023. The total fees and expenses associated with issuing the Incremental Term Loan were \$1.8 million, which fees represent banking, legal and other professional fees. These fees and expenses were recorded as a reduction of debt and set up to amortize over the life of the Term Loan due 2023. A portion of the deferred costs and discount was written off in connection with the repurchase transactions described below.

During the second quarter of fiscal 2021, the Company repurchased \$202.8 million in face value of the Term Loan due 2023 at an average of 63 percent of par, resulting in a \$72.2 million gain, which is included in debt related gain within the accompanying Consolidated Statements of Comprehensive Income (Loss) and the accompanying Consolidated Statements of Cash Flows. A write-off of the deferred charges and original issue discount, totaling \$2.5 million, associated with the original debt issuance was recognized as an offset to the gain recognized in debt related gain.

During the third quarter of fiscal 2021, the Company repurchased \$4.1 million in face value of the Term Loan due 2023 at an average of 75 percent of par, resulting in a \$1.0 million gain, which is included in debt related gain within the accompanying Consolidated Statements of Comprehensive Income (Loss) and the accompanying Consolidated Statements of Cash Flows. A write-off of the deferred charges and original issue discount, totaling less than \$0.1 million, associated with the original debt issuance was recognized as an offset to the gain recognized in debt related gain.

#### ***Term Loan Due 2024***

On May 21, 2018, the Company entered into a \$225.0 million term loan facility (the "Term Loan due 2024" and, together with the Term Loan due 2023, the "Term Loans"), which was issued at 98.5 percent of face value. The Term Loan due 2024 is with a syndicate of lenders. The Term Loan due 2024 is secured by a second priority security interest in all the assets of JOANN, excluding the Revolving Credit Facility collateral, and has a third priority security interest in the Revolving Credit Facility collateral. It is guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions.

The Term Loan due 2024 has a maturity date of May 21, 2024. Base rate loans bear an additional margin of 8.25 percent, while Eurodollar rate loans bear an additional margin of 9.25 percent. Eurodollar rate loans are subject to a 1.0 percent LIBOR floor. Interest payments are made (a) as to any loan other than a base rate loan, the last day of each interest period applicable to such loan and the applicable maturity date; provided



that if any interest period for a Eurodollar rate loan exceeds three months, the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates; and (b) as to any base rate loan, the last business day of each January, April, July and October and the applicable maturity date. During the third quarter of fiscal 2021, the weighted average interest rate for borrowings under the Term Loan due 2024 was 10.39 percent, compared to 11.62 percent during the third quarter of fiscal 2020.

The Term Loan due 2024 does not require amortization payments. The Term Loan due 2024 contains a provision requiring up to 50.0 percent of “excess cash flow” (as defined in the Term Loan due 2024 agreement and commencing with the fiscal year ended February 2, 2019) to be applied toward payment of principal on that facility with step-downs to 25.0 percent and 0.0 percent should the First Lien Net Leverage Ratio (as defined by the Term Loan due 2024 agreement) be less than or equal to 2.50x and 2.00x, respectively; provided, however, for so long as any indebtedness is outstanding under the Term Loan due 2024 agreement, any permitted priority secured debt or any permitted refinancing of any of the foregoing, only declined proceeds shall be subject to the prepayment requirements. An excess cash flow principal payment of \$1.2 million related to fiscal 2019 was made in April of fiscal 2020. No excess cash flow principal payment was required related to fiscal 2020.

The Term Loan due 2024 agreement does not contain any financial covenants.

The Term Loan due 2024 was issued at a \$3.4 million discount, which was recorded as a reduction of debt and set up to amortize over the life of the Term Loan due 2024. The total fees and expenses associated with issuing the Term Loan due 2024 were \$2.7 million, which fees represent banking, legal and other professional fees. These fees and expenses were recorded as a reduction of debt and set up to amortize over the life of the Term Loan due 2024. A portion of the debt issuance costs and discount was written off in connection with the repurchase transactions described below.

During the fourth quarter of fiscal 2020, the Company repurchased \$6.3 million in face value of the Term Loan due 2024 at an average of 38 percent of par, resulting in a \$3.8 million gain, which was included in debt related gain within the accompanying Consolidated Statements of Comprehensive Income (Loss) and the accompanying Consolidated Statements of Cash Flows for fiscal 2020. A write-off of the deferred charges and original issue discount, totaling \$0.1 million, associated with the original debt issuance was recognized as an offset to the gain recognized in debt related gain.

During the first quarter of fiscal 2021, the Company repurchased \$5.6 million in face value of the Term Loan due 2024 at an average of 43 percent of par, resulting in a \$3.1 million gain, which is included in debt related gain within the accompanying Consolidated Statements of Comprehensive Income (Loss) and the accompanying Consolidated Statements of Cash Flows. A write-off of the deferred charges and original issue discount, totaling \$0.1 million, associated with the original debt issuance was recognized as an offset to the gain recognized in debt related gain.

During the second quarter of fiscal 2021, the Company repurchased \$130.4 million in face value of the Term Loan due 2024 at an average of 41 percent of par, resulting in a \$74.6 million gain, which is included in debt related gain within the accompanying Consolidated Statements of Comprehensive Income (Loss) and the accompanying Consolidated Statements of Cash Flows. A write-off of the deferred charges and original issue discount, totaling \$3.1 million, associated with the original debt issuance was recognized as an offset to the gain recognized in debt related gain.

During the third quarter of fiscal 2021, the Company repurchased \$4.2 million in face value of the Term Loan due 2024 at an average of 53 percent of par, resulting in a \$2.0 million gain, which is included in debt related gain within the accompanying Consolidated Statements of Comprehensive Income (Loss) and the accompanying Consolidated Statements of Cash Flows. A write-off of the deferred charges and original issue discount, totaling \$0.1 million, associated with the original debt issuance was recognized as an offset to the gain recognized in debt related gain.

At October 31, 2020, the Company was in compliance with all covenants under its credit agreements.

The covenants contained in the credit agreements restrict JOANN's ability to pay dividends or make other distributions; accordingly, any dividends may only be made in accordance with such covenants. Among other restrictions, the credit agreements allow for dividends after an initial public offering in amounts not to exceed 6% per annum of the net proceeds received by, or contributed to Jo-Ann Stores, LLC. So long as there is no event of default, the credit agreements also allow dividends in amounts not less than \$25 million, which amount can increase if certain other conditions are satisfied, including if JOANN's leverage does not exceed certain thresholds. Additionally, the Revolving Credit Facility allows for unlimited dividends, so long as there is no event of default and the Company's excess availability is greater than 20% of the maximum credit, calculated on a pro forma basis for 60 days.

### 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.

In July 2018, the Company purchased, for \$2.2 million, a forward starting interest rate cap based on 3-month London Inter-Bank Offered Rate ("LIBOR") effective October 23, 2018 through October 23, 2021. The objective of the hedging instrument is to offset the variability of cash flows in term loan debt interest payments attributable to fluctuations in LIBOR beyond 3.5 percent. The interest rate cap qualifies as an effective hedge instrument and has been designated as a cash flow hedge of variability in LIBOR-based interest payments. The interest rate cap is recognized in our Consolidated Balance Sheets at fair value. Changes in the fair value of this instrument are recorded in Other Comprehensive Income (Loss) and will be reclassified to interest expense in the same period(s) during which the hedged transactions affect earnings.

The following table summarizes the fair value and balance sheet classification of the Company's outstanding derivative within the accompanying Consolidated Balance Sheets as of October 31, 2020 and November 2, 2019:

<u>Instrument</u>	<u>Balance Sheet Location</u>	<u>October 31,</u> <u>2020</u>	<u>November 2,</u> <u>2019</u>
<u>(Dollars in millions)</u>			
Interest Rate Cap	Other Assets	\$ —	\$ —

The interest rate cap had an amortized notional amount of \$682.9 million and \$705.0 million as of October 31, 2020 and November 2, 2019, respectively.

The Company's interest rate cap was deemed effective for the period ending October 31, 2020 and the Company expects the derivative will continue to be effective. The time value of the interest rate cap is excluded from the assessment of effectiveness and is being amortized to interest expense over the life of the hedge. The Company does not expect any material reclassification out of Other Comprehensive Income (Loss) into earnings during the next 12 months.

The impacts of the Company's derivative instrument on the accompanying Consolidated Statements of Comprehensive Income (Loss) for the first thirty-nine weeks of fiscal 2020 and fiscal 2019 are presented in the table below:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2020</b>	<b>November 2, 2019</b>
	<b>(Dollars in millions)</b>	
Gain recognized in Other Comprehensive Income (Loss) on derivatives, gross of income taxes	\$ 0.5	\$ 0.3
Amount reclassified from Other Comprehensive Income (Loss) into earnings	—	—
Amortization of excluded component to interest expense	0.5	0.6

#### **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 following provides the carrying and fair value of the Company's derivative instrument as of October 31, 2020 and November 2, 2019:

	<b>Level</b>	<b>October 31, 2020</b>		<b>November 2, 2019</b>	
		<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
		<b>(Dollars in millions)</b>			
Interest rate cap	2	\$ —	\$ —	\$ —	\$ —

The valuation of the interest rate cap is measured as the present value of all expected future cash flows based on the LIBOR-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.

The fair values of cash and cash equivalents and accounts payable 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.

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Long-term debt is presented at carrying value in our Consolidated Balance Sheets. The fair value of the Company's term loans was determined based on quoted market prices or recent trades of these debt instruments in less active markets. If our 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 values of the Company's term loans as of October 31, 2020 and November 2, 2019:

	October 31, 2020		November 2, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
		(Dollars in millions)		
Term Loan due 2023 (a)	\$ 628.5	\$553.1	\$ 834.6	\$605.1
Term Loan due 2024 (a)	76.2	34.3	218.7	76.5

(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—Accrued Expenses and Other Long-Term Liabilities**

Due to our favorable financial performance during the first thirty-nine weeks of fiscal 2021, the Company increased the accrual for incentive compensation. The accrual reflects the potential incentive compensation payout to all salaried store support center team members as well as all store and district managers. As of the end of the third quarter of fiscal 2021, \$26.0 million of short-term incentive compensation was recorded in accrued expenses and \$1.3 million of long-term incentive compensation was recorded in other long-term liabilities on the accompanying Consolidated Balance Sheets.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was signed into law by the President on March 27, 2020, allows companies to defer the payment of the employer portion of the Social Security Tax. The deferral period lasts until December 31, 2020 with half of the deferred amount due at December 31, 2021 and the other half due at December 31, 2022. The Company has elected to defer payment of its portion of the Social Security Tax as permitted by the CARES Act, and as a result, has accrued for the full amount of these deferred payments in the amount of \$16.4 million within other long-term liabilities on the accompanying Consolidated Balance Sheets. The additional impact of the Employee Retention Credit (the "ERC") enacted as part of the CARES Act did not apply to the payroll tax liability for the first quarter of fiscal 2021. The ERC may be applicable to the second and third quarters of fiscal 2021. The Company is still evaluating the underlying legislation, which is evolving. The Company anticipates that the ERC will be applied retroactively, on an amended basis, in a future fiscal quarter.

### **Note 6—Goodwill and Other Intangible Assets**

In connection with the Merger and the acquisition of Creativebug, the Company acquired certain intangible assets and recognized goodwill based on the excess of purchase price over the fair value of assets acquired and liabilities assumed.

Changes in the carrying value of goodwill were as follows:

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
	(Dollars in millions)	
Goodwill, balance at beginning of period	\$ 162.0	\$ 643.8
Impairment	—	(130.4)
Goodwill, balance at end of period	<u>\$ 162.0</u>	<u>\$ 513.4</u>

The carrying amount of goodwill attributable to the Creativebug acquisition is deductible for income tax purposes, ratably over 15 years. The remaining carrying amount of goodwill is not deductible for income tax purposes.

The carrying amount and accumulated amortization of identifiable intangible assets at October 31, 2020 and November 2, 2019 were as follows:

		October 31, 2020		November 2, 2019	
	Estimated Life in Years	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(Dollars in millions)					
Indefinite-lived intangible assets:					
JOANN trade name	—	\$ 325.0	\$ —	\$ 330.0	\$ —
Joann.com domain name	—	10.0	—	10.0	—
Intangible assets subject to amortization:					
Creativebug trade name	10	0.1	—	0.1	—
Technology	3	0.9	0.9	0.9	0.8
Customer relationships	16	110.0	66.2	110.3	59.5
Total intangible assets		\$ 446.0	\$ 67.1	\$ 451.3	\$ 60.3

Due to the Company's negative comparable sales and declining margins in the second quarter of fiscal 2020, primarily as a result of the expected ongoing impact of the United States tariffs on imported merchandise from China enacted during the second half of fiscal 2019 and subsequently increased during the second quarter of fiscal 2020, a quantitative impairment analysis of goodwill related to the JOANN reporting unit was completed as of July 6, 2019. The Company performed a discounted cash flow analysis and market multiple analysis and used the resulting average as the fair value. Based on the analyses performed, the carrying value of the reporting unit exceeded the fair value of the reporting unit; therefore, the Company recognized a non-cash goodwill impairment charge of \$130.4 million during the second quarter of fiscal 2020.

Due to a weaker than expected fiscal 2020 peak selling season, another quantitative impairment analysis of goodwill related to the JOANN reporting unit was completed as of November 30, 2019. The Company performed a discounted cash flow analysis and a market multiple analysis and used the resulting average as the fair value. Based on the analyses performed, the carrying value of the reporting unit exceeded the fair value of the reporting unit; therefore, the Company recognized a non-cash goodwill impairment charge of \$351.4 million during the fourth quarter of fiscal 2020. As of November 30, 2019, the Company also performed a quantitative impairment analysis of the JOANN Trade Name utilizing a relief from royalty approach by comparing the fair value of the trade name to its carrying value. Based on this information, the Company recognized a non-cash pre-tax impairment charge of \$5.0 million during the fourth quarter of fiscal 2020.

As of May 2, 2020, the Company assessed qualitative factors in order to determine whether any circumstances existed which indicated that it was more-likely-than-not that the fair values of the JOANN

reporting unit, Creativebug reporting unit, JOANN Trade Name and Joann.com Domain Name did not exceed their respective carrying values and concluded no such circumstances existed which would require a quantitative impairment test be performed. The primary factor in this conclusion was the favorable actual and expected financial performance of the Company when compared to the projections that were utilized in the most recent valuation, which was completed during the fourth quarter of fiscal 2020. Therefore, no goodwill or intangible asset impairment charges were recognized in the first quarter of fiscal 2021.

There were no indicators of impairment at either August 1, 2020 or October 31, 2020 for the JOANN reporting unit, Creativebug reporting unit, JOANN Trade Name and Joann.com Domain Name.

The Company recognized intangible asset amortization of \$5.2 million for the first thirty-nine weeks of fiscal 2021 and \$5.4 million for the first thirty-nine weeks of fiscal 2020. The weighted average amortization period of amortizable intangible assets as of October 31, 2020 approximated 6.4 years.

## **Note 7—Income Taxes**

### ***Coronavirus Tax Relief***

The CARES Act was signed into law by the President on March 27, 2020. Among other things, it provides economic relief to individuals and businesses. Tax law changes in the CARES Act impacted the Company in a number of different ways, including enhanced interest expense deductibility for fiscal 2020 and fiscal 2021 resulting from changes to the computation of the related limitation, the ability to carry back net operating losses for fiscal 2020 and fiscal 2021 to the five prior years, including tax years with a 35 percent corporate income tax rate, and a technical correction to the Tax Cuts and Jobs Act of 2017 allowing qualified improvement property to be fully depreciated in the year the property is placed in service.

### ***Reserves for Uncertain Tax Positions***

At the end of the third quarter of fiscal 2021, unrecognized tax benefits were \$1.2 million, of which \$1.0 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 at the end of the third quarter of fiscal 2021 was \$0.3 million compared to \$0.1 million of interest or penalties accrued as of the end of the third quarter of fiscal 2020.

### ***Effective Tax Rate***

The effective income tax rate for the first thirty-nine weeks of fiscal 2021 was 9.2 percent provision compared to 10.8 percent (benefit) for the first thirty-nine weeks of fiscal 2020. During the third quarter of fiscal 2021, the release of the valuation allowance for the deferred tax asset relating to interest expense carryover based on the income tax return filed for fiscal 2020 was adjusted to actual, receivables were recorded for a net operating loss carryback from fiscal 2020, and a settlement was reached during the third quarter of fiscal 2021, with the IRS sustaining a favorable position taken on an amended tax return, resulting in an effective tax rate which is lower than the statutory rate for the first thirty-nine weeks of fiscal 2021. For the first thirty-nine weeks of fiscal 2020, there was a permanent book-tax difference resulting from the \$130.4 million non-deductible goodwill impairment recorded in the second quarter of fiscal 2020.

The effective tax rate is subject to change based on the mix of income from different state jurisdictions, which tax at different rates, as well as the change in status or outcome of uncertain tax positions. We evaluate our effective rate on a quarterly basis and update our estimate of the full-year effective rate as necessary.

## **Note 8—Earnings Per Share**

Basic (loss) income per share is computed based upon the weighted-average number of common shares outstanding. Diluted (loss) income per share is computed based upon the weighted-average number of common

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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 loss per share. For the thirty-nine weeks ended October 31, 2020 and November 2, 2019, 1,683,258 and 2,290,780 shares issuable for equity-based awards, respectively, were excluded from the computation of diluted loss per share because the effect of their inclusion would have been anti-dilutive. In periods in which a net loss has occurred, as is the case for first thirty-nine weeks of fiscal 2020, 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) income per share:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2020</b>	<b>November 2, 2019</b>
	<b>(Dollars in millions except per share data)</b>	
Net (loss) income	\$ 174.0	\$ (188.5)
Weighted-average common shares outstanding – Basic	34,902,380	34,877,288
Effect of dilutive stock options	764,049	—
Weighted-average common shares outstanding – Diluted	35,666,429	34,877,288
Basic earnings per common share	\$ 4.99	\$ (5.40)
Diluted earnings per common share	\$ 4.88	\$ (5.40)

### **Note 9—Segments and Disaggregated Revenue**

In fiscal 2020, fiscal 2019 and fiscal 2018, the Company considered JOANN Stores and Non-Store Omni-Channel to be the Company's operating segments for purposes of determining reportable segments based on the criteria of ASC 280, Segment Reporting ("ASC 280"). Non-Store Omni-Channel does not meet the materiality criteria in ASC 280 and, therefore, is not disclosed separately as a reportable segment. The Company's operating segments are based on how our Chief Executive Officer, who is also our Chief Operating Decision Maker ("CODM"), makes decisions about allocating resources and assessing performance.

The following table shows revenue by product category:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2020</b>	<b>November 2, 2019</b>
	<b>(Dollars in millions)</b>	
Sewing	\$ 989.1	\$ 752.2
Arts and Crafts and Home Decor	895.4	765.3
Other	37.0	28.1
Total	<u>\$ 1,921.5</u>	<u>\$ 1,545.6</u>

### **Note 10—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.

**Note 11—Subsequent Events**

Subsequent to the end of the third quarter of fiscal 2021, on November 25, 2020, the Company agreed to amend and restate various terms of the asset-based revolving credit agreement dated October 21, 2016, which provides for senior secured financing of up to \$500.0 million. No changes were made to the borrowing base formula. The amended 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. See Notes to Consolidated Financial Statements, Note 2—Financing for further details.

On March 3, 2021, our Board approved and effected a 85.8808880756715-for-one unit split of our common stock. All share and per share data included in these consolidated financial statements give effect to the stock split and have been retroactively adjusted for all periods.



Through and including \_\_\_\_\_, 2021 (the 25<sup>th</sup> day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

**10,937,500 Shares**

**JOANN Inc.**

**Common Stock**

**JOANN**

---

**Prospectus**

---

**BofA Securities**

**Credit Suisse**

**Guggenheim Securities**

**Barclays**

**Wells Fargo Securities**

**Piper Sandler**

**William Blair**

**Houlihan Lokey**

**Telsey Advisory Group**

**Loop Capital Markets**

**Ramirez & Co., Inc.**

, 2021

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**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth all the costs and expenses, other than underwriting discounts, payable in connection with the sale of the shares of common stock being registered hereby. Except as otherwise noted, the Registrant will pay all of the costs and expenses set forth in the following table. All amounts shown below are estimates, except the SEC registration fee, the FINRA filing fee and the stock exchange listing fee:

	<u>Amount</u>
SEC registration fee	23,000
FINRA filing fee	15,000
Stock exchange listing fee	210,000
Printing and engraving expenses	215,000
Legal fees and expenses	2,000,000
Accounting fees and expenses	700,000
Transfer agent and registrar fees	4,000
Miscellaneous expenses	333,000
<b>Total</b>	<u><u>3,500,000</u></u>

**Item 14. Indemnification of Directors and Officers**

Section 102 of the DGCL allows a corporation to eliminate the personal liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except in cases where the director breached his or her duty of loyalty to the corporation or its shareholders, failed to act in good faith, engaged in intentional misconduct or a knowing violation of the law, willfully or negligently authorized the unlawful payment of a dividend or approved an unlawful stock redemption or repurchase or obtained an improper personal benefit. Our certificate of incorporation contains a provision which eliminates directors' personal liability as set forth above.

Our certificate of incorporation and bylaws provide in effect that we shall indemnify our directors and officers to the extent permitted by the DGCL. Section 145 of the DGCL provides that a Delaware corporation has the power to indemnify its directors, officers, employees and agents in certain circumstances. Subsection (a) of Section 145 of the DGCL empowers a corporation to indemnify any director, officer, employee or agent, or former director, officer, employee or agent, who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding provided that such director, officer, employee or agent acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, provided that such director, officer, employee or agent had no reasonable cause to believe that his or her conduct was unlawful.

Subsection (b) of Section 145 of the DGCL empowers a corporation to indemnify any director, officer, employee or agent, or former director, officer, employee or agent, who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred in connection with the

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defense or settlement of such action or suit provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery shall determine that despite the adjudication of liability such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 145 further provides that to the extent that a director or officer or employee of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (a) and (b) or in the defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith; that indemnification provided by Section 145 shall not be deemed exclusive of any other rights to which the party seeking indemnification may be entitled; and the corporation is empowered to purchase and maintain insurance on behalf of a director, officer, employee or agent of the corporation against any liability asserted against him or her or incurred by him or her in any such capacity or arising out of his or her status as such whether or not the corporation would have the power to indemnify him or her against such liabilities under Section 145; and that, unless indemnification is ordered by a court, the determination that indemnification under subsections (a) and (b) of Section 145 is proper because the director, officer, employee or agent has met the applicable standard of conduct under such subsections shall be made by (1) a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (3) by the shareholders.

We have in effect insurance policies for general officers' and directors' liability insurance covering all of our officers and directors. In addition, we have entered into indemnification agreements with our directors and officers. These indemnification agreements may require us, among other things, to indemnify each such director or officer for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by such director or officer in any action or proceeding arising out of his or her service as one of our directors or officers.

### **Item 15. Recent Sales of Unregistered Securities**

During the three years preceding the filing of this registration statement, we have granted the following stock options under the 2012 Plan to certain of our employees in connection with services provided to us by such persons:

- in June 2018, we granted stock options to purchase an aggregate of 117,227 shares of our common stock at an exercise price of \$10.07 per share, of which 74,286 options were subsequently terminated by their terms;
- in September 2018, we granted stock options to purchase an aggregate of 55,822 shares of our common stock at an exercise price of \$10.19 per share, all of which were subsequently terminated by their terms;
- in March 2019, we granted stock options to purchase an aggregate of 1,009,529 shares of our common stock at an exercise price of \$11.18 per share, of which 161,885 options were subsequently terminated by their terms; and
- in April 2020, we granted stock options to purchase an aggregate of 973,030 shares of our common stock at an exercise price of \$1.16 per share.

Options to purchase an aggregate of 107,223 shares of our common stock were exercised at an exercise price of \$2.91 per share in the three years preceding the filing of this registration statement. These option grants and subsequent exercises do not reflect the stock-split contemplated in connection with this offering.

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The issuances of these securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Rules 506 and 701 promulgated thereunder. The securities were issued directly by the registrant and did not involve a public offering or general solicitation. The recipients of such securities represented their intentions to acquire the securities for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof.

### Item 16. Exhibits and Financial Statement Schedules

#### (a) Exhibits.

<u>Exhibit No.</u>	<u>Exhibit Description</u>
1.1	<a href="#">Form of Underwriting Agreement.</a>
3.1	<a href="#">Form of Amended and Restated Certificate of Incorporation of the Company, to be effective upon the consummation of this offering.</a>
3.2	<a href="#">Form of Amended and Restated Bylaws of the Company, to be effective upon the consummation of this offering.</a>
4.1	<a href="#">Form of Amended and Restated Shareholders Agreement, to be effective upon the consummation of this offering.</a>
5.1	<a href="#">Opinion of Latham &amp; Watkins LLP.</a>
10.1**	<a href="#">Amended and Restated Credit Agreement, dated October 21, 2016, by and among Jo-Ann Stores, LLC, Needle Holdings LLC and Bank of America, N.A.</a>
10.1.1**	<a href="#">First Amendment to Amended and Restated Credit Agreement, dated November 25, 2020, by and among Jo-Ann Stores, LLC, Needle Holdings LLC and Bank of America, N.A.</a>
10.2**	<a href="#">Credit Agreement, dated October 21, 2016, by and among Jo-Ann Stores, LLC, Needle Holdings LLC and Bank of America, N.A.</a>
10.2.1**	<a href="#">Incremental Amendment No. 1, dated July 21, 2017, by and among Jo-Ann Stores, LLC, Needle Holdings LLC and Bank of America, N.A.</a>
10.3**	<a href="#">Second Lien Term Credit Agreement, dated May 21, 2018, by and among Jo-Ann Stores, LLC, Needle Holdings LLC and Bank of America, N.A.</a>
10.4**#	<a href="#">Employment Agreement by and between the Company and Wade Miquelon.</a>
10.5**#	<a href="#">Severance Agreement by and between the Company and Wade Miquelon.</a>
10.6**#	<a href="#">Severance Agreement by and between the Company and Matt Susz.</a>
10.7**#	<a href="#">Severance Agreement by and between the Company and Janet Duliga.</a>
10.8**#	<a href="#">Severance Agreement by and between the Company and Christopher DiTullio.</a>
10.9**#	<a href="#">Severance Agreement by and between the Company and Robert Will.</a>
10.10**#	<a href="#">Stock Option Plan of the Company, dated October 16, 2012.</a>
10.11**#	<a href="#">Form of Option Agreement under the Stock Option Plan of the Company, dated October 16, 2012.</a>
10.12#	<a href="#">Form of 2021 Equity Incentive Plan of the Company, to be effective upon the consummation of this offering.</a>
10.13#	<a href="#">Form of Option Agreement under the 2021 Equity Incentive Plan.</a>
10.14#	<a href="#">Form of RSU Award Agreement under the 2021 Equity Incentive Plan.</a>
10.15#	<a href="#">Form of RSU Award Agreement under the 2021 Equity Incentive Plan.</a>
10.16#	<a href="#">Form of 2021 Employee Stock Purchase Plan, to be effective upon the consummation of this offering.</a>

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.17#	<a href="#"><u>Non-Employee Director Compensation Policy of the Company, to be effective upon the consummation of this offering.</u></a>
10.18	<a href="#"><u>Form of Indemnification Agreement.</u></a>
21.1**	<a href="#"><u>List of subsidiaries of JOANN Inc.</u></a>
23.1	<a href="#"><u>Consent of Ernst &amp; Young LLP, independent registered public accounting firm.</u></a>
23.2	<a href="#"><u>Consent of Latham &amp; Watkins LLP (included in Exhibit 5.1).</u></a>
24.1**	<a href="#"><u>Power of Attorney (included on signature page).</u></a>
99.1**	<a href="#"><u>Consent of Marybeth Hays to be named as a Director Nominee.</u></a>
99.2**	<a href="#"><u>Consent of Anne Mehlman to be named as a Director Nominee.</u></a>

\*\* Previously filed.

# Indicates management contract or compensatory plan.

### **(b) Financial Statement Schedules.**

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or the notes thereto.

### **Item 17. Undertakings**

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hudson, Ohio, on this 4th day of March, 2021.

### JOANN INC.

By: /s/ Matt Susz  
Name: Matt Susz  
Title: Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Wade Miquelon</u> Wade Miquelon	President, Chief Executive Officer and Director (principal executive officer)	March 4, 2021
<u>/s/ Matt Susz</u> Matt Susz	Senior Vice President, Chief Financial Officer (principal financial and accounting officer)	March 4, 2021
<u>*</u> Darrell Webb	Director	March 4, 2021
<u>*</u> Jonathan Sokoloff	Director	March 4, 2021
<u>*</u> John Yoon	Director	March 4, 2021
<u>*</u> Lily Chang	Director	March 4, 2021

\*By: /s/ Matt Susz  
Matt Susz  
Attorney-in-Fact

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JOANN Inc.

(a Delaware corporation)

[●] Shares of Common Stock

UNDERWRITING AGREEMENT

Dated: March [●], 2021

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JOANN INC.

(a Delaware corporation)

[●] Shares of Common Stock

**UNDERWRITING AGREEMENT**

March [●], 2021

BofA Securities, Inc.  
Credit Suisse Securities (USA) LLC  
as Representatives of the several Underwriters

c/o BofA Securities, Inc.  
One Bryant Park  
New York, New York 10036

c/o Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, New York 10010

Ladies and Gentlemen:

JOANN Inc., a Delaware corporation (the “Company”), and the persons listed on Schedule A-2 hereto (the “Selling Shareholders”) confirm their agreement with BofA Securities, Inc. (“BofA”), Credit Suisse Securities (USA) LLC (“Credit Suisse”) and each of the other Underwriters named in Schedule A-1 hereto (collectively, the “Underwriters,” which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom BofA and Credit Suisse are acting as representatives (in such capacity, the “Representatives”), with respect to (i) the sale by the Company and the Selling Shareholders, acting severally and not jointly, and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of shares of common stock, par value \$0.01 per share, of the Company (“Common Stock”) set forth in Schedule A-1 hereto and (ii) the grant by the Company to the Underwriters of the option described in Section 2(b) hereof to purchase all or any part of [●] additional shares of Common Stock. The aforesaid [●] shares of Common Stock (the “Initial Securities”) to be purchased by the Underwriters and all or any part of the [●] shares of Common Stock subject to the option described in Section 2(b) hereof (the “Option Securities”) are herein called, collectively, the “Securities.”

The Company and the Selling Shareholders understand that the Underwriters propose to make a public offering of the Securities as soon as the Representatives deem advisable after this Agreement has been executed and delivered.

The Company and the Underwriters agree that up to [●] shares of the Initial Securities to be purchased by the Underwriters (the “Reserved Securities”) shall be reserved for sale by Merrill Lynch, Pierce, Fenner & Smith Incorporated (an affiliate of BofA, hereinafter referred to as “Merrill Lynch”) to certain persons designated by the Company (the “Invitees”), as part of the distribution of the Securities by the Underwriters, subject to the terms of this Agreement, the applicable rules, regulations and



interpretations of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and all other applicable laws, rules and regulations. The Company solely determined, without any direct or indirect participation by the Underwriters or Merrill Lynch, the Invitees who will purchase Reserved Securities (including the amount to be purchased by such persons) sold by Merrill Lynch. To the extent that such Reserved Securities are not orally confirmed for purchase by Invitees by 11:59 P.M. (New York City time) on the date of this Agreement, such Reserved Securities may be offered to the public as part of the public offering contemplated hereby.

The Company has filed with the Securities and Exchange Commission (the “Commission”) a registration statement on Form S-1 (No. 333-253121), including the related preliminary prospectus or prospectuses, covering the registration of the sale of the Securities under the Securities Act of 1933, as amended (the “1933 Act”). Promptly after execution and delivery of this Agreement, the Company will prepare and file a prospectus in accordance with the provisions of Rule 430A (“Rule 430A”) of the rules and regulations of the Commission under the 1933 Act (the “1933 Act Regulations”) and Rule 424(b) (“Rule 424(b)”) of the 1933 Act Regulations. The information included in such prospectus that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective pursuant to Rule 430A(b) is herein called the “Rule 430A Information.” Such registration statement, including the amendments thereto, the exhibits thereto and any schedules thereto, at the time it became effective, and including the Rule 430A Information, is herein called the “Registration Statement.” Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein called the “Rule 462(b) Registration Statement” and, after such filing, the term “Registration Statement” shall include the Rule 462(b) Registration Statement. Each prospectus used prior to the effectiveness of the Registration Statement, and each prospectus that omitted the Rule 430A Information that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a “preliminary prospectus.” The final prospectus, in the form first furnished to the Underwriters for use in connection with the offering of the Securities, is herein called the “Prospectus.” For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system or any successor system (“EDGAR”).

As used in this Agreement:

“Applicable Time” means [●]:00 [P./A.M.], New York City time, on March [●], 2021 or such other time as agreed by the Company and the Representatives.

“General Disclosure Package” means any Issuer General Use Free Writing Prospectuses issued at or prior to the Applicable Time, the most recent preliminary prospectus that is distributed to investors prior to the Applicable Time and the information included on Schedule B-1 hereto, all considered together.

“Issuer Free Writing Prospectus” means any “issuer free writing prospectus,” as defined in Rule 433 of the 1933 Act Regulations (“Rule 433”), including without limitation any “free writing prospectus” (as defined in Rule 405 of the 1933 Act Regulations (“Rule 405”)) relating to the Securities that is (i) required to be filed with the Commission by the Company, (ii) a “road show that is a written communication” within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission, or (iii) exempt from filing with the Commission pursuant to Rule 433(d)(5)(i) because it contains a description of the Securities or of the offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company’s records pursuant to Rule 433(g).

“Issuer General Use Free Writing Prospectus” means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors (other than a “*bona fide* electronic road show,” as defined in Rule 433 (the “Bona Fide Electronic Road Show”)), as evidenced by its being specified in Schedule B-2-A-1 hereto.

“Issuer Limited Use Free Writing Prospectus” means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

“Testing-the-Waters Communication” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the 1933 Act or Rule 163B of the 1933 Act Regulations.

“Written Testing-the-Waters Communication” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the 1933 Act.

#### SECTION 1. Representations and Warranties.

(a) *Representations and Warranties by the Company.* The Company represents and warrants to each Underwriter as of the date hereof, the Applicable Time, the Closing Time (as defined below) and any Date of Delivery (as defined below), and agrees with each Underwriter, as follows:

(i) Each of the Registration Statement and any amendment thereto has become effective under the 1933 Act. No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company’s knowledge, contemplated. The Company has complied with each request (if any) from the Commission for additional information.

Each of the Registration Statement and any post-effective amendment thereto, at the time it became effective, the Applicable Time, the Closing Time and any Date of Delivery complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations. Each preliminary prospectus, the Prospectus and any amendment or supplement thereto, at the time each was filed with the Commission, and, in each case, at the Applicable Time, the Closing Time and any Date of Delivery complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations. Each preliminary prospectus delivered to the Underwriters for use in connection with this offering and the Prospectus was or will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Neither the Registration Statement nor any amendment thereto, at its effective time, on the date hereof, at the Closing Time or at any Date of Delivery, contained, contains or will contain an untrue statement of a material fact or omitted, omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. At the Applicable Time and any Date of Delivery, neither (A) the General Disclosure Package, (B) any individual Issuer Limited Use Free Writing Prospectus or (C) any individual Written Testing-the-Waters Communication, when considered together with the General Disclosure Package, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Neither the Prospectus nor any amendment or supplement thereto, as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b), at the Closing Time or at any Date of Delivery, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement (or any amendment thereto), the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) made in reliance upon and in conformity with written information furnished to the Company by any Underwriter expressly for use therein. For purposes of this Agreement, the only information so furnished shall be the information in the [first] paragraph under the heading “Underwriting–Commissions and Discounts,” the [fourth] paragraph under the heading “Underwriting–Listing,” the information in the [second, third and fourth] paragraphs under the heading “Underwriting–Price Stabilization, Short Positions and Penalty Bids” and the information under the heading “Underwriting–Electronic Distribution” in each case contained in the Prospectus (collectively, the “Underwriter Information”).

(iii) No Issuer Free Writing Prospectus conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, and any preliminary or other prospectus deemed to be a part thereof that has not been superseded or modified. The Company has made available a Bona Fide Electronic Road Show in compliance with Rule 433(d)(8)(ii) such that no filing of any “road show” (as defined in Rule 433(h)) is required in connection with the offering of the Securities.

(iv) The Company (A) has not engaged in any Testing-the-Waters Communication other than Testing-the-Waters Communications with the consent of the Representatives with entities that are qualified institutional buyers within the meaning of Rule 144A under the 1933 Act or institutions that are accredited investors within the meaning of Rule 501 under the 1933 Act and (B) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications other than those listed on Schedule B-2-B hereto.

(v) Neither the Company nor any of its subsidiaries has, since the date of the latest audited financial statements included in the General Disclosure Package, (I) sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court, governmental, regulatory or arbitrator action, order or decree or (II) entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole, in each case, otherwise than as set forth or contemplated in the General Disclosure Package; and, since the respective dates as of which information is given in the Registration Statement and the General Disclosure Package, there has not been (x) any change in the capital stock (other than as a result of the exercise, if any, of stock options or the settlement of other equity-based awards described as outstanding in, and the award, if any, of stock options, restricted stock or other equity-based awards in the ordinary course of business pursuant to the Company’s employee benefit plans that are described in the General Disclosure Package and the Prospectus) or long-term debt of the Company or any of its subsidiaries, (y) any dividend or distribution of any kind declared, set aside for payment, paid or

made by the Company on any class of capital stock or (z) any Material Adverse Effect (as defined below) except, in each case as set forth or contemplated in the General Disclosure Package; as used in this Agreement, “Material Adverse Effect” shall mean any material adverse change or effect, or any development involving a prospective material adverse change or effect, in or affecting the business, properties, general affairs, management, financial position, shareholders’ equity or results of operations of the Company and its subsidiaries, taken as a whole;

(vi) The Company and its subsidiaries have good and marketable title in fee simple or valid leasehold interest in to all real property and good and marketable title to all personal property owned or leased by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the General Disclosure Package or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases, and neither the Company nor any subsidiary has notice of any claim affecting or questioning the rights of the Company or any subsidiary to the continued possession of the property or buildings held under any lease, in each case with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries;

(vii) Each of the Company and each of its subsidiaries has been (I) duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization, with power and authority (corporate and other) to own its properties and conduct its business as described in the General Disclosure Package, and (II) duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except, in the case of this clause (vii), where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and the Company does not own or control, directly or indirectly, any corporation, association or other entity other than (I) the subsidiaries listed in Exhibit 21.1 to the Registration Statement, and (II) such other corporations, associations or entities which if considered in the aggregate as a single subsidiary would not constitute a “significant subsidiary” (as such term is defined in Item 1-02(w) of Regulation S-X) as of the end of the Company’s most recent year.

(viii) The Company has an authorized capitalization as set forth in the General Disclosure Package and the Prospectus and all of the issued shares of capital stock of the Company, including the Securities to be sold by the Selling Shareholders, have been duly and validly authorized and issued and are fully paid and non-assessable and conform to the descriptions thereof contained in the General Disclosure Package and the Prospectus; except as described in the General Disclosure Package, there are no outstanding instruments convertible into or exchangeable for, or warrants, rights or options to purchase from the Company, or obligations of the Company to issue, any shares of capital stock or other equity interests of the Company or any of its subsidiaries; and all of the issued shares of capital stock or other equity interests, as applicable, of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and (except, in the case of any foreign subsidiary, for directors’ qualifying shares and except as otherwise set forth in the General Disclosure Package) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens or encumbrances described in the General Disclosure Package and the Prospectus. With respect to the stock options (the “Stock Options”) and other equity awards granted pursuant to the stock-based compensation plans of the Company and its subsidiaries (the “Company Stock Plans”), each such grant was made in accordance with the terms of the Company Stock Plans, the 1934 Act (as defined in clause (xvii) below) and all other applicable laws and regulatory rules or requirements;

(ix) The unissued Securities to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the Common Stock contained in the General Disclosure Package and the Prospectus; and the issuance and sale of the Securities is not subject to any preemptive or similar rights;

(x) The issue and sale of the Securities and the execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated in this Agreement and the General Disclosure Package will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, as applicable, (A) any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except, in the case of this clause (A) for such conflicts, defaults, breaches, or violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (B) the certificate of incorporation or by-laws (or other applicable organizational document) of the Company or any of its subsidiaries, or (C) any statute or law applicable to the Company or any of its subsidiaries or any of their properties or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except in the case of this clause (C) for such violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities, the execution, delivery and performance by the Company of this Agreement or the consummation by the Company of the transactions contemplated by this Agreement and the General Disclosure Package, except such as have been obtained under the 1933 Act, the approval by FINRA of the underwriting terms and arrangements and such consents, approvals, authorizations, registrations or qualifications as may be required under the 1934 Act (as defined in clause (xvii) below) or state securities laws or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;

(xi) Neither the Company nor any of its subsidiaries is (A) in violation of its certificate of incorporation or by-laws (or other applicable organizational document), (B) in violation of any statute or law applicable to the Company or any of its subsidiaries or any of their properties or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (C) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their properties or assets may be bound, except, in the case of the foregoing clauses (B) and (C), for such violations or defaults as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xii) The statements set forth in the General Disclosure Package and the Prospectus under the caption "Description of Capital Stock", insofar as they purport to constitute a summary of the terms of the Common Stock and under the caption "Material U.S. Federal Tax Considerations for Non-U.S. Holders of Our Common Stock", insofar as they purport to describe the provisions of the laws and regulations referred to therein, are accurate and complete in all material respects;

(xiii) Other than as set forth in the General Disclosure Package, there are no legal, governmental or regulatory proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries (or such officer or director), would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and, to the knowledge of the Company, no such proceedings are threatened or contemplated by governmental authorities, regulatory organizations or others;

(xiv) The Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the General Disclosure Package and Prospectus, will not be required to register as an “investment company”, as such term is defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”);

(xv) At the time of filing the Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or another offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) of the 1933 Act Regulations) of the Securities and at the date hereof, the Company was not and is not an “ineligible issuer,” as defined in Rule 405, without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer.

(xvi) Ernst & Young LLP, who have certified the financial statements of the Company and its subsidiaries, is an independent public accounting firm with respect to the Company within the meaning of the 1933 Act and the rules and regulations of the Commission thereunder and the Public Company Accounting Oversight Board;

(xvii) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the “1934 Act”)) that (A) has been designed by the Company’s principal executive officer and principal financial officer, or under their 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 and (B) is sufficient to provide reasonable assurance that (I) transactions are executed in accordance with management’s general or specific authorization, (II) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) and to maintain accountability for assets, (III) access to assets is permitted only in accordance with management’s general or specific authorization and (IV) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and the Company’s internal control over financial reporting is effective and the Company is not aware of any material weaknesses or significant deficiencies in its internal control over financial reporting (whether or not remediated);

(xviii) Since the date of the latest audited financial statements included in the General Disclosure Package, there has been no change in the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;

(xix) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the 1934 Act) that have been designed to ensure that material information relating to the Company and its subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective;

(xx) The Company has the full right, power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby and in the General Disclosure Package; all action required to be taken for the due and proper authorization, execution and delivery by the Company of this Agreement and the consummation by the Company of the transactions contemplated in this Agreement and the General Disclosure Package has been duly and validly taken; and this Agreement has been duly executed and delivered by the Company;

(xxi) None of the Company or any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, controlled affiliate or other person acting on behalf of the Company or any of its subsidiaries has (A) made, offered, promised or authorized any unlawful contribution, gift, entertainment or other unlawful expense; (B) made, offered, promised or authorized any direct or indirect unlawful payment; or (C) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption law; and the Company and, to the knowledge of the Company, its controlled affiliates have conducted their businesses in compliance with applicable anti-bribery and anti-corruption laws and have instituted and maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein;

(xxii) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements of the Bank Secrecy Act of 1970, as amended by the USA PATRIOT ACT of 2001, and the rules and regulations promulgated thereunder, and the anti-money laundering laws of all jurisdictions in which the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency having jurisdiction over the Company or any of its subsidiaries (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened;

(xxiii) None of the Company or any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, controlled affiliate or other person acting on behalf of the Company or any of its subsidiaries is, or is owned or controlled by one or more individuals or entities that is, (A) currently the subject or the target of any sanctions administered or enforced by the U.S. Government, including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC") or the U.S. Department of State and including, without limitation, designation as a "specially designated national" or "blocked person," the European Union, Her Majesty's Treasury, the United Nations Security Council, or other relevant sanctions authority (collectively, "Sanctions") or (B) located, organized or resident in a country or territory that is the subject or target of Sanctions; the Company will not directly or indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (I) to fund or facilitate any activities of or business with any person, or in any country or

territory, that, at the time of such funding, is the subject or the target of Sanctions, (II) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or (III) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions; the Company, its subsidiaries, and to the knowledge of the Company, their respective directors, officers, agents, employees, controlled affiliates and other persons acting on behalf of the Company are in compliance with applicable Sanctions in all material respects; and for the past five years, the Company and its subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned country;

(xxiv) In connection with any offer and sale of Reserved Securities outside the United States, each preliminary prospectus, the Prospectus and any amendment or supplement thereto, at the time it was filed, complied and will comply in all material respects with any applicable laws or regulations of foreign jurisdictions in which the same is distributed. The Company has not offered, or caused the Representatives or Merrill Lynch to offer, Reserved Securities to any person with the specific intent to unlawfully influence (i) a customer or supplier of the Company or any of its affiliates to alter the customer's or supplier's level or type of business with any such entity or (ii) a trade journalist or publication to write or publish favorable information about the Company or any of its affiliates, or their respective businesses or products.

(xxv) The financial statements included in the Registration Statement, the General Disclosure Package and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its subsidiaries at the dates indicated and the statement of operations, shareholders' equity and cash flows of the Company and its subsidiaries for the periods specified; said financial statements have been prepared in conformity with U.S. GAAP applied on a consistent basis throughout the periods involved;

(xxvi) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, with respect to each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is sponsored, maintained or contributed to by the Company or its subsidiaries or, with respect to any employee benefit plan subject to Title IV of ERISA or Section 412 of the Code of the Internal Revenue Code of 1986, as amended (the "Code"), to which the Company, its subsidiaries or any trade or business, whether or not incorporated, that, together with the Company, would be deemed to be a "single employer" within the meaning of Section 4001(b) of ERISA or Section 414 of the Code (an "ERISA Affiliate") could have any liability (each, a "Plan"), (I) no failure to satisfy the minimum funding standards of Sections 302 and 303 of ERISA or Section 412 of the Code, or other event of the kind described in Section 4043(c) of ERISA (other than events with respect to which the 30-day notice requirement under Section 4043 of ERISA has been waived) has occurred; (II) to the extent required by applicable law to be funded, the fair market value of the assets under each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan); (III) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred, excluding transactions effected pursuant to a statutory or administrative exemption and (IV) each Plan is in material compliance with applicable law, including, without limitation, ERISA and the Code. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, neither the Company nor, to the knowledge of the Company, any ERISA Affiliate has incurred or reasonably expects to incur



any liability with respect to any Plan under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation in the ordinary course and without default). Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, neither the Company nor any of its subsidiaries has any material liability in respect of any post-employment health, medical or life insurance benefits for former, current or future employees of the Company or any subsidiary, except as required to avoid excise tax under Section 4980B of the Code or any similar law. None of the Company, any of its subsidiaries or, except as would not reasonably be expected to have a Material Adverse Effect to the Company or any of its subsidiaries, any of its ERISA Affiliates, sponsors, contributes to or has any obligation to contribute to any “multiemployer pension plan” (as defined in Section 3(37) of ERISA). Each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter from the Internal Revenue Service upon which it can rely and, to the knowledge of the Company, nothing has occurred, whether by action or by failure to act, which could reasonably be expected to cause the loss of such qualification. To the knowledge of the Company, there is no pending audit or investigation by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or any other governmental agency or any foreign regulatory agency with respect to any Plan that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect to the Company or its subsidiaries. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, none of the following events has occurred or is reasonably likely to occur: (x) an increase in the aggregate amount of contributions required to be made to all Plans by the Company or its subsidiaries in the current fiscal year of the Company and its subsidiaries compared to the amount of such contributions made in the Company and its subsidiaries’ most recently completed fiscal year; or (y) an increase in the Company and its subsidiaries’ “accumulated post-retirement benefit obligations” (within the meaning of Statement of Financial Accounting Standards 106) compared to the amount of such obligations in the Company and its subsidiaries’ most recently completed fiscal year;

(xxvii) The Company and its subsidiaries have paid all federal, state, local and non-U.S. taxes required to be paid by any of them and filed all federal, state, local and non-U.S. tax returns required to be filed by any of them through the date hereof, except (A) for any taxes which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP, (B) where the failure to pay or file would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (C) as otherwise disclosed in the Registration Statement, the General Disclosure Package and the Prospectus. There is no tax deficiency that has been asserted in writing against the Company or any of its subsidiaries or any of their respective properties or assets, except for such deficiencies (x) as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (y) as otherwise disclosed in the Registration Statement, the General Disclosure Package and the Prospectus;

(xxviii) The Company and its subsidiaries possess all licenses, certificates, permits and other authorizations (collectively, the “Government Licenses”) issued by, and have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in the Registration Statement, the General Disclosure Package and the Prospectus, except where the failure to possess or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and neither the

Company nor any of its subsidiaries has received notice of any revocation or modification (or proceedings related thereto) of any Governmental License or has any reason to believe that any Governmental License will not be renewed in the ordinary course, in each case, except where such revocation, modification, or non-renewal would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xxix) The Company and its subsidiaries own or possess adequate rights to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations and applications, service mark registrations and applications, copyrights and copyrightable works, domain names, social and mobile media identifiers, licenses, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), methods, processes, inventions, technology and other intellectual property rights (collectively, "Intellectual Property") material to the conduct of their respective businesses as currently conducted and as currently proposed to be conducted, and the conduct of their respective businesses does not and will not infringe, misappropriate or otherwise violate in any material respect any such rights of others. To the knowledge of the Company, the Intellectual Property of the Company and its subsidiaries is not being infringed, misappropriated or otherwise violated by any person. The Company and its subsidiaries have not received any notice of any claim of infringement, misappropriation or violation of any such rights of others in connection with the operation of their respective businesses or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, in each case, which would reasonably be expected to have a Material Adverse Effect;

(xxx) The Company and its subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as are customary for businesses such as the Company's and its subsidiaries'; and neither the Company nor any of its subsidiaries has (A) received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance or (B) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business;

(xxxi) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect: (A) the Company and its subsidiaries and their respective operations and facilities are in compliance with applicable Environmental Laws (as defined below), which compliance includes, without limitation, obtaining and being in compliance with all permits, licenses and other governmental authorizations or approvals, and having made all filings and provided all financial assurances and notices, required for the ownership and operation of the business (as currently conducted and as currently proposed to be conducted), properties and facilities of the Company or its subsidiaries under applicable Environmental Laws; (B) neither the Company nor any of its subsidiaries has received any written communication, whether from a governmental authority, citizens group, employee or other person, that alleges that the Company or any of its subsidiaries is in violation of or liable under any Environmental Law; (C) there is no claim, action or cause of action based on or pursuant to any Environmental Law filed with a court or governmental authority pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries, (D) there is no governmental investigation with respect to which the Company or any of its subsidiaries has received written or to knowledge of the Company, oral notice regarding any actual or potential liability on the part of the Company pursuant to any Environmental Law, and neither the Company nor any of its subsidiaries has

received written or to knowledge of the Company, oral notice by any person or entity alleging any such liability; (E) neither the Company nor any of its subsidiaries is conducting or paying for, in whole or in part, any investigation, response or other corrective action pursuant to any Environmental Law at any site or facility, nor is any of them subject or a party to any order, judgment or decree issued by a governmental authority, which imposes any obligation or liability under any Environmental Law; (F) neither the Company nor any of its subsidiaries owns, occupies, or operates any real property at which there is or has been any Release (as defined below) or threatened Release of Materials of Environmental Concern (as defined below); (G) to the knowledge of the Company, no lien, charge, encumbrance or restriction has been recorded pursuant to any Environmental Law with respect to any assets, facility or property owned, operated or leased by the Company or any of its subsidiaries; and (H) to the knowledge of the Company there are no past or present actions, activities, circumstances, conditions or occurrences, including, without limitation, the Release or threatened Release of any Material of Environmental Concern, that could reasonably be expected to result in a violation of or liability under any Environmental Law on the part of the Company or any of its subsidiaries.

For purposes of this Agreement, “Environment” means ambient air, indoor air, surface water, groundwater, drinking water, soil, surface and subsurface strata, and natural resources such as wetlands, flora and fauna. “Environmental Laws” means, all federal, state, local and foreign laws or regulations, ordinances, codes, orders, decrees, judgments, other requirement or rule of law (including applicable principles of common law) and injunctions issued, promulgated or entered thereunder, relating to pollution or protection of the Environment or human health, including without limitation, those relating to (i) the Release or threatened Release of Materials of Environmental Concern; and (ii) the manufacture, processing, distribution, use, generation, treatment, storage, transport, handling or recycling of Materials of Environmental Concern. “Materials of Environmental Concern” means any substance, material, or waste, compound, or constituent, in any form, that is defined, listed or regulated as “hazardous” or “toxic” (or terms of similar regulatory intent or meaning) under Environmental Law, including, without limitation, petroleum and petroleum by-products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, and toxic mold. “Release” means any release, spill, emission, discharge, deposit, disposal, leaking, pumping, pouring, dumping, emptying, migrating, injection or leaching into the Environment;

(xxxii) The Company and its subsidiaries operate their respective businesses in a manner compliant in all material respects with all privacy, data security and data protection industry and regulatory guidance, laws, regulations, statutes, judgments, orders and rules, contractual obligations and their policies and procedures applicable to (A) their collection, handling, maintenance, usage, disclosure, transmission, disposal, storage and processing of all personal, personally identifiable, sensitive and regulated data (“Personal Data”), along with all other data, including without limitation, IP addresses, mobile device identifiers and website usage activity data (“Device and Activity Data”) and confidential, sensitive or proprietary business information (“Business Data”) (collectively, “Data Protection Obligations”) and (B) their information technology assets and equipment, including computers, systems, networks, hardware, software, websites, applications and databases (collectively, “IT Systems”); the Company’s and its subsidiaries’ IT Systems are adequate for, and operate and perform in all material respects as required in connection with, the operation of the businesses of the Company and its subsidiaries as currently conducted, free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants; the Company and its subsidiaries have implemented and maintain commercially reasonable controls, policies, procedures and safeguards to maintain and protect their IT Systems, Personal Data, Device and Activity Data and Business Data, and to ensure material compliance with all applicable Data Protection Obligations; the Company

requires third parties to which it provides any Personal Data, Device and Activity Data or Business Data to comply with all applicable Data Protection Obligations; and the Company and its subsidiaries have not experienced any breach, violation, outage or other security incident, including any such incident that has compromised the privacy and/or security of any of their IT Systems, Personal Data, Device and Activity Data, or Business Data, except as would not reasonably be expected to have a Material Adverse Effect;

(xxxiii) No labor disturbance by or dispute with employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is contemplated or threatened, and the Company is not aware of any existing or imminent labor disturbance by, or dispute with, the employees of any of its or its subsidiaries' principal suppliers, contractors or customers, in each case, except as would not reasonably be expected to have a Material Adverse Effect;

(xxxiv) Except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, no person has the right to require the Company or any of its subsidiaries to register any securities for sale under the 1933 Act by reason of the filing of the Registration Statement with the Commission or the issuance and sale of the Securities;

(xxxv) No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, shareholders, customers or suppliers of the Company or any of its subsidiaries, on the other, that is required by the 1933 Act to be described in the Registration Statement and the Prospectus and that is not so described in such documents and in the General Disclosure Package;

(xxxvi) No forward-looking statement (within the meaning of Section 27A of the 1933 Act and Section 21E of the 1934 Act) contained in the Registration Statement, the General Disclosure Package or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith;

(xxxvii) Nothing has come to the attention of the Company that has caused the Company to believe that the statistical and market-related data included in the Registration Statement, the General Disclosure Package and the Prospectus is not based on or derived from sources that are reliable and accurate in all material respects and, to the extent required, the Company has obtained the written consent to the use of such data from such sources;

(xxxviii) Neither the Company nor any of its affiliates has taken, directly or indirectly, any action which is designed to or which has constituted or which would reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities;

(xxxix) The application of the proceeds received by the Company from the issuance, sale and delivery of the Securities as described in the Registration Statement, the General Disclosure Package and the Prospectus will not violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors;

(xl) There is and has been no failure on the part of the Company or, to the knowledge of the Company, any of the Company's directors or officers, in their capacities as such, to comply in all material respects with any provision of the Sarbanes-Oxley Act of 2002, as amended and the rules and regulations promulgated in connection therewith, applicable as of the effective date of the Registration Statement, including Section 402 related to loans and Sections 302 and 906 related to certifications;

(xli) There are no debt securities or preferred stock issued, or guaranteed by, the Company or any of its subsidiaries that are rated by a “nationally recognized statistical rating organization,” as such term is defined in Section 3(a)(62) of the 1934 Act; and

(xlii) Neither the Company or any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against the Company or any of its subsidiaries or any Underwriter for a brokerage commission, finder’s fee or like payment in connection with the offering and sale of the Securities.

(b) *Representations and Warranties by the Selling Shareholders.* Each of the Selling Shareholders, severally and not jointly, represents and warrants to, and agrees with each of the Underwriter and the Company that:

(i) All consents, approvals, authorizations and orders necessary for the execution and delivery by such Selling Shareholder of this Agreement and for the sale and delivery of the Securities to be sold by such Selling Shareholder hereunder, have been obtained, except for such consents, approvals, authorizations and orders as would not, individually or in the aggregate, reasonably be expected to materially impact such Selling Shareholder’s ability to perform its obligations under this Agreement; and such Selling Shareholder has full right, power and authority to enter into this Agreement and to sell, assign, transfer and deliver the Securities to be sold by such Selling Shareholder hereunder;

(ii) The sale of the Securities to be sold by such Selling Shareholder hereunder and the compliance by such Selling Shareholder with this Agreement and the consummation of the transactions herein contemplated will not (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any statute, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which such Selling Shareholder is a party or by which such Selling Shareholder is bound or to which any of the property or assets of such Selling Shareholder is subject, (B) if such Selling Shareholder is a corporation or partnership, result in any violation of the provisions of the Articles of Incorporation and By-Laws or the Partnership Agreement, as applicable, of such Selling Shareholder or (C) conflict with or result in a breach or violation of any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over such Selling Shareholder or any of its subsidiaries or any property or assets of such Selling Shareholder, except, in the case of clauses (A) and (C) above, for any such conflict, breach, violation or default that would not, individually or in the aggregate, reasonably be expected to materially impact such Selling Shareholder’s ability to perform its obligations under this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental body or agency is required for the performance by such Selling Shareholder of its obligations under this Agreement and the consummation by such Selling Shareholder of the transactions contemplated by this Agreement in connection with the Securities to be sold by such Selling Shareholder hereunder, except the registration under the 1933 Act of the Securities, the approval by FINRA of the underwriting terms and arrangements, the approval for listing on the Nasdaq Global Market and such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;

(iii) Such Selling Shareholder has, and immediately prior to each Time of Delivery (as defined in Section 2(c) hereof) such Selling Shareholder will have, good and valid title to, or a valid “security entitlement” within the meaning of Section 8-501 of the New York Uniform Commercial Code in respect of, the Securities to be sold by such Selling Shareholder hereunder at such Time of Delivery, free and clear of all liens, encumbrances, equities or claims; and, upon delivery of such Securities and payment therefor pursuant hereto, good and valid title to such Securities, free and clear of all liens, encumbrances, equities or claims, will pass to the several Underwriters;

(iv) Such Selling Shareholder, to the extent not a natural person, has been duly organized and is validly existing and in good standing under the laws of its respective jurisdiction of organization;

(v) On or prior to the date of the General Disclosure Package, such Selling Shareholder has executed and delivered to the Underwriters an agreement substantially in the form of Exhibit A hereto;

(vi) Such Selling Shareholder has not taken, directly or indirectly, any action which is designed to or which has constituted or which would reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities;

(vii) Neither the General Disclosure Package nor the Prospectus or any amendments or supplements thereto includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that such representations and warranties set forth in this subsection (b)(vii) apply only to statements or omissions made in reliance upon and in conformity with information relating to such Selling Shareholder furnished in writing by or on behalf of such Selling Shareholder expressly for use in the Registration Statement, the General Disclosure Package, the Prospectus or any other Issuer Free Writing Prospectus or any amendment or supplement thereto (the “Selling Shareholder Information”); such Selling Shareholder is not prompted to sell the Securities to be sold by such Selling Shareholder hereunder by any information concerning the Company or any subsidiary of the Company which is not set forth in the General Disclosure Package and the Prospectus.

(viii) Such Selling Shareholder will not directly or indirectly use the proceeds of the offering of the Securities to be sold by such Selling Shareholder hereunder, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity (I) to fund or facilitate any activities of or business with any person, or in any country or territory, that, at the time of such funding, is the subject or the target of Sanctions, (II) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or (III) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(c) *Officer’s Certificates.* Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby; and any certificate signed by or on behalf of any Selling Shareholder as such and delivered to the Representatives or to counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by such Selling Shareholder to the Underwriters as to the matters covered thereby.

**SECTION 2. Sale and Delivery to Underwriters; Closing.**

(a) *Initial Securities.* On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company and each Selling Shareholder, severally and not jointly, agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Company and the Selling Shareholders, at the price per share of \$[●], the number of Initial Securities set forth in Schedule A-1 opposite the name of such Underwriter, plus any additional number of Initial Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof, subject, in each case, to such adjustments among the Underwriters as the Representatives in their sole discretion shall make to eliminate any sales or purchases of fractional shares.

(b) *Option Securities.* In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the Underwriters to purchase up to an additional [●] shares of Common Stock, at the price per share set forth in Section 2(a), less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities. The option hereby granted may be exercised for 30 days after the date hereof and may be exercised in whole or in part at any time from time to time upon notice by the Representatives to the Company setting forth the number of Option Securities as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the Representatives, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time. If the option is exercised as to all or any portion of the Option Securities, each of the Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Securities then being purchased which the number of Initial Securities set forth in Schedule A-1 opposite the name of such Underwriter bears to the total number of Initial Securities, subject, in each case, to such adjustments as the Representatives in their sole discretion shall make to eliminate any sales or purchases of fractional shares.

(c) *Payment.* Payment of the purchase price for, and delivery of certificates or security entitlements for, the Initial Securities shall be made at the offices of Simpson Thacher & Bartlett LLP, 2475 Hanover Street, Palo Alto, California, 94304, or at such other place as shall be agreed upon by the Representatives, the Company and the Selling Shareholders, at 9:00 A.M. (New York City time) on the second (third, if the pricing occurs after 4:30 P.M. (New York City time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10 hereof), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives and the Company and the Selling Shareholders (such time and date of payment and delivery being herein called the "Closing Time"). Such time and date for delivery of the Initial Securities is herein called the "First Time of Delivery", such time and date for delivery of the Option Securities, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

In addition, in the event that any or all of the Option Securities are purchased by the Underwriters, payment of the purchase price for, and delivery of certificates or security entitlements for, such Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Representatives, the Company and the Selling Shareholders, on each Date of Delivery as specified in the notice from the Representatives to the Company and the Selling Shareholders.

Payment shall be made to the Company and the Selling Shareholders by wire transfer of immediately available funds to a bank account designated by the Company against delivery to the Representatives for the respective accounts of the Underwriters of certificates or security entitlements for the Securities to be purchased by them. It is understood that each Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial Securities and the Option Securities, if any, which it has agreed to purchase. Any or each of the Representatives, individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial Securities or the Option Securities, if any, to be purchased by any Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such Underwriter from its obligations hereunder.

**SECTION 3. Covenants of the Company and the Selling Shareholders.** The Company and each of the Selling Shareholders covenants with each Underwriter as follows:

(a) *Compliance with Securities Regulations and Commission Requests.* The Company, subject to Section 3(b) hereof, will comply with the requirements of Rule 430A, and will notify the Representatives immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective or any amendment or supplement to the Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment or of any order preventing or suspending the use of any preliminary prospectus or the Prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes or of any examination pursuant to Section 8(d) or 8(e) of the 1933 Act concerning the Registration Statement and (v) if the Company becomes the subject of a proceeding under Section 8A of the 1933 Act in connection with the offering of the Securities. The Company will effect all filings required under Rule 424(b), in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)), and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order, prevention or suspension and, if any such order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) *Continued Compliance with Securities Laws.* The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement and in the Registration Statement, the General Disclosure Package and the Prospectus. If at any time when a prospectus relating to the Securities is (or, but for the exception afforded by Rule 172 of the 1933 Act Regulations ("Rule 172"), would be) required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to (i) amend the Registration Statement in order that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) amend or supplement the General Disclosure Package or the Prospectus in order that the General Disclosure Package or the Prospectus, as the case may be, will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser or (iii) amend the Registration Statement or amend or supplement the General Disclosure Package or the Prospectus, as the case may be, in order to comply with the requirements of the



1933 Act or the 1933 Act Regulations, the Company will promptly (A) give the Representatives notice of such event, (B) prepare any amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement, the General Disclosure Package or the Prospectus comply with such requirements and, a reasonable amount of time prior to any proposed filing or use, furnish the Representatives with copies of any such amendment or supplement and (C) file with the Commission any such amendment or supplement; provided that the Company shall not file or use any such amendment or supplement to which the Representatives or counsel for the Underwriters shall object. The Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request. The Company has given the Representatives notice of any filings made pursuant to the 1934 Act or 1934 Act Regulations within 48 hours prior to the Applicable Time; the Company will give the Representatives notice of its intention to make any such filing from the Applicable Time to the Closing Time and will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing, as the case may be, and will not file or use any such document to which the Representatives or counsel for the Underwriters shall reasonably object.

(c) *Delivery of Registration Statements.* The Company has furnished or will deliver to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement as originally filed and each amendment thereto (including exhibits filed therewith) and signed copies of all consents and certificates of experts, and will also deliver to the Representatives, without charge, a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) *Delivery of Prospectuses.* The Company has delivered to each Underwriter, without charge, as many copies of each preliminary prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each Underwriter, without charge, during the period when a prospectus relating to the Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the 1933 Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) *Blue Sky Qualifications.* The Company will use its best efforts, in cooperation with the Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representatives may designate and to maintain such qualifications in effect so long as required to complete the distribution of the Securities; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(f) *Rule 158.* The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide to the Underwriters the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(g) *Use of Proceeds.* The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Registration Statement, the General Disclosure Package and the Prospectus under “Use of Proceeds.”

(h) *Listing.* The Company will use its best efforts to effect and maintain the listing of the Common Stock (including the Securities) on the Nasdaq Global Market.

(i) *Restriction on Sale of Securities.* During a period of 180 days from the date of the Prospectus, the Company will not, without the prior written consent of the Representatives, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file or confidentially submit any registration statement under the 1933 Act with respect to any of the foregoing, (ii) enter into any swap, hedging transaction or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, or (iii) publicly disclose the intention to take any of the actions restricted by clause (i) or (ii) above. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder, (B) any shares of Common Stock issued upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of this Agreement and described in the General Disclosure Package, (C) any shares of Common Stock issued (including upon the exercise of options) and grants of stock options, restricted stock units, or other equity based awards pursuant to any employee stock option plan, equity incentive plan, or any other employee benefit plan described in the General Disclosure Package, (D) a registration statement on Form S-8 relating to any employee benefit plan described in the General Disclosure Package, (E) the issuance of Common Stock (or securities exercisable or convertible into Common Stock) in connection with the acquisition by the Company or any subsidiary of the securities, businesses, property or other assets of another person or entity or pursuant to any employee benefit plan assumed by the Company in connection with any such acquisition, and (F) the issuance of Common Stock (or securities exercisable or convertible into Common Stock) in connection with joint ventures, commercial relationships, or other strategic transactions; provided that, in the case of clauses (E) and (F), (x) the aggregate number of shares of Common Stock issued or issuable in all such acquisitions and transactions does not exceed 5% of the Company’s outstanding Common Stock following the transactions contemplated by this Agreement and (y) each person to whom such shares are issued executes a “lock-up” agreement in the form of Exhibit A hereto.

(j) *Lock-up Restrictions.* If the Representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up agreement described in Section 5(k) hereof for an officer or director of the Company and provides the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit B hereto through a major news service at least two business days before the effective date of the release or waiver.

(k) *Reporting Requirements.* The Company, during the period when a Prospectus relating to the Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the 1933 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and 1934 Act Regulations. Additionally, the Company shall report the use of proceeds from the issuance of the Securities as may be required under Rule 463 under the 1933 Act.

(l) *Issuer Free Writing Prospectuses.* Each of the Company and each Selling Shareholder agrees that, unless it obtains the prior written consent of the Representatives, it will not make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a “free writing prospectus,” or a portion thereof, required to be filed by the Company with the Commission or retained by the Company under Rule 433; provided that the Representatives will be deemed to have consented to the Issuer Free Writing Prospectuses listed on Schedule B-2-A hereto and any “road show that is a written communication” within the meaning of Rule 433(d)(8)(i) that has been reviewed by the Representatives. Each of the Company and each Selling Shareholder represents that it has treated or agrees that it will treat each such free writing prospectus consented to, or deemed consented to, by the Representatives as an “issuer free writing prospectus,” as defined in Rule 433, and that it has complied and will comply with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement, any preliminary prospectus or the Prospectus or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(m) *Certification Regarding Beneficial Owners.* Each of the Company and each Selling Shareholder will deliver to the Representatives, on the date of execution of this Agreement, a properly completed and executed Certification Regarding Beneficial Owners of Legal Entity Customers, together with copies of identifying documentation, and each of the Company and each Selling Shareholder undertakes to provide such additional supporting documentation as the Representatives may reasonably request in connection with the verification of the foregoing certification.

(n) *Compliance with FINRA Rules.* The Company hereby agrees that it will ensure that the Reserved Securities will be restricted as required by FINRA or the FINRA rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of this Agreement. Merrill Lynch will notify the Company as to which persons will need to be so restricted. At the request of the Underwriters or Merrill Lynch, the Company will direct the transfer agent to place a stop transfer restriction upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any of the Reserved Securities, the Company agrees to reimburse the Underwriters and Merrill Lynch for any reasonable expenses (including, without limitation, legal expenses) they incur in connection with such release.

(o) *Testing the Waters Materials.* If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

(p) *Tax Forms.* Each Selling Shareholder will deliver to the Representatives prior to or at the First Time of Delivery a properly completed and executed Internal Revenue Service (“IRS”) Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

#### SECTION 4. Payment of Expenses.

(a) *Expenses.* The Company will pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of copies of each preliminary prospectus, each Issuer Free Writing Prospectus and the Prospectus and any amendments or supplements thereto and the reasonable costs associated with electronic delivery of any of the foregoing by the Underwriters to investors in each case, in connection with the offer and sale of the Securities, (iii) the preparation, issuance and delivery of the certificates or security entitlements for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters, (iv) the fees and disbursements of the Company and the Selling Shareholders' counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(e) hereof, including filing fees and the reasonable and documented fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto in an amount not to exceed \$10,000, (vi) the fees and expenses of any transfer agent or registrar for the Securities, (vii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the Securities, including without limitation, expenses associated with the production of road show slides and graphics, reasonable and documented fees and expenses of any consultants engaged with the prior written consent of the Company in connection with the road show presentations, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of aircraft and other transportation in connection with the road show; provided, that 50% of the cost of any aircraft chartered and 50% of direct costs associated with use of the Company's aircraft, in each case in connection with the road show shall be paid by the Underwriters, (viii) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by FINRA of the terms of the sale of the Securities, in an amount not to exceed \$30,000, (ix) the fees and expenses incurred in connection with the listing of the Securities on Nasdaq Global Market and (x) all costs and expenses of the Underwriters and Merrill Lynch, including the fees and disbursements of counsel for the Underwriters and counsel for Merrill Lynch, in connection with matters related to the Reserved Securities which are designated by the Company for sale to Invitees; provided that the amount payable by the Company pursuant to this clause (x) shall not exceed \$20,000.

(b) *Expenses of the Selling Shareholders.* Each Selling Shareholder will pay all of its respective expenses incident to the performance of their respective obligations under, and the consummation of the transactions contemplated by, this Agreement, including any stamp and other duties and stock and other transfer taxes, if any, payable upon the sale of the Securities to the Underwriters.

(c) *Termination of Agreement.* If this Agreement is terminated by the Representatives in accordance with the provisions of Section 5, Section 9(a) (i) or (iii) or Section 10 hereof, the Company shall reimburse the Underwriters for all of their reasonable and documented out-of-pocket expenses approved in writing, including the reasonable fees and disbursements of counsel for the Underwriters, but the Company shall then be under no further liability to any Underwriter except as provided in this Section 4 and Section 6 hereof.

(d) *Allocation of Expenses.* The provisions of this Section shall not affect any agreement that the Company and the Selling Shareholders may make for the sharing of such costs and expenses.

**SECTION 5. Conditions of Underwriters' Obligations.** The obligations of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Shareholders contained herein or in certificates of any officer of the Company or any of its subsidiaries or on behalf of any Selling Shareholder delivered pursuant to the provisions hereof, to the performance by the Company and each Selling Shareholder of their respective covenants and other obligations hereunder, and to the following further conditions:

(a) *Effectiveness of Registration Statement; Rule 430A Information.* The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and, at the Closing Time, no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company's knowledge, are contemplated; and the Company has complied with each request (if any) from the Commission for additional information. A prospectus containing the Rule 430A Information shall have been filed with the Commission in the manner and within the time frame required by Rule 424(b) without reliance on Rule 424(b)(8) or a post-effective amendment providing such information shall have been filed with, and declared effective by, the Commission in accordance with the requirements of Rule 430A.

(b) *Opinion and Negative Assurance Letter of Counsel for Company and certain of the Selling Shareholders.* At the Closing Time, the Representatives shall have received (i) the favorable opinion and negative assurance letter, dated the Closing Time, of Latham & Watkins LLP, counsel for the Company and certain of the Selling Shareholders, in form and substance reasonably satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters and (ii) the favorable opinion, dated the Closing Time, of counsel for certain of the Selling Shareholders, in form and substance reasonably satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters.

(c) *Opinion of Counsel for Underwriters.* At the Closing Time, the Representatives shall have received an opinion and negative assurance letter, dated the Closing Time, of Simpson Thacher & Bartlett LLP, counsel for the Underwriters, in form and substance reasonably satisfactory to the Representatives.

(d) *Officers' Certificate.* At the Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package or the Prospectus and other than as disclosed in the Registration Statement, the General Disclosure Package or the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representatives shall have received a certificate of the Chief Executive Officer or the President of the Company and of the chief financial or chief accounting officer of the Company, dated the Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties of the Company in this Agreement are true and correct with the same force and effect as though expressly made at and as of the Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement under the 1933 Act has been issued, no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to their knowledge, contemplated.

(e) *Certificate of Selling Shareholders.* At the Closing Time, the Representatives shall have received a certificate of a representative of each Selling Shareholder, dated the Closing Time, to the effect that (i) the representations and warranties of such Selling Shareholder in this Agreement are true and correct with the same force and effect as through expressly made at and as of the Closing Time and (ii) such Selling Shareholder has complied with all agreements and all conditions on its part to be performed under this Agreement at or prior to the Closing Time.

(f) *Chief Financial Officer's Certificate.* At the time of the execution of this Agreement and at the Closing Time, the Representatives shall have received from the chief financial officer of the Company a certificate, dated the date hereof or the Closing Time, respectively, as to the accuracy of certain financial and other information included in the Registration Statement, the General Disclosure Package and the Prospectus in form and substance reasonably satisfactory to the Representatives.

(g) *Accountant's Comfort Letter.* At the time of the execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter, dated such date, in form and substance satisfactory to the Representatives, together with signed or reproduced copies of such letter for each of the other Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the General Disclosure Package and the Prospectus.

(h) *Bring-down Comfort Letter.* At the Closing Time, the Representatives shall have received from Ernst & Young LLP a letter, dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (g) of this Section, except that the specified date referred to shall be a date not more than three business days prior to the Closing Time.

(i) *Approval of Listing.* At the Closing Time, the Securities shall have been approved for listing on the Nasdaq Global Market, subject only to official notice of issuance.

(j) *No Objection.* FINRA has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements relating to the offering of the Securities.

(k) *Lock-up Agreements.* At the date of this Agreement, the Representatives shall have received an agreement substantially in the form of Exhibit A hereto signed by the persons listed on Schedule C hereto.

(l) *Conditions to Purchase of Option Securities.* In the event that the Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the representations and warranties of the Company and the Selling Shareholders contained herein and the statements in any certificates furnished by the Company and any of its subsidiaries and the Selling Shareholders hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representatives shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, of the Chief Executive Officer or President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(d) hereof remains true and correct as of such Date of Delivery.

(ii) Certificate of Selling Shareholders. A certificate, dated such Date of Delivery, of each Selling Shareholder confirming that the certificate delivered at the Closing Time pursuant to Section 5(d) remains true and correct as of such Date of Delivery.

(iii) Opinions and Negative Assurance Letter of Counsel for Company and the Selling Shareholders. If requested by the Representatives, the favorable opinion of and Negative Assurance Letter of Latham & Watkins LLP, counsel for the Company and the Selling Shareholders, in form and substance reasonably satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iv) Opinion of Counsel for Underwriters. If requested by the Representatives, the favorable opinion of Simpson Thacher & Bartlett LLP, counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(v) Bring-down Comfort Letter. If requested by the Representatives, a letter from Ernst & Young LLP, in form and substance satisfactory to the Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Representatives pursuant to Section 5(h) hereof, except that the “specified date” in the letter furnished pursuant to this paragraph shall be a date not more than three business days prior to such Date of Delivery.

(m) *Additional Documents.* At the Closing Time and at each Date of Delivery (if any) counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Shareholders in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(n) *Termination of Agreement.* If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several Underwriters to purchase the relevant Option Securities, may be terminated by the Representatives by notice to the Company and the Selling Shareholders at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7, 8, 13, 14, 15, 16 and 17 shall survive any such termination and remain in full force and effect.

#### SECTION 6. Indemnification.

(a) The Company will indemnify and hold harmless each Underwriter, its officers and directors, and its affiliates (as such term is defined in Rule 501(b) under the 1933 Act (each, an “Affiliate”)) against any losses, claims, expenses, damages or liabilities, joint or several, to which such Underwriter may become subject, under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereto, including the Rule 430A Information or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the General Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication, any road show, or any “issuer information” filed or required to be filed pursuant to Rule 433(d) under the 1933 Act, or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the

light of the circumstances under which they were made, not misleading; and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any preliminary prospectus, the General Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication, in reliance upon and in conformity with Underwriter Information.

(b) Each of the Selling Shareholders, severally and not jointly, will indemnify and hold harmless each Underwriter against any losses, claims, expenses, damages or liabilities, joint or several, to which such Underwriter may become subject, under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus, the General Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication, any roadshow, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any preliminary prospectus, the General Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication or any roadshow, in reliance upon and in conformity with the Selling Shareholder Information furnished to the Company by such Selling Shareholder expressly for use therein; and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, that the liability of each of the Selling Shareholders pursuant to this subsection 6(b) shall not exceed the product of the number of Securities sold by such Selling Shareholder including any Option Securities and the public offering price of the Securities as set forth in the Prospectus after deducting any underwriting discounts and commissions for such Securities but before applicable offering expenses and taxes (with respect to each Selling Shareholder, the "Selling Shareholder Proceeds").

(c) Each Underwriter will, severally and not jointly, indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each Selling Shareholder, and each person, if any, who controls any Selling Shareholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any losses, claims, expenses, damages or liabilities to which the Company or such Selling Shareholder may become subject, under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereto, or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the General Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication or any road show, or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any preliminary prospectus, the General Disclosure Package or the Prospectus, or any amendment or



supplement thereto, any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication or any road show, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Company and each Selling Shareholder for any legal or other expenses reasonably incurred by the Company and such Selling Shareholders in connection with investigating or defending any such action or claim as such expenses are incurred.

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; provided that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under the preceding paragraphs of this Section 6 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under the preceding paragraphs of this Section 6. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the contrary; (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party; (iii) the indemnified party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the indemnifying party; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) In connection with the offer and sale of the Reserved Securities, the Company agrees to indemnify and hold harmless the Underwriters, their Affiliates (including Merrill Lynch) and selling agents and each person, if any, who controls any Underwriter or Merrill Lynch within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, from and against any and all loss, liability, claim, damage and expense (including, without limitation, any legal or other expenses reasonably incurred in connection with defending, investigating or settling any such action or claim), as incurred, (i) arising out of the violation of any applicable laws or regulations of foreign jurisdictions where Reserved Securities have been offered, (ii) arising out of any untrue statement or alleged untrue statement of a material fact contained in any other material prepared by or with the consent of the Company for distribution to Invitees in connection with the offering of the Reserved Securities or caused by any omission or alleged omission to state therein a material fact required to be stated therein or

necessary to make the statements therein not misleading, provided, however, that no indemnification shall be available under this subsection (ii) for any loss, liability, claim, damage or expense arising out of or based upon any untrue statement or omission or alleged untrue statement or omission in any material prepared by or with the consent of the Company for distribution to Invitees in connection with the offering of the Reserved Securities in reliance upon and in conformity with written information furnished by the Underwriters or their Affiliates expressly for use therein (iii) caused by the failure of any Invitee to pay for and accept delivery of Reserved Securities which have been orally confirmed for purchase by any Invitee by 11:59 P.M. (New York City time) on the date of the Agreement or (iv) related to, or arising out of or in connection with, the offering of the Reserved Securities; provided that no indemnification shall be available under this section for any loss, liability, claim, damage or expense which shall have been finally judicially determined by a court of competent jurisdiction to have been caused primarily by the gross negligence or willful misconduct of the Underwriters or their Affiliates..

**SECTION 7. Contribution.** If the indemnification provided for in Section 6 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b), or (c) of Section 6 above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other in connection with the statements or omissions, or in connection with any violation of the nature referred to in Section 6(e) hereof, which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Shareholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Shareholders on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or any violation of the nature referred to in Section 6(e) hereof. The Company, each of the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission and (ii) the contribution by any Selling Shareholders pursuant to this Section 7 shall not exceed its Selling Shareholder Proceeds (reduced by any amounts such Selling Shareholder paid under Section 6(b) above). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person

who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 7 to contribute are several in proportion to their respective underwriting obligations and not joint and the Selling Shareholders' obligations in this Section 7 to contribute are several in proportion to their Selling Shareholder Proceeds.

The obligations of the Company and the Selling Shareholders under Section 6 and Section 7 shall be in addition to any liability which the Company and the Selling Shareholders may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the 1933 Act and each broker-dealer affiliate of any Underwriter and their respective directors and officers; and the obligations of the Underwriters under Section 6 and Section 7 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company or any Selling Shareholder within the meaning of the 1933 Act.

**SECTION 8. Representations, Warranties and Agreements to Survive.** All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries or the Selling Shareholders submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or its officers and directors, and its affiliates (as such term is defined in Rule 501(b) under the 1933 Act or selling agents, any person controlling any Underwriter, its officers or directors, the Company, the Company's officers and directors who signed the Registration Statement, any person controlling the Company or any person controlling any Selling Shareholder and (ii) delivery of and payment for the Securities.

**SECTION 9. Termination of Agreement.**

(a) *Termination.* The Representatives may terminate this Agreement, by notice to the Company and the Selling Shareholders, at any time at or prior to the Closing Time (i) if there has been, in the judgment of the Representatives, since the time of execution of this Agreement or since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package or the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the completion of the offering or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the Nasdaq Global Market, or (iv) if trading generally on the Nasdaq Global Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by order of the Commission, FINRA or any other governmental authority, or (v) a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or with respect to Clearstream or Euroclear systems in Europe, or (vi) if a banking moratorium has been declared by either Federal or New York authorities.

(b) *Liabilities.* If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7, 8, 13, 14, 15, 16 and 17 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at the Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the “Defaulted Securities”), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(i) if the number of Defaulted Securities does not exceed 10% of the number of Securities to be purchased on such date, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(ii) if the number of Defaulted Securities exceeds 10% of the number of Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the Underwriters to purchase, and the Company and the Selling Shareholders to sell, the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting Underwriter. Any termination of this Agreement pursuant to this Section 10 shall be without liability on the part of any non-defaulting party; provided, however that the provisions of Sections 1, 4, 6, 7, 8, 13, 14, 15, 16 and 17 shall remain in full force and effect.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the Underwriters to purchase and the Company and Selling Shareholders to sell the relevant Option Securities, as the case may be, either the (i) Representatives or (ii) the Company and any Selling Shareholder shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement, the General Disclosure Package or the Prospectus or in any other documents or arrangements. As used herein, the term “Underwriter” includes any person substituted for an Underwriter under this Section 10.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to BofA at One Bryant Park, New York, New York 10036, attention of Syndicate Department (facsimile: (646) 855-3073), with a copy to ECM Legal (facsimile: (212) 230-8730); to Credit Suisse at Eleven Madison Avenue, New York, New York 10010, attention of: CM&A Legal (facsimile: (212) 325-4296), with a copy to ECM Syndicate; notices to the Company shall be directed to it at 5555 Darrow Road, Hudson, Ohio 44236, attention of: Ann Aber; and notices to the Selling Shareholders affiliated or endorsed by Leonard Green & Partners, L.P. shall be directed to Leonard Green & Partners, L.P., 11111 Santa Monica Blvd. Suite 2000, Los Angeles, California 90025, attention of: John Yoon.

SECTION 12. No Advisory or Fiduciary Relationship. Each of the Company and each Selling Shareholder acknowledges and agrees that (a) the purchase and sale of the Securities pursuant to this Agreement, including the determination of the initial public offering price of the Securities and any related discounts and commissions, is an arm's-length commercial transaction between the Company and the Selling Shareholder, on the one hand, and the several Underwriters, on the other hand, and does not constitute a recommendation, investment advice, or solicitation of any action by the Underwriters, (b) in connection with the offering of the Securities and the process leading thereto, each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, any of its subsidiaries or any Selling Shareholder, or its respective shareholders, creditors, employees or any other party (c) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company or any Selling Shareholder with respect to the offering of the Securities or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company, any of its subsidiaries or any Selling Shareholder on other matters) and no Underwriter has any obligation to the Company or any Selling Shareholder with respect to the offering of the Securities except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of each of the Company and each Selling Shareholder and (e) the Underwriters have not provided any legal, accounting, regulatory, investment or tax advice with respect to the offering of the Securities and the Company and each of the Selling Shareholders has consulted its own respective legal, accounting, financial, regulatory and tax advisors to the extent it deemed appropriate, (f) the information and transactions contemplated in this Agreement do not constitute an offer or a solicitation of an offer to transact in any securities or other financial instrument with any natural person, and (g) none of the activities of the Underwriters in connection with the transactions contemplated herein constitutes a recommendation, investment advice or solicitation of any action by the Underwriters with respect to any entity or natural person.

SECTION 13. Recognition of the U.S. Special Resolution Regimes.

(a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

For purposes of this Section 13, a “BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k). “Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b). “Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable. “U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

SECTION 14. Parties. This Agreement shall each inure to the benefit of and be binding upon the Underwriters, the Company and the Selling Shareholders and each of their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and the Selling Shareholders and each of their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and the Selling Shareholders and each of their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 15. Trial by Jury. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its shareholders and affiliates, as applicable), each of the Selling Shareholders and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

SECTION 16. GOVERNING LAW. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS.

SECTION 17. Consent to Jurisdiction; Waiver of Immunity. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") shall be instituted in (i) the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan or (ii) the courts of the State of New York located in the City and County of New York, Borough of Manhattan (collectively, the "Specified Courts"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

SECTION 18. TIME. TIME SHALL BE OF THE ESSENCE OF THIS AGREEMENT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 19. Counterparts and Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement. Electronic signatures complying with the New York Electronic Signatures and Records Act (N.Y. State Tech. §§ 301-309), as amended from time to time, or other applicable law will be deemed original signatures for purposes of this Agreement. Transmission by telecopy, electronic mail or other transmission method of an executed counterpart of this Agreement will constitute due and sufficient delivery of such counterpart.





If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company and the Selling Shareholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the Company and the Selling Shareholders in accordance with its terms.

Very truly yours,

JOANN INC.

By: \_\_\_\_\_  
Name:  
Title:

GREEN EQUITY INVESTORS V, L.P.

By: GEI Capital V, LLC, its General Partner

By: \_\_\_\_\_  
Name:  
Title:

GREEN EQUITY INVESTORS SIDE V, L.P.

By: GEI Capital V, LLC, its General Partner

By: \_\_\_\_\_  
Name:  
Title:

NEEDLE COINVEST LLC

By: LGP Associates V LLC, its sole member

By: Peridot Coinvest Manager LLC, its sole member

By: Leonard Green & Partners, L.P., its sole member

By: LGP Management, Inc., its general partner

By: \_\_\_\_\_  
Name:  
Title:

TCW/CRESCENT MEZZANINE PARTNERS V, L.P.

By: TCW/Crescent Mezzanine Management V, LLC, its  
Investment Manager

By: Crescent Capital Group LP, its sub-adviser

By: Crescent Capital GP LLC, its general partner

By: \_\_\_\_\_  
Name:  
Title:

TCW/CRESCENT MEZZANINE PARTNERS VB, L.P.

By: TCW/Crescent Mezzanine Management V, LLC,  
its Investment Manager

By: Crescent Capital Group LP, its sub-adviser

By: Crescent Capital GP LLC, its general partner

By: \_\_\_\_\_  
Name:  
Title:

TCW/CRESCENT MEZZANINE PARTNERS VC, L.P.

By: TCW/Crescent Mezzanine Management V, LLC,  
its Investment Manager

By: Crescent Capital Group LP, its sub-adviser

By: Crescent Capital GP LLC, its general partner

By: \_\_\_\_\_  
Name:  
Title:

TRUST COMPANY OF THE WEST  
As Trustee of TCW Capital Trust

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

MAC EQUITY HOLDINGS I, LLC

By: MAC CAPITAL, LTD.,  
Its Sole Member

By: TCW-WLA JV Venture LLC, its sub-adviser

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

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CONFIRMED AND ACCEPTED,  
as of the date first above written:

BOFA SECURITIES, INC.

By \_\_\_\_\_  
Authorized Signatory

CREDIT SUISSE SECURITIES (USA) LLC

By \_\_\_\_\_  
Authorized Signatory

For themselves and as Representatives of the other Underwriters named in Schedule A-1 hereto.

SCHEDULE A-1

The initial public offering price per share for the Securities shall be \$[●].

The purchase price per share for the Securities to be paid by the several Underwriters shall be \$[●], being an amount equal to the initial public offering price set forth above less \$[●] per share, subject to adjustment in accordance with Section 2(b) for dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities.

Name of Underwriter	Number of Initial Securities
BofA Securities, Inc.	
Credit Suisse Securities (USA) LLC	
Guggenheim Securities, LLC	
Barclays Capital Inc.	
Wells Fargo Securities, LLC	
Piper Sandler & Co.	
William Blair & Company, L.L.C.	
Houlihan Lokey Capital, Inc.	
Telsey Advisory Group LLC	
Loop Capital Markets LLC	
Samuel A. Ramirez & Company, Inc.	
Total	[●]

SCHEDULE A-2

	Total Number of Initial Securities to be Sold	Number of Option Securities to be Sold if Maximum Option Exercised
The Company	[●]	[●]
Selling Shareholders:		
Green Equity Investors V, L.P.	[●]	—
Green Equity Investors Side V, L.P.	[●]	—
Needle Coinvest LLC	[●]	—
TCW/Crescent Mezzanine Partners V, L.P.	[●]	—
TCW/Crescent Mezzanine Partners VB, L.P.	[●]	—
TCW/Crescent Mezzanine Partners VC, L.P.	[●]	—
Trust Company of the West (as Trustee for TCW Capital Trust)	[●]	—
MAC Equity Holdings I, LLC	[●]	—
Total	[●]	[●]

Sch A-2

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SCHEDULE B-1

Pricing Terms

1. The Company is selling [●] shares of Common stock and the Selling Shareholders are selling [●] shares of Common Stock.
2. The Company has granted an option to the Underwriters to purchase up to an additional [●] shares of Common Stock.
3. The initial public offering price per share for the Securities shall be \$[●].

Sch B-1

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SCHEDULE B-2-A

Free Writing Prospectuses

1. Electronic roadshow dated March [●], 2021.
2. Issuer Free Writing Prospectus filed with the SEC on February 19, 2021.

Sch B-2-A



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SCHEDULE B-2-B

Written Testing-the-Waters Communications

1. January 26-27, 2021 Written Communication
2. February 23-24, 2021 Written Communication

Sch B-2-B

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SCHEDULE C

List of Persons and Entities Subject to Lock-up

[To come.]

Sch C

**[Form of lock-up from directors, officers or other shareholders pursuant to Section 5(k)]**

[●], 2021

BofA Securities, Inc.,  
Credit Suisse Securities (USA) LLC  
as Representatives of the several  
Underwriters to be named in the  
within-mentioned Underwriting Agreement

c/o BofA Securities, Inc.  
One Bryant Park  
New York, New York 10036

c/o Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, New York 10010

Re: Proposed Public Offering by JOANN Inc.—Lock-Up Agreement

Dear Sirs and Madams:

The undersigned understands that BofA Securities, Inc. (“BofA”) and Credit Suisse Securities (USA) LLC (“Credit Suisse” and, together with BofA, the “Representatives”) propose to enter into an Underwriting Agreement (the “Underwriting Agreement”) with JOANN Inc., a Delaware corporation (the “Company”) providing for the public offering (the “Offering”) of shares of the Company’s common stock, par value \$0.01 per share (the “Common Stock”) (the “Securities”). In recognition of the benefit that such an offering will confer upon the undersigned, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each underwriter to be named in the Underwriting Agreement that, during the period beginning on the date hereof and ending on the date that is 180 days from the date of the Underwriting Agreement, the undersigned will not, without the prior written consent of the Representatives, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any shares of the Company’s Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the “Lock-Up Securities”), or exercise any right with respect to the registration of any of the Lock-up Securities, (ii) enter into any swap, hedging transaction or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise or (iii) publicly disclose the intention to take any of the actions restricted by clause (i) or (ii). Notwithstanding the above, the undersigned may confidentially submit or cause to be confidentially submitted a registration statement under the Securities Act of 1933, as amended with respect to the Lock-Up Securities so long as (i) the undersigned shall have notified the Representatives at least three business days in advance of any such submission and (ii) none of the undersigned, the Company or its affiliates publicly discloses the intention to take any of the actions restricted by this paragraph in connection therewith. For the avoidance of doubt, any public filing or any registration statement by or on behalf of the undersigned would require the prior written consent of the Representatives.

B-1

If the undersigned is an officer or director of the Company, (1) the Representatives agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of the Common Stock, the Representatives will notify the Company of the impending release or waiver, and (2) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by Representatives hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (i) the release or waiver is effected solely to permit a transfer not for consideration and (ii) the transferee has agreed in writing to be bound by the same terms described in this letter to the extent and for the duration that such terms remain in effect at the time of the transfer.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities:

- (i) as a charitable donation or donations or as a *bona fide* gift or gifts;
- (ii) by will or intestacy;
- (iii) if the undersigned is a natural person, to a member of the immediate family of the undersigned;
- (iv) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned or to any other entity that is wholly owned by such persons;
- (v) if the undersigned is a trust, to a trustor, trustee or beneficiary of the trust or to the estate of a beneficiary of such trust;
- (vi) to a corporation, partnership, limited liability company or other entity that controls or is controlled by, or is under common control with, the undersigned, or is wholly-owned by the undersigned and/or by members of the undersigned's immediate family, or, in each case, of a direct or indirect parent of the undersigned;
- (vii) to any investment fund or other entity controlled or managed by the undersigned or under common control or management with the undersigned (including, for the avoidance of doubt, where the undersigned is a partnership, to its general partner or a successor partnership or fund, or any other funds managed by such partnership);
- (viii) by distribution to any affiliate, wholly-owned subsidiary, members, limited partners or shareholders of the undersigned;
- (ix) to the Company (1) pursuant to the exercise, in each case on a "cashless" or "net exercise" basis, of any option to purchase shares of Common Stock granted by the Company to employee benefit plans or arrangements described in the Registration Statement solely with respect to an option that would otherwise expire during the 180-day period referred to above, or (2) for the purpose of satisfying any withholding taxes (including estimated taxes) due as a result of the exercise of an option to purchase shares of Common Stock pursuant to clause (ix)(1) or the vesting of any restricted stock awards granted by the Company pursuant to employee benefit

plans or arrangements described in the Registration Statement, in each case on a “cashless” or “net exercise” basis (the term “cashless” or “net exercise” referring to the sale of a portion of the option shares of Common Stock or previously owned Common Stock to the Company (including by means of a 10b5-1 plan) to cover payment of the exercise price or withholding taxes, as the case may be);

(x) to the extent such Securities are purchased in the Offering or in open market transactions following the completion of the distribution of the Securities by the Underwriters, provided that if the undersigned is an officer or director of the Company then this clause (x) shall not apply to any issuer directed Securities the undersigned may purchase in the Offering;

(xi) in connection with a written plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “1934 Act”) for the transfer of shares of Common Stock that does not provide for the transfer of shares of Common Stock during the 180-day period referred to above;

(xii) with the prior written consent of the Representatives on behalf of the Underwriters;

(xiii) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (i) through (xii) above; or

(xiv) to the Underwriters pursuant to the Underwriting Agreement;

*provided* that in the case of any transfer, donation or distribution pursuant to clauses (i) through (viii), each transferee, donee or distributee shall execute and deliver to the Representatives a lock-up letter in the form of this Lock-Up Agreement; and *provided, further*, that in the case of any transfer, donation or distribution pursuant to clauses (i) through (x) or the entry into any plan contemplated by clause (xi), no filing by any party (the Company, donor, donee, transferor, transferee or plan entrant) under the 1934 Act or other public announcement reporting a reduction in beneficial ownership shall be required or shall be made voluntarily in connection with such transfer, donation, distribution or plan entrance (other than (a) a filing on a Form 5 made after the expiration of the Lock-Up Period, and (c) a filing on a Form 4 in relation to a transfer pursuant to clause (ix) that discloses in a footnote that the disposition was to the Company for the purpose of satisfying withholding tax due upon the vesting of restricted stock awards or upon the net exercise of an option that would otherwise expire during the Lock-Up Period, as the case may be); and *provided, further*, that in the case of any transfer pursuant to clauses (ii) through (viii) such transfer shall not involve a disposition for value. For purposes of this Lock-Up Agreement, “immediate family” shall mean any relationship by blood, marriage, domestic partnership or adoption, not more remote than first cousin and shall include any former spouse. The undersigned now has, and, except as contemplated by clauses (i) through (xiv) above, for the duration of this Lock-Up Agreement will have, good and marketable title to the undersigned’s Shares, free and clear of all liens, encumbrances, and claims whatsoever. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company’s transfer agent and registrar against the transfer of the undersigned’s Shares except in compliance with the foregoing restrictions.

The undersigned understands that, if (1) the Company files an application to withdraw the Registration Statement related to the Offering, (2) the Underwriting Agreement does not become effective by June 1, 2021, (3) if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Common Stock to be sold thereunder, or (4) the Underwriters advise the Company, or the Company advises the Underwriters, in writing, prior to the execution of the Underwriting Agreement, that they have determined

not to proceed with the Offering, the undersigned shall be released from all obligations under this Lock-Up Agreement. The undersigned acknowledges and agrees that (i) the underwriters have not provided any legal, accounting, regulatory, investment or tax advice with respect to the offering of the securities and the undersigned has consulted its own respective legal, accounting, financial, regulatory and tax advisors to the extent it deemed appropriate, (ii) the information and transactions contemplated in this Agreement do not constitute an offer or a solicitation of an offer to transact in any securities or other financial instrument with any natural person, and (iii) nothing herein constitutes a recommendation, investment advice or solicitation of any action by the underwriters with respect to any entity or natural person.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the Offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, and assigns. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

This Lock-Up Agreement and any claim, controversy or dispute arising under or related to this Lock-Up Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

Very truly yours,

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

FORM OF PRESS RELEASE  
TO BE ISSUED PURSUANT TO SECTION 3(j)

JOANN INC. (the “Company”) announced today that BofA and Credit Suisse, the lead book-running managers in the Company’s recent public sale of [●] shares of common stock, are [waiving] [releasing] a lock-up restriction with respect to shares of the Company’s common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on , 2021, and the shares may be sold on or after such date.

**This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.**

**AMENDED AND RESTATED**  
**CERTIFICATE OF INCORPORATION**  
**OF**  
**JOANN INC.**

The name of the corporation is JOANN Inc. (the “Corporation”). The Corporation was incorporated by the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware on September 19, 2012 (the “Certificate of Incorporation”). This Amended and Restated Certificate of Incorporation of the Corporation, which amends, restates and integrates and also further amends the provisions of the Certificate of Incorporation, was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware (the “DGCL”) and by the written consent of the Corporation’s stockholders in accordance with Section 228 of the DGCL. The Certificate of Incorporation is hereby amended, integrated and restated to read in its entirety as follows:

**ARTICLE I**  
**NAME**

The name of the corporation is JOANN Inc.

**ARTICLE II**  
**REGISTERED OFFICE AND AGENT**

The address of the Corporation’s registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware, 19801. The name of its registered agent at such address is The Corporation Trust Company.

**ARTICLE III**  
**PURPOSE AND DURATION**

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the DGCL. The Corporation is to have a perpetual existence.

**ARTICLE IV**  
**CAPITAL STOCK**

The total number of shares of all classes of stock that the Corporation shall have authority to issue is 205,000,000, which shall be divided into two classes as follows:

200,000,000 shares of common stock, par value \$0.01 per share (“Common Stock”); and

5,000,000 shares of preferred stock, par value \$0.01 per share (“Preferred Stock”).

Section 1. Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of any of the Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL or any successor provision thereof, and no vote of the holders of any shares of Common Stock or Preferred Stock voting separately as a class shall be required therefor.



Section 2. Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the “Board”) is hereby authorized to provide from time to time by resolution or resolutions for the creation and issuance, out of the authorized and unissued shares of Preferred Stock, of one or more series of Preferred Stock by filing a certificate (a “Certificate of Designation”) pursuant to the DGCL, setting forth such resolution or resolutions and, with respect to each such series, establishing the designation of such series and the number of shares to be included in such series and fixing the terms of such series, the voting powers (full or limited, or no voting power), preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of each such series, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the fullest extent now or hereafter permitted by the DGCL. Without limiting the generality of the foregoing, and subject to the rights of the holders of any series of Preferred Stock then outstanding, the resolution or resolutions providing for the establishment of any series of Preferred Stock may, to the extent permitted by law, provide that such series shall be superior to, rank equally with or be junior to the Preferred Stock of any other series. The terms, voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, of each series of Preferred Stock may be different from those of any and all other series at any time outstanding. Except as otherwise expressly provided in this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock), no vote of the holders of shares of Preferred Stock or Common Stock shall be a prerequisite to the issuance of any shares of any series of the Preferred Stock so authorized in accordance with this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock). Except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) or pursuant to the DGCL. Unless otherwise provided in the Certificate of Designation establishing a series of Preferred Stock, the Board may, by resolution or resolutions, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of such series and, if the number of shares of such series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution or resolutions originally fixing the number of shares of such series.

## **ARTICLE V**

### **BOARD OF DIRECTORS**

For the management of the business and for the conduct of the affairs of the Corporation it is further provided that:

Section 1. Except as otherwise provided in this Amended and Restated Certificate of Incorporation and the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board. The number of directors which shall constitute the whole Board shall be fixed exclusively by one or more resolutions adopted from time to time by the Board. Except as otherwise expressly provided by the bylaws of the Corporation (as the same may be amended and/or restated from time to time, the “Bylaws”) or delegated by resolution of the Board, the Board shall have the exclusive power and authority to appoint and remove officers of the Corporation.

Section 2. Other than any directors elected by the separate vote of the holders of one or more series of Preferred Stock, if applicable, the Board shall be and is divided into three classes, designated as Class I, Class II and Class III. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board. At the first annual meeting of stockholders following the effectiveness of this Amended and Restated Certificate of Incorporation (the “Effective Time”), the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Effective Time, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Effective Time, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. Subject to any special rights of the holders of one or more series of Preferred Stock to elect directors, at each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting. No decrease in the number of directors shall shorten the term of any incumbent director. Any such director shall hold office until the annual meeting at which his or her term expires and until his or her successor shall be elected and qualified, or until his or her earlier death, resignation, disqualification or removal from office. The Board is authorized to assign members of the Board already in office as of the Effective Time to their respective class.

Section 3. Subject to any special rights of the holders of one or more series of Preferred Stock to elect directors, any director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock of the Corporation entitled to vote on the election of such director; provided, however, that prior to the Trigger Event, any individual director may be removed with or without cause by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of stock of the Corporation entitled to vote in the election of such director, voting together as a single class.

Section 4. Except as otherwise expressly required by law, and subject to any special rights of the holders of one or more series of Preferred Stock to elect directors, any vacancies on the Board resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall be filled only by the affirmative vote of a majority of the directors then in office, even if less than a quorum, and shall not be filled by the stockholders. Any director appointed in accordance with the preceding sentence shall hold office for a term that shall coincide with the remaining term of the class to which the director shall have been appointed and until such director's successor shall have been elected and qualified or until his or her earlier death, resignation, disqualification or removal.

Section 5. During any period when the holders of any series of Preferred Stock have the special right to elect additional directors, upon commencement and for the duration of such period during which such right continues: (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of additional directors, and the holders of such series of Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to the Certificate of Designation establishing such series of Preferred Stock, and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to the Certificate of Designation establishing such series of Preferred Stock, whichever occurs earlier, subject to his or her earlier death, resignation, disqualification or removal. Except as otherwise provided by this Amended and Restated Certificate of Incorporation (including any Certificate of Designation establishing any series of Preferred Stock), whenever the holders of any series of Preferred Stock having the special right to elect additional directors are divested of such right pursuant to this Amended and Restated Certificate of Incorporation (including pursuant to any such Certificate of Designation), the terms of office of all such additional directors elected by the holders of such series, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total authorized number of directors of the Corporation shall be reduced accordingly.

Section 6. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

Section 7. Except as may otherwise be set forth in the resolution or resolutions of the Board providing for the issuance of one or more series of Preferred Stock, and then only with respect to such series of Preferred Stock, cumulative voting in the election of directors is specifically denied.

## **ARTICLE VI**

### **STOCKHOLDERS**

Section 1. At any time prior to the Trigger Event, any action required or permitted to be taken by the stockholders of the Corporation may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and

voted and shall be delivered to the Corporation. From and after the Trigger Event, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation (and may not be taken by consent of the stockholders in lieu of a meeting); provided, however, that any action required or permitted to be taken by any holders of Preferred Stock, voting separately as a series or separately as a class with one or more other such series, may be taken without a meeting, without prior notice and without a vote, to the extent expressly so provided by the applicable Certificate of Designation relating to such series of Preferred Stock.

Section 2. Subject to the special rights of the holders of one or more series of Preferred Stock, special meetings of the stockholders of the Corporation may be called, for any purpose or purposes, at any time by the Chairman of the Board or a resolution adopted by the affirmative vote of the majority of the then-serving members of the Board, but such special meetings may not be called by stockholders or any other Person or Persons (as defined below). Notwithstanding the immediately preceding sentence, prior to the Trigger Event, special meetings of stockholders of the Corporation may be called by the Secretary of the Corporation at the request of a Principal Stockholder.

Section 3. Advance notice of stockholder nominations for the election of directors and of other business proposed to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

## **ARTICLE VII**

### **LIABILITY AND INDEMNIFICATION**

Section 1. To the fullest extent permitted by the DGCL, as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended after approval by the stockholders of this Article VII to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended, automatically and without further action, upon the date of such amendment.

Section 2. The Corporation, to the fullest extent permitted by law, shall indemnify and advance expenses to any Person made or threatened to be made a party to any action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Corporation or any predecessor of the Corporation, or, while serving as a director or officer of the Corporation, serves or served at any other enterprise as a director or officer at the request of the Corporation or any predecessor to the Corporation.

Section 3. The Corporation, to the fullest extent permitted by law, may indemnify and advance expenses to any Person made or threatened to be made a party to an action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he or she is or was an employee or agent of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as an employee or agent at the request of the Corporation or any predecessor to the Corporation.

Section 4. Neither any amendment nor repeal of this Article VII, nor the adoption by amendment of this Amended and Restated Certificate of Incorporation of any provision inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII in respect of any matter occurring, or any action or proceeding accruing or arising (or that, but for this Article VII, would accrue or arise) prior to such amendment or repeal or adoption of an inconsistent provision.

## **ARTICLE VIII**

### **FORUM**

Section 1. Unless the Corporation consents in writing to the selection of an alternative forum, (a) the Court of Chancery (the “Chancery Court”) of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on behalf of the Corporation, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or stockholder of the Corporation to the Corporation or to the Corporation’s stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the DGCL or the Bylaws or this Amended and Restated Certificate of Incorporation (as it may be amended and/or restated from time to time) or (iv) any action, suit or proceeding asserting a claim against the Corporation governed by the internal affairs doctrine; and (b) subject to the preceding provisions of this Article VIII, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. If any action the subject matter of which is within the scope of clause (a) of the immediately preceding sentence is filed in a court other than the courts in the State of Delaware (a “Foreign Action”) in the name of any stockholder, such stockholder shall be deemed to have consented to (x) the personal jurisdiction of the state and federal courts in the State of Delaware in connection with any action brought in any such court to enforce the provisions of clause (a) of the immediately preceding sentence and (y) having service of process made upon such stockholder in any such action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder.

Section 2. Any person or entity purchasing or otherwise acquiring any interest in any security of the Corporation shall be deemed to have notice of and consented to this Article VIII. Notwithstanding the foregoing, the provisions of this Article VIII shall not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

## **ARTICLE IX**

### **CERTAIN STOCKHOLDER RELATIONSHIPS**

Section 1. In recognition and anticipation that (i) certain directors, principals, officers, employees and/or other representatives of the Principal Stockholders and their Affiliates (as defined below) may serve as directors, officers or agents of the Corporation, (ii) the Principal Stockholders and their Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation, directly or indirectly, may engage, and (iii) members of the Board who are not employees of the Corporation (“Non-Employee Directors”) and their respective Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation, directly or indirectly, may engage, the provisions of this Article IX are set forth to regulate and define the conduct of certain affairs of the Corporation with respect to certain classes or categories of business opportunities as they may involve any of the Principal Stockholders, the Non-Employee Directors or their respective Affiliates and the powers, rights, duties and liabilities of the Corporation and its directors, officers and stockholders in connection therewith.

Section 2. None of (i) the Principal Stockholders or any of their Affiliates or (ii) any Non-Employee Director or his or her Affiliates (the Persons identified in (i) and (ii) above being referred to, collectively, as “Identified Persons” and, individually, as an “Identified Person”) shall, to the fullest extent permitted by law, have any duty to refrain from directly or indirectly (1) engaging in the same or similar business activities or lines of business in which the Corporation or any of its Affiliates now engages or proposes to engage or (2) otherwise competing with the Corporation or any of its Affiliates, and, to the fullest extent permitted by law, no Identified Person shall be liable to the Corporation or its stockholders or to any Affiliate of the Corporation for breach of any fiduciary duty solely by reason of the fact that such Identified Person engages in any such activities. To the fullest extent permitted by law, the Corporation hereby renounces any interest or expectancy in, or right to be offered an opportunity to participate in, any business opportunity which may be a corporate opportunity for an Identified Person and the Corporation or any of its Affiliates, except as provided in Section 3 of this Article IX. Subject to Section 3 of this Article IX, in the event that any Identified Person acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself, herself or himself and the Corporation or any of its Affiliates, such Identified Person shall, to the fullest extent permitted by law, have no duty to communicate or offer such transaction

or other business opportunity to the Corporation or any of its Affiliates and, to the fullest extent permitted by law, shall not be liable to the Corporation or its stockholders or to any Affiliate of the Corporation for breach of any fiduciary duty as a stockholder, director or officer of the Corporation solely by reason of the fact that such Identified Person pursues or acquires such corporate opportunity for itself, herself or himself, or offers or directs such corporate opportunity to another Person.

Section 3. The Corporation does not renounce its interest in any corporate opportunity offered to any Non-Employee Director if such opportunity is expressly offered to such Person solely in his or her capacity as a director or officer of the Corporation, and the provisions of Section 2 of this Article IX shall not apply to any such corporate opportunity.

Section 4. In addition to and notwithstanding the foregoing provisions of this Article IX, a corporate opportunity shall not be deemed to be a potential corporate opportunity for the Corporation if it is a business opportunity that (i) the Corporation is neither financially or legally able, nor contractually permitted, to undertake, (ii) from its nature, is not in the line of the Corporation's business or is of no practical advantage to the Corporation or (iii) is one in which the Corporation has no interest or reasonable expectancy.

Section 5. For purposes of this Article IX, "Affiliate" shall mean (a) in respect of any Principal Stockholder, any Person that, directly or indirectly, is controlled by such Principal Stockholder, controls such Principal Stockholder or is under common control with such Principal Stockholder and shall include (i) any principal, member, director, partner, stockholder, officer, employee or other representative of any of the foregoing (other than the Corporation and any entity that is controlled by the Corporation) and (ii) any funds or vehicles advised by Affiliates of such Principal Stockholder, (b) in respect of a Non-Employee Director, any Person that, directly or indirectly, is controlled by such Non-Employee Director (other than the Corporation and any entity that is controlled by the Corporation) and (c) in respect of the Corporation, any Person that, directly or indirectly, is controlled by the Corporation.

Section 6. To the fullest extent permitted by law, any Person purchasing or otherwise acquiring or holding any interest in any shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article IX.

## **ARTICLE X**

### **AMENDMENT OF THE CERTIFICATE OF INCORPORATION AND BYLAWS**

Section 1. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by this Amended and Restated Certificate of Incorporation and the DGCL, and all rights, preferences and privileges herein conferred upon stockholders, directors or any other persons herein are granted by and pursuant to this Amended and Restated Certificate of Incorporation in its current form or as hereafter amended are granted subject to the rights reserved in this Article X. Notwithstanding the foregoing, from and after the Trigger Event, notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of stock required by law or by this Amended and Restated Certificate of Incorporation (including any Certificate of Designation in respect of one or more series of Preferred Stock), the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock entitled to vote thereon, voting together as a single class, shall be required to alter, amend or repeal any of Articles V, VI, VII, VIII, IX or this Article X.

Section 2. The Board is expressly authorized to make, repeal, alter, amend and rescind, in whole or in part, the Bylaws. Notwithstanding the foregoing, from and after the Trigger Event, notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of stock required by law or by this Amended and Restated Certificate of Incorporation (including any Certificate of Designation in respect of one or more series of Preferred Stock), the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock entitled to vote thereon, voting together as a single class, shall be required in order for the stockholders of the Corporation to alter, amend or repeal, in whole or in part, any provision of the Bylaws or to adopt any provision inconsistent therewith.

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**ARTICLE XI**  
**DGCL SECTION 203**

Section 1. The Corporation hereby expressly elects not to be governed by Section 203 of the DGCL.

**ARTICLE XII**  
**MISCELLANEOUS**

If any provision or provisions of this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provision or provisions in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, any Certificate of Designation relating to any series of Preferred Stock and each portion of any paragraph of this Amended and Restated Certificate of Incorporation or Certificate of Designation containing any such provision or provisions held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, any Certificate of Designation relating to any series of Preferred Stock and each such portion of any paragraph of this Amended and Restated Certificate of Incorporation or Certificate of Designation containing any such provision or provisions held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service or for the benefit of the Corporation to the fullest extent permitted by law.

**ARTICLE XIII**  
**INTERPRETATION**

For as long as the Stockholders Agreement remains in effect, in the event of any conflict between the terms and provisions of this Amended and Restated Certificate of Incorporation and those contained in the Stockholders Agreement, the terms and provisions of the Stockholders Agreement shall govern and control, except as provided otherwise by mandatory provisions of the DGCL.

**ARTICLE XIV**  
**DEFINITIONS**

As used in this Amended and Restated Certificate of Incorporation, except as otherwise expressly provided herein and unless the context requires otherwise, the following terms shall have the following meanings:

“Affiliate” means, other than as set forth in Section 5 of Article IX, with respect to any Person, any other Person that controls, is controlled by, or is under common control with such Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct or cause the direction of the affairs or management of that Person, whether through the ownership of voting securities, as trustee (or the power to appoint a trustee), as a personal representative or executor, by contract, credit arrangement or otherwise and “controlled” and “controlling” have meanings correlative to the foregoing.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations).

“**Person**” means any individual, general partnership, limited partnership, limited liability company, corporation, trust, business trust, joint stock company, joint venture, unincorporated association, cooperative or association or any other legal entity or organization of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

“**Principal Stockholders**” means investment funds affiliated with or advised by Leonard Green & Partners, L.P. and their successors.

“**Stockholders Agreement**” means the Amended and Restated Stockholders Agreement, dated [ ● ], 2021, by and among the Corporation, the Principal Stockholders and other parties thereto, as may be amended from time to time.

“**Trigger Event**” means the first date on which the Principal Stockholders cease to beneficially own (directly or indirectly) more than 50% of the voting power of the outstanding shares of Common Stock. For the purpose of this Amended and Restated Certificate of Incorporation, “beneficial ownership” shall be determined in accordance with Rule 13d-3 promulgated under the Exchange Act.

\* \* \* \*

IN WITNESS WHEREOF, JOANN Inc. has caused this Amended and Restated Certificate of Incorporation to be executed by its duly authorized officer on this [ ●] day of [ ●], 2021.

**JOANN Inc.**

By: \_\_\_\_\_  
Name: Wade Miquelon  
Title: Chief Executive Officer



## Amended and Restated Bylaws of

## JOANN Inc.

(a Delaware corporation)

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**Amended and Restated Bylaws of  
JOANN Inc.**

**Article I - Corporate Offices**

**1.1 Registered Office.**

The address of the registered office of JOANN Inc. (the “Corporation”) in the State of Delaware, and the name of its registered agent at such address, shall be as set forth in the Corporation’s certificate of incorporation, as the same may be amended and/or restated from time to time (the “Certificate of Incorporation”).

**1.2 Other Offices.**

The Corporation may have additional offices at any place or places, within or outside the State of Delaware, as the Corporation’s board of directors (the “Board”) may from time to time establish or as the business of the Corporation may require.

**Article II - Meetings of Stockholders**

**2.1 Place of Meetings.**

Meetings of stockholders shall be held at such place, if any, within or outside the State of Delaware, designated by the Board. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the General Corporation Law of the State of Delaware (the “DGCL”). In the absence of any such designation or determination, stockholders’ meetings shall be held at the Corporation’s principal executive office.

**2.2 Annual Meeting.**

The Board shall designate the date and time of the annual meeting. At the annual meeting, directors shall be elected and other proper business properly brought before the meeting in accordance with Section 2.4 may be transacted. The Board may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board.

**2.3 Special Meetings.**

Special meetings of the stockholders may be called only by such Persons and only in such manner as set forth in the Certificate of Incorporation. The Board may postpone, reschedule or cancel any special meeting of stockholders previously scheduled by the Board.

No business may be transacted at any special meeting of stockholders other than the business specified in the notice of such meeting.

**2.4 Notice of Business to be Brought Before a Meeting.**

(i) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in a notice of meeting given by or at the direction of the Board, (b) if not specified in a notice of meeting, otherwise brought before the meeting by the Board or the chairperson of the Board, or (c) otherwise properly brought before the meeting by a stockholder present in person who (A)(1) was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 2.4 and at the time of the meeting, (2) is entitled to vote at the meeting and (3) has complied with this Section 2.4 in all applicable respects or (B) properly made such proposal in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the “Exchange Act”). The foregoing clause (c) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. The only matters that may be brought before a special meeting are the matters specified in the Corporation’s notice of meeting given by or at the direction of the Person calling the meeting pursuant to Section 2.3 of these bylaws. For purposes of this Section 2.4 of these bylaws, “present in person” shall mean that the stockholder proposing that the business be brought before the annual meeting of the Corporation, or a qualified representative of such proposing stockholder, appear at such annual meeting. A “qualified representative” of such proposing stockholder shall be a duly authorized officer, manager or partner of such stockholder or any other Person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such Person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. Stockholders seeking to nominate persons for election to the Board must comply with Section 2.5 and 2.6 of these bylaws, and this Section 2.4 shall not be applicable to nominations except as expressly provided in Section 2.5 and 2.6 of these bylaws.

(ii) Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (a) provide Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation and (b) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.4. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting which in the case of the first annual meeting of stockholders following the closing of the Corporation's initial underwritten public offering of common stock, the date of the preceding year's annual meeting shall be deemed to be May 12, 2021; *provided, however*, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the ninetieth (90th) day prior to such annual meeting or, if later, the tenth (10th) day following the day on which public disclosure of the date of such annual meeting was first made by the Corporation (such notice within such time periods, "Timely Notice"). In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

(iii) To be in proper form for purposes of this Section 2.4, a stockholder's notice to the Secretary shall set forth:

(a) As to each Proposing Person (as defined below), (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records); and (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as "Stockholder Information");

(b) As to each Proposing Person, (A) the full notional amount of any securities that, directly or indirectly, underlie any "derivative security" (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a "call equivalent position" (as such term is defined in Rule 16a-1(b) under the Exchange Act) ("Synthetic Equity Position") and that is, directly or indirectly, held or maintained by such Proposing Person with respect to any shares of any class or series of shares of the Corporation; *provided that*, for the purposes of the definition of "Synthetic Equity Position," the term "derivative security" shall also include any security or instrument that would not otherwise constitute a "derivative security" as a result of any feature that would make any conversion, exercise or similar right or privilege of such security or instrument becoming determinable only at some future date or upon the happening of a future occurrence, in which case the determination of the amount of securities into which such security or instrument would be convertible or exercisable shall be made assuming that such security or instrument is immediately convertible or exercisable at the time of such determination; and, *provided, further*, that any Proposing Person satisfying the requirements of Rule 13d-1(b)(1) under the Exchange Act (other than a Proposing Person that so satisfies Rule 13d-1(b)(1) under the Exchange Act solely by reason of Rule 13d-1(b)(1)(ii)(E)) shall not be deemed to hold or maintain the notional amount of any securities that underlie a Synthetic Equity Position held by such Proposing Person as a hedge with respect to a bona fide derivatives trade or position of such Proposing Person arising in the ordinary course of such Proposing Person's business as a derivatives dealer, (B) any rights to dividends on the shares of any class or series of shares of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (C) any material pending or threatened legal proceeding in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (D) any other material relationship between such Proposing Person, on the one hand, and the Corporation or any affiliate of the Corporation, on the other hand, (E) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Corporation or any affiliate of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (F) a representation that such Proposing Person intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or otherwise solicit proxies from stockholders in support of such proposal and (G) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (G) are referred to as "Disclosable Interests"); *provided, however*, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these bylaws on behalf of a beneficial owner; and

(c) As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws, the language of the proposed amendment), (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other Person or entity (including their names) in connection with the proposal of such business by such stockholder and (D) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; *provided, however*, that the disclosures required by this Section 2.4(iii) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these bylaws on behalf of a beneficial owner.

(iv) For purposes of this Section 2.4, the term “Proposing Person” shall mean (a) the stockholder providing the notice of business proposed to be brought before an annual meeting, (b) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (c) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

(v) A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.4 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other section of these bylaws shall not limit the Corporation’s rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or to submit any new proposal, including by changing or adding matters, business or resolutions proposed to be brought before a meeting of the stockholders.

(vi) Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting that is not properly brought before the meeting in accordance with this Section 2.4. The presiding officer of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 2.4, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(vii) This Section 2.4 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the Corporation's proxy statement. In addition to the requirements of this Section 2.4 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 2.4 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(viii) For purposes of these bylaws, "public disclosure" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

## 2.5 Notice of Nominations for Election to the Board of Directors.

(i) Nominations of any person for election to the Board at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the Person calling such special meeting) may be made at such meeting only (a) by or at the direction of the Board, including by any committee or persons authorized to do so by the Board or these bylaws, or (b) by a stockholder present in person (1) who was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 2.5 and at the time of the meeting, (2) is entitled to vote at the meeting and (3) has complied with this Section 2.5 and 2.6 as to such notice and nomination. For purposes of this Section 2.5, "present in person" shall mean that the stockholder proposing that the business be brought before the meeting of the Corporation, or a qualified representative of such stockholder, appear at such meeting. A "qualified representative" of such proposing stockholder shall be a duly authorized officer, manager or partner of such stockholder or any other Person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such Person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. The foregoing clause (b) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board at an annual meeting or special meeting.

(ii) Without qualification, for a stockholder to make any nomination of a person or persons for election to the Board at an annual meeting, the stockholder must (a) provide Timely Notice (as defined in Section 2.4(ii) of these bylaws) thereof in writing and in proper form to the Secretary of the Corporation, (b) provide the information, agreements and questionnaires with respect to such stockholder and its candidate for nomination as required to be set forth by this Section 2.5 and Section 2.6, and (c) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5 and Section 2.6.

(iii) Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the Person calling a special meeting, then for a stockholder to make any nomination of a person or persons for election to the Board at a special meeting, the stockholder must (a) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation, (b) provide the information with respect to such stockholder and its candidate for nomination as required by this Section 2.5 and Section 2.6 and (c) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5. To be timely, a stockholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the one hundred twentieth (120th) day prior to such special meeting and not later than the ninetieth (90th) day prior to such special meeting or, if later, the tenth (10th) day following the day on which public disclosure (as defined in Section 2.4) of the date of such special meeting was first made. In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(iv) To be in proper form for purposes of this Section 2.5, a stockholder's notice to the Secretary shall set forth:

(a) As to each Nominating Person (as defined below), the Stockholder Information (as defined in Section 2.4(iii)(a) of these bylaws) except that for purposes of this Section 2.5, the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(iii)(a);

(b) As to each Nominating Person, any Disclosable Interests (as defined in Section 2.4(iii)(b), except that for purposes of this Section 2.5 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(iii)(b) and the disclosure with respect to the business to be brought before the meeting in Section 2.4(iii)(c) shall be made with respect to the election of directors at the meeting); and

(c) As to each candidate whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such candidate for nomination that would be required to be set forth in a stockholder's notice pursuant to this Section 2.5 and Section 2.6 if such candidate for nomination were a Nominating Person, (B) all information relating to such candidate for nomination that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or his or her respective associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as "Nominee Information"), and (D) a completed and signed questionnaire, representation and agreement as provided in Section 2.6(i).

(v) For purposes of this Section 2.5 and Section 2.6, the term "Nominating Person" shall mean (a) the stockholder providing the notice of the nomination proposed to be made at the meeting, (b) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (c) any other participant in such solicitation.

(vi) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.5 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other section of these bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any nomination or to submit any new nomination. In addition to the requirements of this Section 2.5 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations.

#### 2.6 Additional Requirements for Valid Nomination of Candidates to Serve as Director and, if Elected, to be Seated as Directors.

(i) To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 2.5 and the candidate for nomination, whether nominated by the Board or by a stockholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board), to the Secretary at the principal executive offices of the Corporation, a completed written questionnaire (in a form provided by the Corporation) with respect to the background, qualifications, stock ownership and independence of such proposed nominee.

(ii) The Board may also require any proposed candidate for nomination as a Director to furnish such other information as may reasonably be requested by the Board in writing prior to the meeting of stockholders at which such candidate's nomination is to be acted upon in order for the Board to determine the eligibility of such candidate for nomination to be an independent director of the Corporation in accordance with the Corporation's Corporate Governance Guidelines.

(iii) A candidate for nomination as a director shall further update and supplement the materials delivered pursuant to this Section 2.6, if necessary, so that the information provided or required to be provided pursuant to this Section 2.6 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (or any other office specified by the Corporation in any public announcement) not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other section of these bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or to submit any new proposal, including by changing or adding nominees, matters, business or resolutions proposed to be brought before a meeting of the stockholders.

(iv) No candidate shall be eligible for nomination as a director of the Corporation unless such candidate for nomination and the Nominating Person seeking to place such candidate's name in nomination has complied with Section 2.5 and this Section 2.6, as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with Section 2.5 and this Section 2.6, and if he or she should so determine, he or she shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect.

(v) Notwithstanding anything in these bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Corporation unless nominated and elected in accordance with Section 2.5 and this Section 2.6.

#### 2.7 Notice of Stockholders' Meetings.

Unless otherwise provided by law, the Certificate of Incorporation or these bylaws, the notice of any meeting of stockholders shall be sent or otherwise given in accordance with either Section 2.8 or Section 8.1 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

#### 2.8 Manner of Giving Notice; Affidavit of Notice.

Notice of any meeting of stockholders shall be deemed given:



(i) if mailed, when deposited in the U.S. mail, postage prepaid, directed to the stockholder at his or her address as it appears on the Corporation's records; or

(ii) if electronically transmitted as provided in Section 8.1 of these bylaws.

An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or any other agent of the Corporation that the notice has been given by mail or by a form of electronic transmission, as applicable, shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

#### 2.9 Quorum.

Unless otherwise provided by law, the Certificate of Incorporation or these bylaws, the holders of a majority in voting power of the stock issued and outstanding and entitled to vote, present in person, or by remote communication, if applicable, or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. If, however, a quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting or (ii) a majority in voting power of the stockholders entitled to vote at the meeting, present in person, or by remote communication, if applicable, or represented by proxy, shall have power to adjourn the meeting from time to time in the manner provided in Section 2.10 of these bylaws until a quorum is present or represented.

#### 2.10 Adjourned Meeting; Notice.

When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At any adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

#### 2.11 Conduct of Business.

The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the Person presiding over the meeting. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the chairperson of any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairperson, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairperson of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other Persons as the chairperson of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chairperson of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

## 2.12 Voting.

Except as may be otherwise provided in the Certificate of Incorporation, these bylaws or the DGCL, each stockholder shall be entitled to one (1) vote for each share of capital stock held by such stockholder.

Except as otherwise provided by the Certificate of Incorporation, at all duly called or convened meetings of stockholders at which a quorum is present, for the election of directors, a plurality of the votes cast shall be sufficient to elect a director. Except as otherwise provided by the Certificate of Incorporation, these bylaws, the rules or regulations of any stock exchange applicable to the Corporation, or applicable law, or pursuant to any regulation applicable to the Corporation or its securities, each other matter presented to the stockholders at a duly called or convened meeting at which a quorum is present shall be decided by the affirmative vote of the holders of a majority of the votes cast (excluding abstentions and broker non-votes) on such matter.

## 2.13 Record Date for Stockholder Meetings and Other Purposes.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the next day preceding the day on which notice is first given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting; and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

To the extent stockholder action by written consent is permitted by the Certificate of Incorporation, in order that the Corporation may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board, (i) when no prior action of the Board is required by law, the record date for such purpose shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, and (ii) if prior action by the Board is required by law, the record date for such purpose shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of capital stock, or for the purposes of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

## 2.14 Proxies.

Each stockholder entitled to vote at a meeting of stockholders may authorize another Person or Persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but, no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL. A proxy may be in the form of a telegram, cablegram or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram or other means of electronic transmission was authorized by the stockholder.

#### 2.15 List of Stockholders Entitled to Vote.

The Corporation shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, that if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Corporation's principal executive office. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.15 or to vote in Person or by proxy at any meeting of stockholders.

#### 2.16 Inspectors of Election.

Before any meeting of stockholders, the Corporation shall appoint an inspector or inspectors of election to act at the meeting or its adjournment and make a written report thereof. The Corporation may designate one or more Persons as alternate inspectors to replace any inspector who fails to act. If any Person appointed as inspector or any alternate fails to appear or fails or refuses to act, then the chairperson of the meeting shall appoint a Person to fill that vacancy.

Such inspectors shall:

- (i) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting and the validity of any proxies and ballots;
- (ii) count all votes or ballots;
- (iii) count and tabulate all votes;
- (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspector(s); and
- (v) certify its or their determination of the number of shares represented at the meeting and its or their count of all votes and ballots.

Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspection with strict impartiality and according to the best of such inspector's ability. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein. The inspectors of election may appoint such Persons to assist them in performing their duties as they determine.

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## Article III - Directors

### 3.1 Powers.

Except as otherwise provided by the Certificate of Incorporation or the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board.

### 3.2 Number of Directors.

Subject to the Certificate of Incorporation, the total number of directors constituting the Board shall be determined from time to time by resolution of the Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

### 3.3 Election, Qualification and Term of Office of Directors.

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy or newly created directorship, shall hold office until the expiration of the term of the class, if any, for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation, disqualification or removal. Directors need not be stockholders. The Certificate of Incorporation or these bylaws may prescribe qualifications for directors.

### 3.4 Resignation and Vacancies.

Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. The resignation shall take effect at the time specified therein or upon the happening of an event specified therein, and if no time or event is specified, at the time of its receipt. When one or more directors so resigns and the resignation is effective at a future date or upon the happening of an event to occur on a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this Section 3.4 in the filling of other vacancies.

Unless otherwise provided in the Certificate of Incorporation or these bylaws, vacancies and newly created directorships resulting from any increase in the authorized number of directors shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director appointed in accordance with the preceding sentence shall hold office for the remainder of the term of the class, if any, to which the director is appointed and until such director's successor shall have been elected and qualified. A vacancy in the Board shall be deemed to exist under these bylaws in the case of the death, removal or resignation of any director.

### 3.5 Place of Meetings; Meetings by Telephone.

The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all Persons participating in the meeting can hear each other, and such participation in a meeting pursuant to this bylaw shall constitute presence in Person at the meeting.

### 3.6 Regular Meetings.

Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board.

### 3.7 Special Meetings; Notice.

Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the chief executive officer, the president, the secretary or a majority of the total number of directors constituting the Board.

Notice of the time and place of special meetings shall be:

- (i) delivered personally by hand, by courier or by telephone;
- (ii) sent by United States first-class mail, postage prepaid;
- (iii) sent by facsimile or electronic mail; or
- (iv) sent by other means of electronic transmission,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, or other address for electronic transmission, as the case may be, as shown on the Corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or electronic mail, or (iii) sent by other means of electronic transmission, it shall be delivered or sent at least twenty-four (24) hours before the time of the holding of the meeting. If the notice is sent by U.S. mail, it shall be deposited in the U.S. mail at least four (4) days before the time of the holding of the meeting. The notice need not specify the place of the meeting (if the meeting is to be held at the Corporation's principal executive office) nor the purpose of the meeting.

### 3.8 Quorum.

At all meetings of the Board, a majority of the total number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by statute, the Certificate of Incorporation or these bylaws. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

### 3.9 Board Action by Written Consent without a Meeting.

Unless otherwise restricted by the Certificate of Incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

### 3.10 Fees and Compensation of Directors.

Unless otherwise restricted by the Certificate of Incorporation or these bylaws, the Board shall have the authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity.

## **Article IV - Committees**

### 4.1 Committees of Directors.

The Board may designate one (1) or more committees, each committee to consist, of one (1) or more of the directors of the Corporation. The Board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Corporation.

#### 4.2 Committee Minutes.

Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

#### 4.3 Meetings and Actions of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

- (i) Section 3.5 (place of meetings and meetings by telephone);
- (ii) Section 3.6 (regular meetings);
- (iii) Section 3.7 (special meetings and notice);
- (iv) Section 3.9 (action without a meeting); and
- (v) Section 7.12 (waiver of notice),

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members. *However:*

- (i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;
- (ii) special meetings of committees may also be called by resolution of the Board or by the chairperson of the applicable committee; and
- (iii) the Board may adopt rules for the governance of any committee to override the provisions that would otherwise apply to the committee pursuant to this Section 4.3, provided that such rules do not violate the provisions of the Certificate of Incorporation or applicable law.

### **Article V - Officers**

#### 5.1 Officers.

The officers of the Corporation shall include a president and a secretary. The Corporation may also have, at the discretion of the Board, a chairperson of the Board and a vice chairperson of the Board from among its members, a chief executive officer, a chief financial officer, a treasurer, one (1) or more vice presidents, one (1) or more assistant vice presidents, one (1) or more assistant treasurers, one (1) or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same Person.

#### 5.2 Appointment of Officers.

The Board shall appoint the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws.

#### 5.3 Subordinate Officers.

The Board may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other officers and agents as the business of the Corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board or an authorized officer (as applicable), may from time to time determine.

#### 5.4 Removal and Resignation of Officers.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

#### 5.5 Vacancies in Offices.

Any vacancy occurring in any office of the Corporation shall be filled by the Board or as provided in Sections 5.2 and 5.3, as applicable.

#### 5.6 Representation of Shares of Other Corporations.

The chairperson of the Board, the chief executive officer, the president, any vice president, the treasurer, the secretary or assistant secretary of this Corporation, or any other Person authorized by the Board, the chief executive officer, the president or a vice president, is authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority granted herein may be exercised either by such Person directly or by any other Person authorized to do so by proxy or power of attorney duly executed by such Person having the authority.

#### 5.7 Authority and Duties of Officers.

All officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be provided herein or designated from time to time by the Board and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

### **Article VI - Records**

A stock ledger consisting of one or more records in which the names of all of the Corporation's stockholders of record, the address and number of shares registered in the name of each such stockholder, and all issuances and transfers of stock of the corporation are recorded in accordance with Section 224 of the DGCL shall be administered by or on behalf of the Corporation. Any records administered by or on behalf of the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device, or method, or one or more electronic networks or databases (including one or more distributed electronic networks or databases), provided that the records so kept can be converted into clearly legible paper form within a reasonable time and, with respect to the stock ledger, that the records so kept (i) can be used to prepare the list of stockholders specified in Sections 219 and 220 of the DGCL, (ii) record the information specified in Sections 156, 159, 217(a) and 218 of the DGCL, and (iii) record transfers of stock as governed by Article 8 of the Uniform Commercial Code.

### **Article VII - General Matters**

#### 7.1 Execution of Corporate Contracts and Instruments.

The Board may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

## 7.2 Stock Certificates.

The shares of the Corporation shall be uncertificated, provided that the Board by resolution may provide that some or all of the shares of any class or series of stock of the Corporation shall be represented by certificates. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock represented by a certificate shall be entitled to have a certificate signed by, or in the name of the Corporation by, any two officers authorized to sign stock certificates representing the number of shares registered in certificate form. The chairperson or vice chairperson of the Board, the president, vice president, the treasurer, any assistant treasurer, the secretary or any assistant secretary of the Corporation shall be specifically authorized to sign stock certificates. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

## 7.3 Lost Certificates.

The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

## 7.4 Shares Without Certificates

The Corporation may adopt a system of issuance, recordation and transfer of its shares of stock by electronic or other means not involving the issuance of certificates, provided the use of such system by the Corporation is permitted in accordance with applicable law.

## 7.5 Construction; Definitions.

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural and the plural number includes the singular.

## 7.6 Dividends.

The Board, subject to any restrictions contained in either (i) the DGCL or (ii) the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property or in shares of the Corporation's capital stock.

The Board may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

## 7.7 Fiscal Year.

The fiscal year of the Corporation shall be fixed by resolution of the Board and may be changed by the Board.

## 7.8 Seal.

The Corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board. The Corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.



#### 7.9 Transfer of Stock.

Shares of the Corporation shall be transferable in the manner prescribed by law and in these bylaws. Shares of stock of the Corporation shall be transferred on the books of the Corporation only by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates representing such shares endorsed by the appropriate Person or Persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing the names of the Persons from and to whom it was transferred.

#### 7.10 Stock Transfer Agreements.

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes or series of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

#### 7.11 Registered Stockholders.

The Corporation:

(i) shall be entitled to recognize the exclusive right of a Person registered on its books as the owner of shares to receive dividends and to vote as such owner; and

(ii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another Person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

#### 7.12 Waiver of Notice.

Whenever notice is required to be given under any provision of the DGCL, the Certificate of Incorporation or these bylaws, a written waiver, signed by the Person entitled to notice, or a waiver by electronic transmission by the Person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a Person at a meeting shall constitute a waiver of notice of such meeting, except when the Person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Certificate of Incorporation or these bylaws.

### **Article VIII - Notice**

#### 8.1 Delivery of Notice; Notice by Electronic Transmission.

Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provisions of the DGCL, the Certificate of Incorporation, or these bylaws may be given in writing directed to the stockholder's mailing address (or by electronic transmission directed to the stockholder's electronic mail address, as applicable) as it appears on the records of the Corporation and shall be given (1) if mailed, when the notice is deposited in the U.S. mail, postage prepaid, (2) if delivered by courier service, the earlier of when the notice is received or left at such stockholder's address or (3) if given by electronic mail, when directed to such stockholder's electronic mail address unless the stockholder has notified the Corporation in writing or by electronic transmission of an objection to receiving notice by electronic mail. A notice by electronic mail must include a prominent legend that the communication is an important notice regarding the Corporation.

Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice or electronic transmission to the Corporation. Notwithstanding the provisions of this paragraph, the Corporation may give a notice by electronic mail in accordance with the first paragraph of this section without obtaining the consent required by this paragraph.

Any notice given pursuant to the preceding paragraph shall be deemed given:

- (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;
- (ii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and
- (iii) if by any other form of electronic transmission, when directed to the stockholder.

Notwithstanding the foregoing, a notice may not be given by an electronic transmission from and after the time that (1) the Corporation is unable to deliver by such electronic transmission two (2) consecutive notices given by the Corporation and (2) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice, provided, however, the inadvertent failure to discover such inability shall not invalidate any meeting or other action.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

## **Article IX - Indemnification**

### **9.1 Indemnification of Directors and Officers.**

The Corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL as it presently exists or may hereafter be amended, any director or officer of the Corporation who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she, or a Person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while serving as a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred by such Person in connection with any such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 9.4, the Corporation shall be required to indemnify a Person in connection with a Proceeding (or part thereof) initiated by such Person only if the Proceeding (or part thereof) was authorized in the specific case by the Board.

### **9.2 Indemnification of Others.**

The Corporation shall have the power to indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any employee or agent of the Corporation who was or is made or is threatened to be made a party or is otherwise involved in any Proceeding by reason of the fact that he or she, or a Person for whom he or she is the legal representative, is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such Person in connection with any such Proceeding.

### 9.3 Prepayment of Expenses.

The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by any officer or director of the Corporation, and may pay the expenses incurred by any employee or agent of the Corporation, in defending any Proceeding in advance of its final disposition; *provided, however*, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Person to repay all amounts advanced if it should be ultimately determined that the Person is not entitled to be indemnified under this Article IX or otherwise.

### 9.4 Determination; Claim.

If a claim for indemnification (following the final disposition of such Proceeding) under this Article IX is not paid in full within sixty (60) days, or a claim for advancement of expenses under this Article IX is not paid in full within thirty (30) days after a written claim therefor has been received by the Corporation, the claimant may thereafter (but not before) file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

### 9.5 Non-Exclusivity of Rights.

The rights conferred on any Person by this Article IX shall not be exclusive of any other rights which such Person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

### 9.6 Insurance.

The Corporation may purchase and maintain insurance on behalf of any Person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust enterprise or non-profit entity against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the DGCL.

### 9.7 Other Indemnification.

The Corporation's obligation, if any, to indemnify or advance expenses to any Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such Person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

### 9.8 Continuation of Indemnification.

The rights to indemnification and to prepayment of expenses provided by, or granted pursuant to, this Article IX shall continue notwithstanding that the Person has ceased to be a director or officer of the Corporation and shall inure to the benefit of the estate, heirs, executors, administrators, legatees and distributees of such Person.

### 9.9 Amendment or Repeal; Interpretation.

The provisions of this Article IX shall constitute a contract between the Corporation, on the one hand, and, on the other hand, each individual who serves or has served as a director or officer of the Corporation (whether before or after the adoption of these bylaws), in consideration of such Person's performance of such services, and pursuant to this Article IX the Corporation intends to be legally bound to each such current or former director or officer of the Corporation. With respect to current and former directors and officers of the Corporation, the rights conferred under this Article IX are present contractual rights and such rights are fully vested, and shall be deemed to have vested fully, immediately upon adoption of these bylaws. With respect to any directors or officers of the Corporation who commence service following adoption of these bylaws, the rights conferred under this provision shall be present contractual rights and such rights shall fully vest, and be deemed to have vested fully, immediately upon such director or officer commencing service as a director or officer of the Corporation. Any repeal or modification of the foregoing provisions of this Article IX shall not adversely affect any right or protection (i) hereunder of any Person in respect of any act or omission occurring prior to the time of such repeal or modification or (ii) under any agreement providing for indemnification or advancement of expenses to an officer or director of the Corporation in effect prior to the time of such repeal or modification.

Any reference to an officer of the Corporation in this Article IX shall be deemed to refer exclusively to the chairperson of the Board, a vice chairperson of the Board, a president, a chief executive officer, a chief financial officer, a secretary or a treasurer appointed pursuant to Article V of these bylaws, and to any vice president, assistant secretary, assistant treasurer, or other officer of the Corporation appointed by (x) the Board pursuant to Article V of these bylaws or (y) an officer to whom the Board has delegated the power to appoint officers pursuant to Article V of these bylaws, and any reference to an officer of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be deemed to refer exclusively to an officer appointed by the board of directors (or equivalent governing body) of such other entity pursuant to the certificate of incorporation and bylaws (or equivalent organizational documents) of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. The fact that any Person who is or was an employee of the Corporation or an employee of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise has been given or has used the title of “vice president” or any other title that could be construed to suggest or imply that such Person is or may be an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall not result in such Person being constituted as, or being deemed to be, an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise for purposes of this Article IX.

#### **Article X - Amendments**

The Board is expressly empowered to adopt, amend or repeal the bylaws of the Corporation. The stockholders also shall have power to adopt, amend or repeal the bylaws of the Corporation; *provided, however*, that, from and after the Trigger Event, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least 66 2/3% of the voting power of all the then-outstanding shares of voting stock of the Corporation with the power to vote at an election of directors, voting together as a single class.

#### **Article XI – Forum**

Unless the Corporation consents in writing to the selection of an alternative forum, (a) the Court of Chancery (the “Chancery Court”) of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on behalf of the Corporation, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or stockholder of the Corporation to the Corporation or to the Corporation’s stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the DGCL or the Certificate of Incorporation or these bylaws (as either may be amended and/or restated from time to time) or (iv) any action, suit or proceeding asserting a claim against the Corporation governed by the internal affairs doctrine; and (b) subject to the preceding provisions of this Article XI, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. If any action the subject matter of which is within the scope of clause (a) of the immediately preceding sentence is filed in a court other than the courts in the State of Delaware (a “Foreign Action”) in the name of any stockholder, such stockholder shall be deemed to have consented to (x) the personal jurisdiction of the state and federal courts in the State of Delaware in connection with any action brought in any such court to enforce the provisions of clause (a) of the immediately preceding sentence and (y) having service of process made upon such stockholder in any such action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder.

Any Person or entity purchasing or otherwise acquiring any interest in any security of the Corporation shall be deemed to have notice of and consented to this Article XI. Notwithstanding the foregoing, the provisions of this Article XI shall not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

## **Article XII – Miscellaneous**

If any provision or provisions of these bylaws shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provision or provisions in any other circumstance and of the remaining provisions of these bylaws shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of these bylaws shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service or for the benefit of the Corporation to the fullest extent permitted by law.

## **Article XIII – Interpretation**

For as long as the Stockholders Agreement remains in effect, in the event of any conflict between the terms and provisions of these bylaws and those contained in the Stockholders Agreement, the terms and provisions of the Stockholders Agreement shall govern and control, except as provided otherwise by mandatory provisions of the DGCL.

## **Article XIV – Definitions**

As used in these bylaws, unless the context otherwise requires, the term:

“Affiliate” means, with respect to any Person, any other Person that controls, is controlled by, or is under common control with such Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct or cause the direction of the affairs or management of that Person, whether through the ownership of voting securities, as trustee (or the power to appoint a trustee), as a personal representative or executor, by contract, credit arrangement or otherwise and “controlled” and “controlling” have meanings correlative to the foregoing.

An “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, including the use of, or participation in, one or more electronic networks or databases (including one or more distributed electronic networks or databases), that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

“Person” means any individual, general partnership, limited partnership, limited liability company, corporation, trust, business trust, joint stock company, joint venture, unincorporated association, cooperative or association or any other legal entity or organization of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

“Principal Stockholders” means investment funds affiliated with or advised by Leonard Green & Partners, L.P. and their successors.

“Stockholders Agreement” means the Amended and Restated Stockholders Agreement, dated [ ● ], 2021, by and among the Corporation, the Principal Stockholders and other parties thereto, as may be amended from time to time.

“Trigger Event” means the first date on which the Principal Stockholders cease to beneficially own (directly or indirectly) more than 50% of the voting power of the outstanding shares of Common Stock. For the purpose of these bylaws, “beneficial ownership” shall be determined in accordance with Rule 13d-3 promulgated under the Exchange Act.

**JOANN Inc.**

**Certificate of Amendment and Restatement of Bylaws**

The undersigned hereby certifies that she is the duly elected, qualified, and acting Secretary of JOANN Inc., a Delaware corporation (the “Corporation”), and that the foregoing bylaws were approved on February 26, 2021, effective as of [ ● ], 2021 by the Corporation’s board of directors.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this [ ● ] day of [ ● ], 2021.

\_\_\_\_\_  
Ann Aber

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**AMENDED AND RESTATED STOCKHOLDERS AGREEMENT**

**BY AND AMONG**

**JOANN INC.**

**AND**

**THE INITIAL STOCKHOLDERS**

**[ ● ], 2021**

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## **EXHIBIT**

Exhibit A: Form of Joinder Agreement



## STOCKHOLDERS AGREEMENT

This Amended and Restated Stockholders Agreement (this “Agreement”) is entered into as of [ ● ], 2021 by and among (a) JOANN Inc., a Delaware corporation (the “Company”), (b) Green Equity Investors V, L.P., Green Equity Investors Side V, L.P. and Needle Coinvest LLC (collectively, “LGP”), (c) TCW/Crescent Mezzanine Partners V, L.P. (“Crescent V”), TCW/Crescent Mezzanine Partners VB, L.P. (“Crescent VB”), TCW/Crescent Mezzanine Partners VC, L.P. (“Crescent VC”), Trust Company of the West (as Trustee for TCW Capital Trust) (“Trustee”) and MAC Equity Holdings I, LLC (“MAC I”), and together with Crescent V, Crescent VB, Crescent VC and Trustee, each a “Crescent Investor” and collectively, “Crescent”) and (d) each of the individual stockholders who are set forth on the signature pages hereto (each individually, a “Management Stockholder,” collectively, the “Management Stockholders”).

### RECITALS

A. The original Stockholders Agreement of the Company, dated October 16, 2012 (the “Original Agreement”), was entered into in connection with the Reorganization (as defined in the Original Agreement);

B. The Company is proposing to consummate an initial public offering (the “Initial Public Offering”) of its common stock, par value \$0.01 per share (the “Common Stock”), pursuant to an Underwriting Agreement, dated [ ● ], 2021 (the “Underwriting Agreement”).

C. The Initial Stockholders (as defined herein) and the Company desire to enter into this Agreement effective upon the Effective Time (as defined herein).

D. The Board of Directors of the Company (the “Board of Directors”) has approved this Agreement.

E. The parties to this Agreement desire to agree upon the respective rights and obligations after the Effective Time with respect to the securities of the Company now or hereafter issued and outstanding and held by the parties to this Agreement and certain matters with respect to their investment in the Company.

### AGREEMENT

Now therefore, in consideration of the foregoing, and the mutual agreements and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement agree as follows:

#### SECTION I. DEFINITIONS

##### 1.1 Drafting Conventions; No Construction Against Drafter.

(a) The headings in this Agreement are provided for convenience and do not affect its meaning. The words “include,” “includes” and “including” are to be read as if they were followed by the phrase “without limitation.” Unless specified otherwise, any reference to an agreement means that agreement as amended or supplemented, subject to any restrictions on amendment contained in such agreement. Unless specified otherwise, any reference to a statute or regulation means that statute or regulation as amended or supplemented from time to time and any corresponding provisions of successor statutes or regulations. If any date specified in this Agreement as a date for taking action falls on a day that is not a business day, then that action may be taken on the next business day. Unless specified otherwise, the words “party” and “parties” refer only to a party named in this Agreement or one who joins this Agreement as a party pursuant to the terms hereof.

(b) The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent. If an ambiguity or question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the parties and there is to be no presumption or burden of proof or rule of strict construction favoring or disfavoring any party because of the authorship of any provision of this Agreement.

1.2 Defined Terms. The following capitalized terms, as used in this Agreement, have the meanings set forth below.

“Affiliate” means with respect to any specified Person, any other Person which, directly or indirectly, controls, is controlled by or is under common control with the specified Person, including any partner, officer, director or member of the specified Person and, if the specified Person is a private equity fund, any investment fund now or hereafter managed by, or which is controlled by or is under common control with, one or more general partners of the specified Person. For the purposes of this definition, “control” (including, with its correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct, or cause the direction of the management and policies of such Person, whether through the ownership of securities, by contract or otherwise.

“Board of Directors” has the meaning set forth in the recitals.

“Closing” means the closing of the Initial Public Offering.

“Common Stock” has the meaning set forth in the recitals.

“Company” has the meaning set forth in the preamble and shall include any successor thereto.

“Crescent” has the meaning set forth in the preamble.

“Director” means a member of the Board of Directors.

“Effective Time” has the meaning set forth in Section 5.16.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“Initial Public Offering” has the meaning set forth in the recitals.

“Initial Stockholders” means, collectively, LGP, Crescent and the Management Stockholders.

“Joinder Agreement” means the joinder agreement substantially in the form of Exhibit A.

“LGP” has the meaning set forth in the preamble.

“LGP Director” has the meaning set forth in Section 4.1(a).

“LGP Stockholders” means (i) LGP and any other investment funds affiliated with or advised by Leonard Green & Partners, L.P. and (ii) any Permitted Transferee or Affiliate of LGP (x) which is issued Common Stock or becomes the beneficial owner of any Common Stock or is Transferred any Common Stock by any other Person and (y) which becomes a party hereto by executing a Joinder Agreement.

“LGP Stockholders’ Designee” has the meaning set forth in Section 4.1(b).

“LGP Majority Interest” means, at any given time, the LGP Stockholders holding a majority of the outstanding Shares held at that specified time by all LGP Stockholders.

“Management Stockholders” has the meaning set forth in the preamble.

“Necessary Action” means, with respect to a specified result, all commercially reasonable actions required to cause such result that are within the power of a specified Person, including voting or providing a written consent or proxy with respect to the Company Shares, (ii) causing the adoption of stockholders’ resolutions and amendments to the organizational documents of the Company, (iii) executing agreements and instruments, (iv) making, or causing to be made, with governmental, administrative or regulatory authorities, all filings, registrations or similar actions that are required to achieve such result and (v) causing members of the Board of Directors, subject to any fiduciary duties that such members may have as directors of the Company (including pursuant to Section 4.1(d)), to act in a certain manner, including causing members of the Board of Directors or any nominating or similar committee of the Board of Directors to recommend the appointment of any LGP Stockholders’ Designees as provided by this Agreement.

“Nominating Committee” has the meaning set forth in Section 4.1(c).

“Original Agreement” has the meaning set forth in the recitals.

“Permitted Transferee” means, with respect to any Stockholder, (i) any Affiliate of such Stockholder, (ii) any director, officer or employee of any Affiliate of such Stockholder, (iii) any direct or indirect member or general or limited partner of such Stockholder that is the transferee of Shares pursuant to a pro rata distribution of Shares by such Stockholder to its partners or members, as applicable (or any subsequent transfer of such Shares by the transferee to another Permitted Transferee), (iv) upon a Management Stockholder’s death, the Management Stockholder’s executors, administrators, testamentary trustees, legatees and beneficiaries, or (v) any other Transferee designated as a Permitted Transferee by the LGP Majority Interest.

“Person” means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, government (or agency or political subdivision thereof) or any other entity or group (as defined in Section 13(d) of the Exchange Act).

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“Shares” means, at any time, (i) shares of Common Stock and (ii) any other equity securities now or hereafter issued by the Company, together with any options thereon and any other shares of stock or other equity securities issued or issuable with respect thereto (whether by way of a stock dividend, stock split or in exchange for or in replacement or upon conversion of such shares or otherwise in connection with a combination of shares, recapitalization, merger, consolidation or other corporate reorganization).

“Stockholders” means the Initial Stockholders and any other stockholders who from time to time become party to this Agreement by execution of a Joinder Agreement.

“Transfer” means any direct or indirect transfer, donation, sale, assignment, pledge, hypothecation, grant of a security interest in or other disposal or attempted disposal of all or any portion of a security, any interest or rights in a security, or any rights under this Agreement.

“Transferee” means the recipient of a Transfer.

“Underwriting Agreement” has the meaning set forth in the recitals.

“WKSI” means a well-known seasoned issuer, as defined in Rule 405 under the Securities Act.

## SECTION II. REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of the Initial Stockholders. Each Initial Stockholder has the power and authority to enter into this Agreement and carry out its obligations hereunder. Each of the Initial Stockholders hereby represents, warrants and covenants to the Company as follows: (a) if such Initial Stockholder is an entity, this Agreement has been duly authorized, executed and delivered by such Stockholder; (b) this Agreement constitutes the valid and binding obligation of such Initial Stockholder enforceable against it in accordance with its terms; and (c) if such Initial Stockholder is an entity, the execution, delivery and performance by such Initial Stockholder of this Agreement: (i) does not and will not violate any laws, rules or regulations of the United States or any state or other jurisdiction applicable to such Initial Stockholder, or require such Initial Stockholder to obtain any approval, consent or waiver of, or to make any filing with, any Person that has not been obtained or made; and (ii) does not constitute a breach of or default under any material agreement to which such Initial Stockholder is a party. If such Initial Stockholder is a natural person, such person has full capacity to contract.

2.2 Representations and Warranties of the Company. The Company hereby represents, warrants and covenants to the Stockholders as follows: (a) the Company has full corporate power and authority to enter into this Agreement and perform its obligations hereunder; (b) this Agreement constitutes the valid and binding obligation of the Company enforceable against it in accordance with its terms; and (c) the execution, delivery and performance by the Company of this Agreement: (i) does not and will not violate any laws, rules or regulations of the United States or any state or other jurisdiction applicable to the Company, or require the Company to obtain any approval, consent or waiver of, or to make any filing with, any Person that has not been obtained or made; and (ii) does not and will not result in a breach of, constitute a default under, accelerate any obligation under or give rise to a right of termination of any indenture or loan or credit agreement or any other material agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which the Company is a party or by which the property of the Company is bound or affected, or result in the creation or imposition of any mortgage, pledge, lien, security interest or other charge or encumbrance on any of the assets or properties of the Company.

## SECTION III. REGISTRATION RIGHTS

### 3.1 Demand and Piggyback Rights.

(a) Right to Demand a Non-Shelf Registered Offering. Upon the demand of one or more LGP Stockholders at any time and from time to time after the expiration or waiver of the underwriter lock-up period applicable to the Initial Public Offering, the Company will facilitate in the manner described in this Agreement a non-shelf registered offering of the Shares requested by the demanding LGP Stockholders to be included in such offering. A demand by LGP Stockholders for a non-shelf registered offering that will result in the imposition of a lockup on the Company and the Stockholders may not be made unless the Shares requested to be sold by the demanding LGP Stockholders in such offering have an aggregate market value (based on the most recent closing price of the Common Stock at the time of the demand) of at least \$50 million or such lesser amount if all Shares held by the demanding LGP Stockholders are requested to be sold. Subject to Section 3.2(e) below, any demanded non-shelf registered offering may, at the Company's option, include Shares to be sold by the Company for its own account and will also include Shares to be sold by other Stockholders or other holders of Shares with similar rights that exercise their related piggyback rights on a timely basis.

(b) Right to Piggyback on a Non-Shelf Registered Offering. In connection with any registered offering of Common Stock covered by a non-shelf registration statement (whether pursuant to the exercise of demand rights or at the initiative of the Company), the Stockholders may exercise piggyback rights to have included in such offering Shares held by them. The Company will facilitate in the manner described in this Agreement any such non-shelf registered offering.

(c) Right to Demand and be Included in a Shelf Registration. Upon the demand of one or more LGP Stockholders, made at any time and from time to time when the Company is eligible to utilize Form S-3 or a successor form to sell Shares in a secondary offering on a delayed or continuous basis in accordance with Rule 415 under the Securities Act, the Company will facilitate in the manner described in this Agreement a shelf registration of Shares held by them. Any shelf registration filed by the Company covering Shares (whether pursuant to a LGP Stockholder demand or at the initiative of the Company) will cover Shares held by each of the Stockholders (regardless of whether they demanded the filing of such shelf or not) up to an equivalent percentage of their original respective holdings as may be agreed upon by the demanding LGP Stockholders. If at the time of such request the Company is a WKSI, such shelf registration may, at the request of such LGP Stockholders, cover an unspecified number of Shares to be sold by the Company and the Stockholders.

(d) Demand and Piggyback Rights for Shelf Takedowns. Upon the demand of one or more LGP Stockholders made at any time and from time to time, the Company will facilitate in the manner described in this Agreement a “takedown” of Shares off of an effective shelf registration statement. In connection with any underwritten shelf takedown (whether pursuant to the exercise of such demand rights or at the initiative of the Company), the Stockholders may exercise piggyback rights to have included in such takedown Shares held by them that are registered on such shelf. Notwithstanding the foregoing, LGP Stockholders may not demand a shelf takedown for an offering that will result in the imposition of a lockup on the Company and the Stockholders unless the Shares requested to be sold by the demanding Stockholders in such takedown have an aggregate market value (based on the most recent closing price of the Common Stock at the time of the demand) of at least \$50 million or such lesser amount if all Shares held by the demanding LGP Stockholders are requested to be sold.

(e) Right to Reload a Shelf. Upon the written request of an LGP Stockholder at such time when the Company is not a WKSI, the Company will file and seek the effectiveness of a post-effective amendment to an existing shelf registration statement in order to register up to the number of Shares previously taken down off of such shelf and not yet “reloaded” onto such shelf registration statement.

(f) Limitations on Demand and Piggyback Rights.

(i) Any demand for the filing of a registration statement or for a registered offering or takedown will be subject to the constraints of any applicable lockup arrangements, and such demand must be deferred until such lockup arrangements no longer apply. If a demand has been made for a non-shelf registered offering or for an underwritten takedown, no further demands may be made so long as the related offering is still being pursued. Notwithstanding anything in this Agreement to the contrary, the Stockholders will not have piggyback or other registration rights with respect to registered primary offerings by the Company (i) in connection with registrations on Form S-4 or Form S-8 promulgated by the SEC or any successor or similar forms, (ii) where the Shares are not being sold for cash or (iii) where the offering is a bona fide offering of securities other than Shares, even if such securities are convertible into or exchangeable or exercisable for Shares.

(ii) The Stockholders shall not be permitted to sell any securities pursuant to Section 3.1 at any time that the Board of Directors determines in good faith that it would be materially detrimental to the Company or its stockholders for sales of securities to be made; provided that all Stockholders shall be treated consistently in connection with each such determination; and provided further, that the Company shall promptly notify each Stockholder in writing of any such action and provided further, that any such delay may not last more than sixty (60) days and such delays may not be in effect more than one hundred and twenty (120) days during any three hundred and sixty-five (365) day period.

### 3.2 Notices, Cutbacks and Other Matters.

(a) Notifications Regarding Registration Statements. In order for one or more LGP Stockholders to exercise their right to demand that a registration statement be filed, they must so notify the Company in writing indicating the number of Shares sought to be registered and the proposed plan of distribution. The Company will use its best efforts to keep the Stockholders reasonably apprised of all pertinent aspects of its pursuit of any registration, whether pursuant to a LGP Stockholder demand or otherwise, with respect to which a piggyback opportunity is available. Pending any required public disclosure and subject to applicable legal requirements, the parties will maintain the confidentiality of these discussions.

(b) Notifications Regarding Registration Piggyback Rights. Any Stockholder wishing to exercise its piggyback rights with respect to a non-shelf registration statement must notify the Company and the other Stockholders of the number of Shares it seeks to have included in such registration statement. Such notice must be given as soon as practicable, but in no event later than 5:00 pm, New York City time, on the second trading day prior to (i) if applicable, the date on which the preliminary prospectus intended to be used in connection with pre-effective marketing efforts for the relevant offering is expected to be finalized, and (ii) in any case, the date on which the pricing of the relevant offering is expected to occur. No such notice is required in connection with a shelf registration statement, as Shares held by all Stockholders will be included up to the applicable percentage.

#### (c) Notifications Regarding Demanded Underwritten Takedowns.

(i) The Company will use its best efforts to keep the Stockholders reasonably apprised of all pertinent aspects of any underwritten shelf takedown in order that they may have a reasonable opportunity to exercise their related piggyback rights. Without limiting the Company's obligation as described in the preceding sentence, having a reasonable opportunity requires that the Stockholders be notified by the Company of an anticipated underwritten takedown (whether pursuant to a demand made by the LGP Stockholders or made at the Company's own initiative) no later than 5:00 pm, New York City time, on (i) if applicable, the second trading day prior to the date on which the preliminary prospectus or prospectus supplement intended to be used in connection with pre-pricing marketing efforts for such takedown is finalized, and (ii) in all cases, the second trading day prior to the date on which the pricing of the relevant takedown occurs.

(ii) Any Stockholder wishing to exercise its piggyback rights with respect to an underwritten shelf takedown must notify the Company and the other Stockholders of the number of Shares it seeks to have included in such takedown. Such notice must be given as soon as practicable, but in no event later than 5:00 pm, New York City time, on (i) if applicable, the trading day prior to the date on which the preliminary prospectus or prospectus supplement intended to be used in connection with marketing efforts for the relevant offering is expected to be finalized, and (ii) in all cases, the trading day prior to the date on which the pricing of the relevant takedown occurs.

(iii) Pending any required public disclosure and subject to applicable legal requirements, the parties will maintain appropriate confidentiality of their discussions regarding a prospective underwritten takedown.

(d) Plan of Distribution, Underwriters and Counsel. If (i) a majority of the Shares proposed to be sold in an underwritten offering through a non-shelf registration statement or through a shelf takedown are being sold by the Company for its own account and (ii) such offering was initiated by the Company and not by any LGP Stockholder, the Company will be entitled to determine the plan of distribution and select the managing underwriters for such offering. Otherwise, the Stockholders holding a majority of the Shares requested to be included in such offering will be entitled to determine the plan of distribution and select the managing underwriters, and such majority will also be entitled to select counsel for the selling Stockholders (which may be the same as counsel for the Company). In the case of a shelf registration statement, the plan of distribution will provide as much flexibility as is reasonably possible, including with respect to resales by transferee Stockholders.

(e) Cutbacks. If the managing underwriters advise the Company and the selling Stockholders that, in their opinion, the number of Shares requested to be included in an underwritten offering exceeds the amount that can be sold in such offering without adversely affecting the distribution of the Shares being offered, such offering will include only the number of Shares that the underwriters advise can be sold in such offering.

(i) In the case of a registered offering upon the demand of one or more LGP Stockholders, the selling Stockholders (including those Stockholders exercising piggyback rights pursuant to Section 3.1(b)) collectively will have first priority and will be subject to cutback pro rata based on the number of Shares initially requested by them to be included in such offering. To the extent of any remaining capacity, all other stockholders having similar registration rights will have second priority and will be subject to cutback pro rata based on the number of Shares initially requested by them to be included in such offering. To the extent of any remaining capacity, the Company will have third priority. Except as contemplated by the immediately preceding three sentences, other selling stockholders (other than transferees to whom a Stockholder has assigned its rights under this Agreement) will be included in an underwritten offering only with the consent of Stockholders holding a majority of the Shares being sold in such offering.

(ii) In the case of a registered offering upon the initiative of the Company, the Company will have first priority. To the extent of any remaining capacity, the selling Stockholders as a group, on the one hand, and all other stockholders having similar registration rights as a group, on the other hand, will be subject to cutback pro rata based on the number of Shares initially requested by such group to be included in such offering. The selling Stockholders will be subject to cutback pro rata, based on the number of Shares initially requested by them to be included in such offering. Except as contemplated by the immediately preceding sentence, other stockholders (other than transferees to whom a Stockholder has assigned its rights under this Agreement) will be included in an underwritten offering only with the consent of a LGP Majority Interest.

(f) Withdrawals. Even if Shares held by a LGP Stockholder have been part of a registered underwritten offering, such LGP Stockholder may, no later than the time at which the public offering price and underwriters' discount are determined with the managing underwriter, decline to sell all or any portion of the Shares being offered for its account.

(g) Lockups. In connection with any underwritten offering of Shares, the Company and each participating Stockholder hereby agree to be bound by the underwriting agreement's lockup restrictions (which must apply, and continue to apply, in like manner to all of them) that are agreed to (a) by the Company, if a majority of the Shares being sold in such offering are being sold for its account or (b) by LGP Stockholders holding a majority of Shares being sold by all LGP Stockholders, if a majority of the Shares being sold in such offering are being sold by LGP Stockholders, as applicable.

(h) Expenses. All expenses incurred in connection with any registration statement or registered offering covering Shares held by Stockholders, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel (provided that the Company shall only be responsible for the fees and disbursements of one outside counsel for all of the Stockholders) and of the independent certified public accountants, and the expense of qualifying such Shares under state blue sky laws, will be borne by the Company. However, underwriters', brokers' and dealers' discounts and commissions applicable to Shares sold for the account of a Stockholder will be borne by such Stockholder.

### 3.3 Facilitating Registrations and Offerings.

(a) General. If the Company becomes obligated under this Agreement to facilitate a registration and offering of Shares on behalf of the Stockholders, the Company will do so with the same degree of care and dispatch as would reasonably be expected in the case of a registration and offering by the Company of Shares for its own account. Without limiting this general obligation, the Company will fulfill its specific obligations as described in this Section 3.3.

(b) Registration Statements. In connection with each registration statement that is demanded by the LGP Stockholders or as to which piggyback rights otherwise apply, the Company will:

(i) prepare and file (or confidentially submit) with the SEC a registration statement covering the applicable Shares, (ii) prepare and file (or confidentially submit) such amendments or supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period ending when all of the securities covered by such registration statement have been disposed of in accordance with the intended methods of distribution by the sellers thereof set forth in such registration statement (but not in any event before the expiration of any longer period required under the Securities Act or, if such registration statement relates to an underwritten public offering, such longer period as in the opinion of counsel for the underwriters a prospectus is required by law to be delivered in connection with the sale of Shares by an underwriter or dealer), (iii) seek the effectiveness thereof, and (iv) file with the SEC prospectuses and prospectus supplements as may be required, all in consultation with the LGP Stockholders and as reasonably necessary in order to permit the offer and sale of the such Shares in accordance with the applicable plan of distribution;

(ii) (1) within a reasonable time prior to the filing of any registration statement, any prospectus, any amendment to a registration statement, amendment or supplement to a prospectus or any free writing prospectus, provide copies of such documents to the selling Stockholders and to the underwriter or underwriters of an underwritten offering, if applicable, and to their respective counsel; fairly consider such reasonable changes in any such documents prior to or after the filing thereof as the counsel to the Stockholders or the underwriter or the underwriters may request; and make such of the representatives of the Company as shall be reasonably requested by the selling Stockholders or any underwriter available for discussion of such documents;



(2) within a reasonable time prior to the filing of any document which is to be incorporated by reference into a registration statement or a prospectus, provide copies of such document to counsel for the Stockholders and underwriters; fairly consider such reasonable changes in such document prior to or after the filing thereof as counsel for such Stockholders or such underwriter shall request; and make such of the representatives of the Company as shall be reasonably requested by such counsel available for discussion of such document;

(iii) cause each registration statement and the related prospectus and any amendment or supplement thereto, as of the effective date of such registration statement, amendment or supplement and during the distribution of the registered Shares (x) to comply in all material respects with the requirements of the Securities Act and the rules and regulations of the SEC and (y) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(iv) notify each Stockholder promptly, and, if requested by such Stockholder, confirm such advice in writing, (i) when a registration statement has become effective and when any post-effective amendments and supplements thereto become effective if such registration statement or post-effective amendment is not automatically effective upon filing pursuant to Rule 462 under the Securities Act, (ii) of the issuance by the SEC or any state securities authority of any stop order, injunction or other order or requirement suspending the effectiveness of a registration statement or the initiation or threatening of any proceedings for that purpose, (iii) if, between the effective date of a registration statement and the closing of any sale of securities covered thereby pursuant to any agreement to which the Company is a party, the representations and warranties of the Company contained in such agreement cease to be true and correct in all material respects or if the Company receives any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation of any proceeding for such purpose, and (iv) of the happening of any event during the period a registration statement is effective as a result of which such registration statement or the related prospectus contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading and, if required by applicable law, prepare and file a supplement or amendment to such registration statement or prospectus so that, as thereafter delivered to the purchasers of Shares registered thereby, such registration statement or prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(v) furnish counsel for each underwriter, if any, and for the Stockholders copies of any correspondence with the SEC or any state securities authority relating to the registration statement or prospectus;

(vi) otherwise comply with all applicable rules and regulations of the SEC, including making available to its security holders an earnings statement covering at least 12 months which shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar provision then in force);

(vii) use all reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of a registration statement at the earliest possible time;

(c) **Non-Shelf Registered Offerings and Shelf Takedowns.** In connection with any non-shelf registered offering or shelf takedown that is demanded by the L&P Stockholders or as to which piggyback rights otherwise apply, the Company will:

(i) cooperate with the selling Stockholders and the sole underwriter or managing underwriter of an underwritten offering of Shares, if any, to facilitate the timely preparation and delivery of certificates representing the Shares to be sold and not bearing any restrictive legends; and enable such Shares to be in such denominations (consistent with the provisions of the governing documents thereof) and registered in such names as the selling Stockholders or the sole underwriter or managing underwriter of an underwritten offering of Shares, if any, may reasonably request at least five days prior to any sale of such Shares;

(ii) furnish to each Stockholder and to each underwriter, if any, participating in the relevant offering, without charge, as many copies of the applicable prospectus, including each preliminary prospectus, and any amendment or supplement thereto and such other documents as such Stockholder or underwriter may reasonably request in order to facilitate the public sale or other disposition of the Shares; the Company hereby consents to the use of the prospectus, including each preliminary prospectus, by each such Stockholder and underwriter in connection with the offering and sale of the Shares covered by the prospectus or the preliminary prospectus;

(iii) (i) use all reasonable efforts to register or qualify the Shares being offered and sold, no later than the time the applicable registration statement becomes effective, under all applicable state securities or "blue sky" laws of such jurisdictions as each underwriter, if any, or any Stockholder holding Shares covered by a registration statement, shall reasonably request; (ii) use all reasonable efforts to keep each such registration or qualification effective during the period such registration statement is required to be kept effective; (iii) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in the registration statement and (iv) do any and all other acts and things which may be reasonably necessary or advisable to enable each such underwriter, if any, and Stockholder to consummate the disposition in each such jurisdiction of such Shares owned by such Stockholder; *provided, however*, that the Company shall not be obligated to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to consent to be subject to general service of process (other than service of process in connection with such registration or qualification or any sale of Shares in connection therewith) in any such jurisdiction;

(iv) cause all Shares being sold to be qualified for inclusion in or listed on the principal U.S. securities exchange on which the Common Stock is then so qualified or listed;

(v) cooperate and assist in any filings required to be made with Financial Industry Regulatory Authority and in the performance of any due diligence investigation by any underwriter in an underwritten offering;

(vi) use all reasonable efforts to facilitate the distribution and sale of any Shares to be offered pursuant to this Agreement, including without limitation by making road show presentations, holding meetings with and making calls to potential investors and taking such other actions as shall be requested by the Stockholders or the lead managing underwriter of an underwritten offering; and

(vii) enter into customary agreements (including, in the case of an underwritten offering, underwriting agreements in customary form, and including provisions with respect to indemnification and contribution in customary form and consistent with the provisions relating to indemnification and contribution contained herein) and take all other customary and appropriate actions in order to expedite or facilitate the disposition of such Shares and in connection therewith:

- (1) make such representations and warranties to the selling Stockholders and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in similar underwritten offerings;
- (2) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the lead managing underwriter, if any) addressed to each selling Stockholder and the underwriters, if any, covering the matters customarily covered in opinions requested in sales of securities or underwritten offerings and such other matters as may be reasonably requested by such Stockholders and underwriters;
- (3) obtain “cold comfort” letters and updates thereof from the Company’s independent certified public accountants addressed to the selling Stockholders, if permissible, and the underwriters, if any, which letters shall be customary in form and shall cover matters of the type customarily covered in “cold comfort” letters to underwriters in connection with primary underwritten offerings;
- (4) to the extent requested by the LGP Shareholders, cause the Company’s directors and executive officers to enter into lock-up agreements in customary form; and
- (5) to the extent requested and customary for the relevant transaction, enter into a securities sales agreement with the Stockholders providing for, among other things, the appointment of such representative as agent for the selling Stockholders for the purpose of soliciting purchases of Shares, which agreement shall be customary in form, substance and scope and shall contain customary representations, warranties and covenants.

The above shall be done at such times as customarily occur in similar registered offerings or shelf takedowns.

(d) Due Diligence. In connection with each registration and offering of Shares to be sold by Stockholders, the Company will, in accordance with customary practice, make available for inspection by representatives of the Stockholders participating in such offering and underwriters and any counsel or accountant retained by such Stockholder or underwriters all relevant financial and other records, pertinent corporate documents and properties of the Company and cause appropriate officers, managers and employees of the Company to supply all information reasonably requested by any such representative, underwriter, counsel or accountant in connection with their due diligence exercise.

(e) Information from Stockholders. Each Stockholder that holds Shares covered by any registration statement will furnish to the Company such information regarding itself as is required to be included in the registration statement, the ownership of Shares by such Stockholder and the proposed distribution by such Stockholder of such Shares as the Company may from time to time reasonably request in writing.

### 3.4 Indemnification.

(a) Indemnification by the Company. In the event of any registration under the Securities Act by any registration statement pursuant to rights granted in this Agreement of Shares held by the Stockholders, the Company will hold harmless the Stockholders and each underwriter of such securities and each other person, if any, who controls any Stockholder or such underwriter within the meaning of the Securities Act, against any losses, claims, damages, or liabilities (including legal fees and costs of court), joint or several, to which the Stockholders or such underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, or liabilities (or any actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact (i) contained, on its effective date, in any registration statement under which such securities were registered under the Securities Act or any amendment or supplement to any of the foregoing, or which arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) contained in any preliminary prospectus, if used prior to the effective date of such registration statement, or in the final prospectus (as amended or supplemented if the Company shall have filed with the SEC any amendment or supplement to the final prospectus), or which arise out of or are based upon the omission or alleged omission (if so used) to state a material fact required to be stated in such prospectus or necessary to make the statements in such prospectus not misleading; and will reimburse the Stockholders and each such underwriter and each such controlling person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, or liability; provided, however, that the Company shall not be liable to any Stockholder or its underwriters or controlling persons in any such case to the extent that any such loss, claim, damage, or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or such amendment or supplement, in reliance upon and in conformity with information furnished to the Company through a written instrument duly executed by the Stockholders or such underwriter specifically for use in the preparation thereof.

(b) Indemnification by the Stockholders. Each Stockholder will indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 3.4(a)) the Company, each director of the Company, each officer of the Company who shall sign the registration statement, and any person who controls the Company within the meaning of the Securities Act, (i) with respect to any statement or omission from such registration statement, or any amendment or supplement to it, if such statement or omission was made in reliance upon and in conformity with information furnished to the Company through a written instrument duly executed by such Stockholder specifically regarding such Stockholder for use in the preparation of such registration statement or amendment or supplement, and (ii) with respect to compliance by such Stockholder with applicable laws in effecting the sale or other disposition of the securities covered by such registration statement.

(c) Indemnification Procedures. Promptly after receipt by an indemnified party of notice of the commencement of any action involving a claim referred to in Section 3.4(a) and Section 3.4(b), the indemnified party will, if a resulting claim is to be made or may be made against and indemnifying party, give written notice to the indemnifying party of the commencement of the action. The failure of any indemnified party to give notice shall not relieve the indemnifying party of its obligations in this Section 3.4, except to the extent that the indemnifying party is actually prejudiced by the failure to give notice. If any such action is brought against an indemnified party, the indemnifying party will be entitled to participate in and to assume the defense of the action with counsel reasonably satisfactory to the indemnified party, and after notice from the indemnifying party to such indemnified party of its election to assume defense of the action, the indemnifying party will not be liable to such indemnified party for any legal or other expenses incurred by the latter in connection with the action's defense. An indemnified party shall have the right to employ separate counsel in any action or proceeding and participate in the defense thereof, but the fees and expenses of such counsel shall be at such indemnified party's expense unless (a) the employment of such counsel has been specifically authorized in writing by the indemnifying party, which

authorization shall not be unreasonably withheld, (ii) the indemnifying party has not assumed the defense and employed counsel reasonably satisfactory to the indemnified party within 30 days after notice of any such action or proceeding, or (iii) the named parties to any such action or proceeding (including any impleaded parties) include the indemnified party and the indemnifying party and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to the indemnified party that are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action or proceeding on behalf of the indemnified party), it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to all local counsel which is necessary, in the good faith opinion of both counsel for the indemnifying party and counsel for the indemnified party in order to adequately represent the indemnified parties) for the indemnified party and that all such fees and expenses shall be reimbursed as they are incurred upon written request and presentation of invoices. Whether or not a defense is assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent. No indemnifying party will consent to entry of any judgment or enter into any settlement which (i) does not include as an unconditional term the giving by the claimant or plaintiff, to the indemnified party, of a release from all liability in respect of such claim or litigation or (ii) involves the imposition of equitable remedies or the imposition of any non-financial obligations on the indemnified party.

(d) Contribution. If the indemnification required by this Section 3.4 from the indemnifying party is unavailable to or insufficient to hold harmless an indemnified party in respect of any indemnifiable losses, claims, damages, liabilities, or expenses, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities, or expenses in such proportion as is appropriate to reflect (i) the relative benefit of the indemnifying and indemnified parties and (ii) if the allocation in clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect the relative benefit referred to in clause (i) and also the relative fault of the indemnified and indemnifying parties, in connection with the actions which resulted in such losses, claims, damages, liabilities, or expenses, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and the indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact, has been made by, or relates to information supplied by, such indemnifying party or parties, and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damage, liabilities, and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding. The Company and the Stockholders agree that it would not be just and equitable if contribution pursuant to this Section 3.4(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the prior provisions of this Section 3.4(d). Notwithstanding the provisions of this Section 3.4(d), no indemnifying party shall be required to contribute any amount in excess of the amount by which the total price at which the securities were offered to the public by the indemnifying party exceeds the amount of any damages which the indemnifying party has otherwise been required to pay by reason of an untrue statement or omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such a fraudulent misrepresentation.

(e) Non-Exclusive Remedy. The indemnification and contribution provided for under this Agreement will be in addition to any other rights to indemnification or contribution that any indemnified party may have pursuant to law or contract (and the Company and its subsidiaries shall be considered the indemnitors of first resort in all such circumstances to which this Section 3 applies) and will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and will survive the transfer of Shares and the termination or expiration of this Agreement.

3.5 Rule 144. If the Company is subject to the requirements of Section 13, 14 or 15(d) of the Exchange Act, the Company covenants that it will file any reports required to be filed by it under the Securities Act and the Exchange Act (or, if the Company is subject to the requirements of Section 13, 14 or 15(d) of the Exchange Act but is not required to file such reports, it will, upon the request of LGP Stockholder, make publicly available such information) and it will take such further action as any Stockholder may reasonably request, so as to enable such Stockholder to sell Shares without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the SEC. Upon the request of any Stockholder, the Company will deliver to such Stockholder a written statement as to whether it has complied with such requirements.

#### SECTION IV. CORPORATE GOVERNANCE

##### 4.1 Board of Directors.

(a) Composition of Initial Board. As of the Closing, the Board of Directors shall be comprised of seven (7) directors, the following five (5) of whom shall be deemed to have been designated by the LGP Stockholders (each, a "LGP Director"): Wade Miquelon, Darrell Webb, Lily Chang, Jonathan Sokoloff and John Yoon. The foregoing directors shall be divided into three classes of directors, each of whose members shall serve for staggered three-year terms as follows:

- (i) the class I directors shall initially include Wade Miquelon and Darrell Webb;
- (ii) the class II directors shall initially include Lily Chang; and
- (iii) the class III directors shall initially include John Yoon and Jonathan Sokoloff.

The initial term of the class I directors shall expire immediately following the Company's 2022 annual meeting of stockholders at which directors are elected. The initial term of the class II directors shall expire immediately following the Company's 2023 annual meeting of stockholders at which directors are elected. The initial term of the class III directors shall expire immediately following the Company's 2024 annual meeting at which directors are elected.

(b) LGP Stockholders' Representation. For so long as the LGP Stockholders hold, in the aggregate, a number of shares of Common Stock representing at least the percentages shown below of shares of Common Stock held in the aggregate by the LGP Stockholders following the consummation of all sales of Common Stock contemplated by the Underwriting Agreement, the Company shall take all Necessary Action to include in the slate of nominees recommended by the Board of Directors for election as directors at each applicable annual or special meeting of stockholders at which directors are to be elected that number of individuals designated by the LGP Stockholders (each, a "LGP Stockholders' Designee") that, if elected, will result in the number of LGP Directors serving on the Board of Directors that is shown below.

<u>Percentage</u>	<u>Number of Directors</u>
50% or greater	5
Less than 50% but greater than or equal to 40%	4
Less than 40% but greater than or equal to 30%	3
Less than 30% but greater than or equal to 20%	2
Less than 20% but greater than or equal to 10%	1
Less than 10%	0

Upon any decrease in the number of directors that the LGP Stockholders are entitled to designate for election to the Board of Directors, the LGP Stockholders shall, upon request from the Company, use their reasonable best efforts to cause the appropriate number of LGP Stockholders' Designees to offer to tender his or her resignation. If such resignation is then accepted by the Board of Directors, the Company shall cause the size of the Board of Directors to be reduced accordingly unless the Company, with the approval of a majority of the remaining Directors, determines not to reduce the authorized size of the Board of Directors, in which case the Board of Directors shall act in accordance with the bylaws of the Company then in effect to appoint or nominate a new director to the Board of Directors.

(c) Additional Obligations. An individual designated by the LGP Stockholders for election (including pursuant to Section 4.1(b)) as a director shall comply with any applicable requirements of the charter for, and related guidelines of, any committee of the Board of Directors responsible for nominating directors (such committee, a "Nominating Committee"). Notwithstanding anything to the contrary in this Section 4, in the event that the Board of Directors determines in good faith, after consultation with outside legal counsel, that its nomination, appointment or election of a particular LGP Stockholders' Designee pursuant to this Section 4.1 would constitute a breach of its fiduciary duties to the Company's stockholders or does not otherwise comply with any requirements of the charter for, or related guidelines of, the Nominating Committee, then the Board of Directors shall inform the LGP Stockholders of such determination in writing and explain in reasonable detail the basis for such determination and shall designate another individual designated for nomination, election or appointment to the Board of Directors by the LGP Stockholders (subject in each case to this Section 4.1(c)), and the Board of Directors and the Company shall take all of the actions required by this Section 4 with respect to the election of such substitute LGP Stockholders' Designee. It is hereby acknowledged and agreed that the fact that a particular LGP Stockholders' Designee is an Affiliate, director, professional, partner, member, manager, employee or agent of the LGP Stockholders or is not an independent director shall not in and of itself constitute an acceptable basis for such determination by the Board of Directors.

(d) Vacancies. Except as provided in Section 4.1(b), with respect to decreases in ownership of the LGP Stockholders, (i) the LGP Stockholders shall have the exclusive right to request the removal of LGP Stockholders' Designees from the Board of Directors in accordance with the bylaws of the Company then in effect, and the Company shall take all Necessary Action to cause the removal (whether for or without cause) of any such LGP Stockholders' Designee at the request of the LGP Stockholders and (ii) the LGP Stockholders shall have the exclusive right to designate directors for election to the Board of Directors to fill vacancies (for the remainder of the then current term) created by reason of death, disability, removal or resignation of LGP Stockholders' Designees to the Board of Directors, and the Company shall take all Necessary Action to cause any such vacancies to be filled by replacement directors designated by the LGP Stockholders as promptly as reasonably practicable.

(e) Committees. In accordance with the Company's certificate of incorporation and bylaws, (i) the Board shall establish and maintain an audit committee of the Board, as well as all other committees of the Board required in accordance with applicable Laws and stock exchange regulations, and (ii) the Board may from time to time by resolution establish and maintain other committees of the Board. Subject to applicable laws and stock exchange regulations, and subject to requisite independence requirements applicable to such committee, the LGP Stockholders shall have the right to have one (1) LGP Director appointed to serve on each committee of the Board for so long as the LGP Stockholders has the right to designate at least one (1) director for nomination to the Board. In furtherance of the foregoing, the Company agrees to take all Necessary Action to have at least one (1) LGP Director appointed to serve on each committee of the Board (to the extent not prohibited by applicable Law or applicable stock exchange regulations).

4.2 Agreement of Company. The Company hereby agrees that it will take all Necessary Actions to cause the matters addressed by this Section 4 to be carried out in accordance with the provisions thereof. Without limiting the foregoing, the Secretary of the Company or such other officer or employee of the Company who may be fulfilling the duties of the Secretary, shall not record any vote or consent or other action contrary to the terms of this Section 4.

## SECTION V. MISCELLANEOUS PROVISIONS

5.1 Access Rights. The Company shall, and shall cause its subsidiaries, officers, directors, employees, auditors and other agents to (a) afford the LGP Stockholders and their officers, employees, auditors and other agents, during normal business hours and upon reasonable notice, at all reasonable times access to the Company's and its subsidiaries' officers, employees, auditors, legal counsel, properties, offices, plants and other facilities and to all books and records, and (b) afford the LGP Stockholders and their officers, employees, auditors and other agents the opportunity to discuss the affairs, finances and accounts of the Company and its subsidiaries with their respective officers from time to time as each such LGP Stockholder may reasonably request, in each case, until such time as such LGP Stockholder shall cease to own any Shares.

5.2 Confidentiality. Each Stockholder agrees that it will keep confidential and will not disclose, divulge or use for any purpose, other than to monitor its investment in the Company and its subsidiaries, any confidential information obtained from the Company pursuant to Section 5.1, unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of any confidentiality obligation by such Stockholder or its affiliates), (b) is or has been independently developed or conceived by such Stockholder without use of or reliance on the Company's confidential information or (c) is or has been made known or disclosed to such Stockholder by a third party (other than an Affiliate of such Stockholder) without a breach of any confidentiality obligations such third party may have to the Company that is known to such Stockholder; provided, that, a Stockholder may disclose confidential information (i) to its attorneys, accountants, consultants and other professional advisors to the extent necessary to obtain their services in connection with monitoring its investment in the Company, (ii) to any prospective purchaser of any Shares from such Stockholder as long as such prospective purchaser executes a confidentiality agreement with the Company, in form and substance satisfactory to the Company, (iii) to any Affiliate, partner, member, limited partners, prospective partners or related investment fund of such Stockholder and their respective directors, employees, consultants and representatives, in each case in the ordinary course of business (provided that the recipients of such confidential information are subject to a customary confidentiality and non-disclosure obligation, and provided further that Stockholder will remain liable to the Company for any breaches of confidentiality and nondisclosure obligations by such persons), or (iv) as may otherwise be required by law or legal, judicial or regulatory process.



5.3 Reliance. Each covenant and agreement made by a party in this Agreement or in any certificate, instrument or other document delivered pursuant to this Agreement is material, shall be deemed to have been relied upon by the other parties and shall remain operative and in full force and effect after the Effective Time regardless of any investigation. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties hereto and their respective successors and permitted assigns.

5.4 Access to Agreement; Amendment and Waiver; Actions of the Board. For so long as this Agreement shall be in effect, this Agreement shall be made available for inspection by any Stockholder at the principal executive offices of the Company. Any party may waive in writing any provision hereof intended for its benefit, provided, that, in the case of any waiver by the Company, such waiver is consented to in writing by the LGP Majority Interest. No failure or delay on the part of any party in exercising any right, power or remedy hereunder shall operate as a waiver thereof. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to any party at law or in equity or otherwise. This Agreement may be amended only with the prior written consent of the LGP Majority Interest and the Company. Any consent given as provided in the preceding sentence shall be binding on all parties. Further, with the prior written consent of the LGP Majority Interest and the Company, at any time hereafter Permitted Transferees may be made parties hereto, with any such additional parties shall be treated as “Stockholders” for all purposes hereunder, by executing a counterpart signature page in the form attached as Exhibit A hereto, which signature page shall be attached to this Agreement and become a part hereof without any further action of any other party hereto.

5.5 Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing and mailed (by first class registered or certified mail, electronic mail, facsimile or postage prepaid), sent by express overnight courier service, or delivered to the applicable party at the respective address indicated below:

*If to the Company:*

JOANN Inc.  
5555 Darrow Road  
Hudson, Ohio 44236  
Attn: General Counsel ([Ann.Aber@joann.com](mailto:Ann.Aber@joann.com))  
Facsimile: (330) 463-6773

*With a copy (which shall not constitute notice):*

Latham & Watkins LLP  
885 Third Avenue  
New York, New York 10022  
Attention:  
Howard Sobel ([Howard.Sobel@lw.com](mailto:Howard.Sobel@lw.com))  
Greg Rodgers ([Greg.Rodgers@lw.com](mailto:Greg.Rodgers@lw.com))  
Jason Silvera ([Jason.Silvera@lw.com](mailto:Jason.Silvera@lw.com))  
Drew Capurro ([Drew.Capurro@lw.com](mailto:Drew.Capurro@lw.com))  
Facsimile: (212) 751-4864

*If to the LGP Stockholders:*

c/o Leonard Green & Partners, L.P.  
11111 Santa Monica Blvd., #2000  
Los Angeles, California 90025  
Attention: John Yoon ([yoona@leonardgreen.com](mailto:yoona@leonardgreen.com))  
Facsimile: (310) 954-0404

*With a copy (which shall not constitute notice):*

Latham & Watkins LLP  
885 Third Avenue  
New York, New York 10022  
Attention:  
Howard Sobel ([Howard.Sobel@lw.com](mailto:Howard.Sobel@lw.com))  
Greg Rodgers ([Greg.Rodgers@lw.com](mailto:Greg.Rodgers@lw.com))  
Jason Silvera ([Jason.Silvera@lw.com](mailto:Jason.Silvera@lw.com))  
Drew Capurro ([Drew.Capurro@lw.com](mailto:Drew.Capurro@lw.com))  
Facsimile: (212) 751-4864

*If to any other Stockholder:*

At such Person's address for notice as set forth in the books and records of the Company, or, as to each of the foregoing, at such other address as shall be designated by a party in a written notice to other parties complying as to delivery with the terms of this Section 5.5. All such notices, requests, demands and other communications shall, when mailed, telegraphed or sent, respectively, be effective (i) two days after being deposited in the mail or (ii) one day after being deposited with the express overnight courier service, respectively, addressed as aforesaid.

**5.6 Counterparts; Electronic Delivery.** This Agreement may be executed in two or more counterparts, and delivered via facsimile, .pdf or other electronic transmission, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Agreement, the agreements referred to herein, and each other agreement or instrument entered into in connection herewith or therewith or contemplated hereby or thereby, and any amendments hereto or thereto, to the extent executed and delivered by means of a photographic, photostatic, facsimile or similar reproduction of such signed writing using a facsimile machine or electronic mail shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or electronic mail to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or electronic mail as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

**5.7 Remedies; Severability.** It is specifically understood and agreed that any breach of the provisions of this Agreement by any party will result in irreparable injury to the other parties, that the remedy at law alone will be an inadequate remedy for such breach, and that, in addition to any other legal or equitable remedies which they may have, such other parties may enforce their respective rights by actions for specific performance or injunctive relief (to the extent permitted at law or in equity). If any one or more of the provisions of this Agreement, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein are not to be in any way impaired thereby, it being intended that all of the rights and privileges of the parties be enforceable to the fullest extent permitted by law.

5.8 Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof.

5.9 Termination. This Agreement shall terminate on the earlier of (i) the election of the LGP Majority Interest, (ii) with respect to each LGP Stockholder, such date as the LGP Stockholder ceases to hold any Shares or (iii) with respect any Stockholder other than an LGP Stockholder, such date as the Stockholder may sell all of its Shares without regard to volume restrictions under Rule 144 under the Securities Act.

5.10 Governing Law. This Agreement is to be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to its principles or rules of conflict of laws to the extent such principles or rules are not mandatorily applicable by statute and would require or permit the application of the laws of another jurisdiction.

5.11 Successors and Assigns; Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties and the respective successors and assigns of the parties as contemplated herein. Any successor to the Company by way of merger or otherwise must specifically agree to be bound by the terms hereof as a condition of such succession.

5.12 Consent to Jurisdiction; Specific Performance; WAIVER OF JURY TRIAL.

(a) Each of the parties hereto irrevocably and unconditionally consents to the sole and exclusive jurisdiction of the state and federal courts located in Wilmington, Delaware to resolve all disputes, claims or controversies arising out of or relating to this Agreement or any other agreement executed and delivered pursuant to or in connection with this Agreement or the negotiation, breach, validity, termination or performance hereof and thereof or the transactions contemplated hereby and thereby and agrees that it will not bring any such action in any court other than the federal or state courts located in Wilmington, Delaware. Each party further irrevocably waives any objection to proceeding in such courts based upon lack of personal jurisdiction or to the laying of venue in such courts and further irrevocably and unconditionally waives and agrees not to make a claim that such courts are an inconvenient forum. Each of the parties hereto hereby consents to service of process by registered mail at the address to which notices are to be given as provided in Section 5.5. Each of the parties hereto agrees that its or his submission to jurisdiction and its or his consent to service of process by mail is made for the express benefit of the other parties hereto. The choice of forum set forth in this Section shall not be deemed to preclude the enforcement of any judgment of a Delaware federal or state court, or the taking of any action under this Agreement to enforce such a judgment, in any other appropriate jurisdiction.

(b) The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which such party is entitled at law or in equity.

(c) EACH PARTY TO THIS AGREEMENT WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY OF THEM AGAINST THE OTHER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, OR ANY OTHER AGREEMENTS EXECUTED AND DELIVERED PURSUANT TO OR IN CONNECTION HERewith OR THE NEGOTIATION, BREACH, VALIDITY, TERMINATION OR PERFORMANCE HEREOF AND THEREOF OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY. FURTHER, (I) NO PARTY TO THIS AGREEMENT SHALL SEEK A JURY TRIAL IN ANY SUCH ACTION AND (II) NO PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. EACH PARTY TO THIS AGREEMENT CERTIFIES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT OR INSTRUMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS SET FORTH ABOVE IN THIS SECTION 5.12. NO PARTY HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY THAT THE PROVISIONS OF THIS SECTION WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

5.13 Further Assurances; Company Logo. At any time or from time to time after the Effective Time, the parties hereto agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as any other party may reasonably request in order to evidence or effectuate the provisions of this Agreement and to otherwise carry out the intent of the parties hereunder. The Company hereby grants the LGP Stockholders and their respective Affiliates permission to use the Company's and its subsidiaries' name and logo in marketing materials.

5.14 Regulatory Matters. The Company shall and shall cause its subsidiaries to keep the LGP Stockholders informed, on a current basis, of any events, discussions, notices or changes with respect to any criminal or regulatory investigation or action involving the Company or any of its subsidiaries, so that the LGP Stockholders and their respective Affiliates will have the opportunity to take appropriate steps to avoid or mitigate any regulatory consequences to them that might arise from such investigation or action.

5.15 No Third Party Liability. This Agreement may only be enforced against the named parties hereto. All claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement), may be made only against the entities that are expressly identified as parties hereto.

5.16 Effectiveness of Agreement. This Agreement shall become effective (such time, the "Effective Time") immediately prior to the effectiveness of the Company's registration statement on Form S-1 related to the Initial Public Offering. However, to the extent the Closing does not occur, the provisions of this Agreement shall be without any force or effect.

5.17 Removal of Legends. The Company shall remove any restrictive legends on any Shares held by any Stockholder promptly upon request by such Stockholder if such legend is not, in the reasonable determination of the Company upon the advice of legal counsel, required to comply with applicable securities laws; provided that the Company may require an opinion of legal counsel reasonably acceptable to the Company prior to any such removal other than in connection with a transfer made pursuant to an effective registration statement.

5.18 Inconsistent Agreements. Neither the Company nor any Stockholder shall enter into any agreement or side letter with, or grant any proxy to, any Stockholder, the Company or any other Person (whether or not such proxy, agreements or side letters are with other Stockholders, holders of Shares that are not parties to this Agreement or otherwise) that conflicts with the provisions of this Agreement or which would obligate such Person to breach any provision of this Agreement.

---

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties are signing this Amended and Restated Stockholders Agreement as of the date first set forth above.

**JOANN INC.**

By: \_\_\_\_\_  
Name:  
Title:

**GREEN EQUITY INVESTORS V, L.P.**

By: GEI Capital V, LLC, its General Partner

By: \_\_\_\_\_  
Name:  
Title:

**GREEN EQUITY INVESTORS SIDE V, L.P.**

By: GEI Capital V, LLC, its General Partner

By: \_\_\_\_\_  
Name:  
Title:

**NEEDLE COINVEST LLC**

By: LGP Associates V LLC, its sole member  
By: Peridot Coinvest Manager LLC, its sole member  
By: Leonard Green & Partners, L.P., its sole member  
By: LGP Management, Inc., its general partner

By: \_\_\_\_\_  
Name:  
Title:

**TCW/CRESCENT MEZZANINE PARTNERS V, L.P.**

By: TCW/Crescent Mezzanine Management V, LLC,  
its Investment Manager

By: Crescent Capital Group LP, its sub-adviser

By: Crescent Capital GP LLC, its general partner

By: \_\_\_\_\_  
Name:  
Title:

**TCW/CRESCENT MEZZANINE PARTNERS VB, L.P.**

By: TCW/Crescent Mezzanine Management V, LLC,  
its Investment Manager

By: Crescent Capital Group LP, its sub-adviser

By: Crescent Capital GP LLC, its general partner

By: \_\_\_\_\_  
Name:  
Title:

**TCW/CRESCENT MEZZANINE PARTNERS VC, L.P.**

By: TCW/Crescent Mezzanine Management V, LLC,  
its Investment Manager

By: Crescent Capital Group LP, its sub-adviser

By: Crescent Capital GP LLC, its general partner

By: \_\_\_\_\_  
Name:  
Title:

**TRUST COMPANY OF THE WEST**  
**As Trustee of TCW Capital Trust**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**MAC EQUITY HOLDINGS I, LLC**

By: MAC CAPITAL, LTD.,  
Its Sole Member

By: TCW-WLA JV Venture LLC, its sub-adviser

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**[MANAGEMENT SIG PAGES]**



**EXHIBIT A**  
**Joinder Agreement**

By execution of this signature page, [ ] hereby agrees to become a Party to, and to be bound by the obligations of, and receive the benefits of, that certain Amended and Restated Stockholders Agreement, dated as of [ ● ], 2021, by and among JOANN Inc., a Delaware Corporation, [ ● ], and certain other Parties named therein, as amended from time to time thereafter.

[NAME]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Notice Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Accepted:  
  
JOANN INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

53rd at Third  
 885 Third Avenue  
 New York, New York 10022-4834  
 Tel: +1.212.906.1200 Fax: +1.212.751.4864  
 www.lw.com



## FIRM / AFFILIATE OFFICES

Beijing	Moscow
Boston	Munich
Brussels	New York
Century City	Orange County
Chicago	Paris
Dubai	Riyadh
Düsseldorf	San Diego
Frankfurt	San Francisco
Hamburg	Seoul
Hong Kong	Shanghai
Houston	Silicon Valley
London	Singapore
Los Angeles	Tokyo
Madrid	Washington, D.C.
Milan	

March 4, 2021

JOANN Inc.  
 5555 Darrow Road  
 Hudson, Ohio 44236

Re: Registration Statement No. 333-253121; 12,578,125 shares of common stock of JOANN Inc.

Ladies and Gentlemen:

We have acted as special counsel to JOANN Inc., a Delaware corporation (the “**Company**”), in connection with the proposed registration of up to 12,578,125 shares (the “**Shares**”) of common stock of the Company, par value \$0.01 per share, which include up to 7,109,375 shares of common stock to be issued and sold by the Company (the “**Company Shares**”) and up to 5,468,750 shares of common stock to be sold by the selling shareholders named in the Registration Statement (defined below) (the “**Selling Shareholder Shares**”). The Shares are included in a registration statement on Form S-1 under the Securities Act of 1933, as amended (the “**Act**”), initially filed with the Securities and Exchange Commission (the “**Commission**”) on February 16, 2021 (Registration No. 333-253121) (as amended, the “**Registration Statement**”). The term “Shares” shall include any additional shares of common stock registered by the Company pursuant to Rule 462(b) under the Act in connection with the offering contemplated by the Registration Statement. This opinion is being furnished in connection with the requirements of Item 601(b)(5) of Regulation S-K under the Act, and no opinion is expressed herein as to any matter pertaining to the contents of the Registration Statement or related prospectus, other than as expressly stated herein with respect to the issue of the Shares.

As such counsel, we have examined such matters of fact and questions of law as we have considered appropriate for purposes of this letter. With your consent, we have relied upon certificates and other assurances of officers of the Company and others as to factual matters without having independently verified such factual matters. We are opining herein as to General Corporation Law of the State of Delaware (the “**DGCL**”), and we express no opinion with respect to any other laws.



Subject to the foregoing and the other matters set forth herein, it is our opinion that, as of the date hereof, (i) when the Company Shares shall have been duly registered on the books of the transfer agent and registrar therefor in the name or on behalf of the purchasers and have been issued by the Company against payment therefor (not less than par value) in the circumstances contemplated by the form of underwriting agreement most recently filed as an exhibit to the Registration Statement, the issue and sale of the Company Shares will have been duly authorized by all necessary corporate action of the Company and the Company Shares will be validly issued, fully paid and nonassessable and (ii) the Selling Shareholder Shares have been duly authorized by all necessary corporate action of the Company and are validly issued, fully paid and nonassessable. In rendering the foregoing opinion, we have assumed that the Company will comply with all applicable notice requirements regarding uncertificated shares provided in the DGCL.

This opinion is for your benefit in connection with the Registration Statement and may be relied upon by you and by persons entitled to rely upon it pursuant to the applicable provisions of the Act. We consent to your filing this opinion as an exhibit to the Registration Statement and to the reference to our firm in the prospectus under the heading "Legal Matters." We further consent to the incorporation by reference of this letter and consent into any registration statement filed pursuant to Rule 462(b) with respect to the Shares. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Latham & Watkins LLP

**JOANN INC.**  
**2021 EQUITY INCENTIVE PLAN**

**ARTICLE 1.**

**PURPOSE**

The purpose of the JOANN Inc. 2021 Equity Incentive Plan (as it may be amended or restated from time to time, the “Plan”) is to promote the success and enhance the value of JOANN Inc. (the “Company”) by linking the individual interests of Directors, Employees, and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Directors, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent.

**ARTICLE 2.**

**DEFINITIONS AND CONSTRUCTION**

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 “Administrator” shall mean the Board or a Committee to the extent that the Board’s powers or authority under the Plan have been delegated to such Committee.

2.2 “Applicable Accounting Standards” shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards or such other accounting principles or standards as may apply to the Company’s financial statements under United States federal securities laws from time to time.

2.3 “Applicable Law” shall mean any applicable law, including, without limitation: (a) provisions of the Code, the Securities Act, the Exchange Act and any rules or regulations thereunder; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether federal, state, local or foreign; and (c) rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded.

2.4 “Automatic Exercise Date” shall mean, with respect to an Option or a Stock Appreciation Right, the last business day of the applicable Option Term or Stock Appreciation Right Term that was initially established by the Administrator for such Option or Stock Appreciation Right (*e.g.*, the last business day prior to the tenth anniversary of the date of grant of such Option or Stock Appreciation Right if the Option or Stock Appreciation Right initially had a ten-year Option Term or Stock Appreciation Right Term, as applicable).

2.5 “Award” shall mean an Option, a Stock Appreciation Right, a Restricted Stock award, a Restricted Stock Unit award, an Other Stock or Cash Based Award or a Dividend Equivalent award, which may be awarded or granted under the Plan.

2.6 “Award Agreement” shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

2.7 “Board” shall mean the Board of Directors of the Company.

2.8 “Change in Control” shall mean and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock 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 the Company possessing more than 50 % of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its Subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries; (iii) 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 from Green Equity Investors V, Green Equity Investors Side V, LP or Needle Coinvest LLC); or (iv) for the avoidance of doubt, any transaction described in Sections 2.8(c)(i), 2.8(c)(ii) or 2.8(c)(iii); or

(b) The Incumbent Directors cease for any reason to constitute a majority of the Board;

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company 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 the Company’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:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company 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

(ii) 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 Section 2.8(c)(ii) 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 the Company prior to the consummation of the transaction; and

(iii) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board's approval of the execution of the initial agreement providing for such transaction; or

(d) The date specified by the Board following approval by the Company's stockholders of a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Administrator shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

2.9 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, together with the regulations and official guidance promulgated thereunder, whether issued prior or subsequent to the grant of any Award.

2.10 "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board which may be comprised of one or more Directors and/or executive officers of the Company as appointed by the Board, to the extent permitted in accordance with Applicable Law.

2.11 "Common Stock" shall mean the common stock of the Company, par value \$0.01 per share.

2.12 "Company" shall have the meaning set forth in Article 1.

2.13 "Consultant" shall mean any consultant or adviser engaged to provide services to the Company or any parent of the Company or Subsidiary who qualifies as a consultant or advisor under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.14 “Director” shall mean a member of the Board, as constituted from time to time.

2.15 “Director Limit” shall have the meaning set forth in Section 4.6.

2.16 “Disability” shall mean that the Holder is either (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company. For purposes of the Plan, a Holder shall be deemed to have incurred a Disability if the Holder is determined to be totally disabled by the Social Security Administration or in accordance with the applicable disability insurance program of the Company’s, provided that the definition of “disability” applied under such disability insurance program complies with the requirements of this definition.

2.17 “Dividend Equivalent” shall mean a right to receive the equivalent value (in cash or Shares) of dividends paid on Shares, awarded under Section 9.2.

2.18 “DRO” shall mean a “domestic relations order” as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

2.19 “Effective Date” shall mean the day prior to the Public Trading Date.

2.20 “Eligible Individual” shall mean any person who is an Employee, a Consultant or a Non-Employee Director, as determined by the Administrator.

2.21 “Employee” shall mean any officer or other employee (as determined in accordance with Section 3401(c) of the Code and the Treasury Regulations thereunder) of the Company or of any parent of the Company or Subsidiary.

2.22 “Equity Restructuring” shall mean a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of Shares (or other securities of the Company) or the share price of Common Stock (or other securities) and causes a change in the per-share value of the Common Stock underlying outstanding Awards.

2.23 “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.24 “Exchange Program” shall mean a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Holders would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced or increased. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

2.25 “Expiration Date” shall have the meaning given to such term in Section 12.1(c).

2.26 “Fair Market Value” shall mean, as of any given date, the value of a Share determined as follows:

(a) If the Common Stock is (i) listed on any established securities exchange (such as the New York Stock Exchange, the Nasdaq Capital Market, the Nasdaq Global Market and the Nasdaq Global Select Market), (ii) listed on any national market system or (iii) quoted or traded on any automated quotation system, its Fair Market Value shall be the closing sales price for a Share as quoted on such exchange or system for such date or, if there is no closing sales price for a Share on the date in question, the closing sales price for a Share on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is not listed on an established securities exchange, national market system or automated quotation system, but the Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a Share on such date, the high bid and low asked prices for a Share on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) If the Common Stock is neither listed on an established securities exchange, national market system or automated quotation system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in its discretion.

Notwithstanding the foregoing, with respect to any Award granted on the pricing date of the Company’s initial public offering, the Fair Market Value shall mean the initial public offering price of a Share as set forth in the Company’s final prospectus relating to its initial public offering filed with the Securities and Exchange Commission.

2.27 “Greater Than 10% Stockholder” shall mean an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary corporation (as defined in Section 424(f) of the Code) or parent corporation thereof (as defined in Section 424(e) of the Code).

2.28 “Holder” shall mean a person who has been granted an Award.

2.29 “Incentive Stock Option” shall mean an Option that is intended to qualify as an incentive stock option and conforms to the applicable provisions of Section 422 of the Code.

2.30 “Incumbent Directors” shall mean for any period of 12 consecutive months, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.8(a) or 2.8(c)) whose election or



nomination for election to the Board was approved by a vote of at least a majority (either by a specific vote or by approval of the proxy statement of the Company 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 the Company 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 shall be an Incumbent Director.

2.31 “Non-Employee Director” shall mean a Director of the Company who is not an Employee.

2.32 “Non-Employee Director Equity Compensation Policy” shall have the meaning set forth in Section 4.6.

2.33 “Non-Qualified Stock Option” shall mean an Option that is not an Incentive Stock Option or which is designated as an Incentive Stock Option but does not meet the applicable requirements of Section 422 of the Code.

2.34 “Option” shall mean a right to purchase Shares at a specified exercise price, granted under Article 5. An Option shall be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to Non-Employee Directors and Consultants shall only be Non-Qualified Stock Options.

2.35 “Option Term” shall have the meaning set forth in Section 5.4.

2.36 “Organizational Documents” shall mean, collectively, (a) the Company’s articles of incorporation, certificate of incorporation, bylaws or other similar organizational documents relating to the creation and governance of the Company, and (b) the Committee’s charter or other similar organizational documentation relating to the creation and governance of the Committee.

2.37 “Other Stock or Cash Based Award” shall mean a cash payment, cash bonus award, stock payment, stock bonus award, performance award or incentive award that is paid in cash, Shares or a combination of both, awarded under Section 9.1, which may include, without limitation, deferred stock, deferred stock units, performance awards, retainers, committee fees, and meeting-based fees.

2.38 “Permitted Transferee” shall mean, with respect to a Holder, any “family member” of the Holder, as defined in the General Instructions to Form S-8 Registration Statement under the Securities Act (or any successor form thereto), or any other transferee specifically approved by the Administrator after taking into account Applicable Law.

2.39 “Performance Criteria” shall mean the criteria (and adjustments) that the Administrator selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period. The Performance Criteria that may be used to establish Performance Goals include, but are not limited to, the following: (i) net earnings or losses (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation, (D) amortization and (E) non-cash equity-based compensation expense); (ii) gross or net sales or

revenue or sales or revenue growth; (iii) net income (either before or after taxes); (iv) adjusted net income; (v) operating earnings or profit (either before or after taxes); (vi) cash flow (including, but not limited to, operating cash flow and free cash flow); (vii) return on assets; (viii) return on capital (or invested capital) and cost of capital; (ix) return on stockholders' equity; (x) total stockholder return; (xi) return on sales; (xii) gross or net profit or operating margin; (xiii) costs, reductions in costs and cost control measures; (xiv) expenses; (xv) working capital; (xvi) earnings or loss per share; (xvii) adjusted earnings or loss per share; (xviii) price per share or dividends per share (or appreciation in and/or maintenance of such price or dividends); (xix) regulatory achievements or compliance (including, without limitation, regulatory body approval for commercialization of a product); (xx) implementation or completion of critical projects; (xxi) market share; (xxii) economic value; (xxiii) individual employee performance; (xxiv) leverage ratio; and (xxv) customer satisfaction, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or other employees or to market performance indicators or indices.

2.40 "Performance Goals" shall mean, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Subsidiary, division, business unit, or an individual. The achievement of each Performance Goal shall be determined with reference to Applicable Accounting Standards or other methodology as determined appropriate by the Administrator.

2.41 "Performance Period" shall mean one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Holder's right to, vesting of, and/or the payment in respect of, an Award.

2.42 "Plan" shall have the meaning set forth in Article 1.

2.43 "Prior Plans" shall mean, collectively, the following plans of the Company: the Stock Option Plan of Jo-Ann Stores Holdings Inc., dated October 16, 2012, and any other prior equity incentive plans of the Company or its predecessor, in each case, as such plan may be amended from time to time.

2.44 "Program" shall mean any program adopted by the Administrator pursuant to the Plan containing the terms and conditions intended to govern a specified type of Award granted under the Plan and pursuant to which such type of Award may be granted under the Plan.

2.45 "Public Trading Date" shall mean the first date upon which Common Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

2.46 "Restricted Stock" shall mean Common Stock awarded under Article 7 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.47 “Restricted Stock Units” shall mean the right to receive Shares awarded under Article 8.

2.48 “SAR Term” shall have the meaning set forth in Section 5.4.

2.49 “Section 409A” shall mean Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the Effective Date.

2.50 “Securities Act” shall mean the Securities Act of 1933, as amended.

2.51 “Shares” shall mean shares of Common Stock.

2.52 “Stock Appreciation Right” shall mean an Award entitling the Holder (or other person entitled to exercise pursuant to the Plan) to exercise all or a specified portion thereof (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying (i) the difference obtained by subtracting (x) the exercise price per share of such Award from (y) the Fair Market Value on the date of exercise of such Award by (ii) the number of Shares with respect to which such Award shall have been exercised, subject to any limitations the Administrator may impose.

2.53 “Subsidiary” shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.54 “Substitute Award” shall mean an Award granted under the Plan in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, in any case, upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

2.55 “Termination of Service” shall mean the date the Holder ceases to be an Eligible Individual. The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to any Termination of Service, including, without limitation, whether a Termination of Service has occurred, whether a Termination of Service resulted from a discharge for cause and all questions of whether particular leaves of absence constitute a Termination of Service; provided, however, that, with respect to Incentive Stock Options, unless the Administrator otherwise provides in the terms of any Program, Award Agreement or otherwise, or as otherwise required by Applicable Law, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Service only if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then-applicable regulations and revenue rulings under said Section. For purposes of the Plan, a Holder’s employee-employer relationship or consultancy relations shall be deemed to be terminated in the event that the Subsidiary employing or contracting with such Holder ceases to remain an Subsidiary following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off).

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## ARTICLE 3.

### SHARES SUBJECT TO THE PLAN

#### 3.1 Number of Shares.

(a) Subject to Sections 3.1(b) and 12.2, Awards may be made under the Plan covering an aggregate number of Shares equal to the sum of: (i) 2,000,000 (ii) any Shares which as of the Effective Date are available for issuance under any of the Prior Plans, or are subject to awards under the Prior Plans which are forfeited or lapse unexercised and which following the Effective Date are not issued under the Prior Plans; and (iii) an annual increase on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031, equal to the lesser of (A) 4% of the Shares outstanding on the last day of the immediately preceding fiscal year and (B) such smaller number of Shares as determined by the Board; provided, however, no more than 2,000,000 Shares may be issued upon the exercise of Incentive Stock Options. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.

(b) If any Shares subject to an Award are forfeited or expire, are surrendered pursuant to an Exchange Program, are converted to shares of another person in connection with a recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares or other similar event, or such Award is settled for cash (in whole or in part) (including Shares repurchased by the Company under Section 7.4 at the same price paid by the Holder), or any Shares subject to an award under the Prior Plans are surrendered pursuant to an Exchange Program, the Shares subject to such Award shall, to the extent of such forfeiture, expiration or cash settlement, again be available for future grants of Awards under the Plan. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 3.1(a) and shall not be available for future grants of Awards: (i) Shares tendered by a Holder or withheld by the Company in payment of the exercise price of an Option; (ii) Shares tendered by the Holder or withheld by the Company to satisfy any tax withholding obligation with respect to an Award; (iii) Shares subject to a Stock Appreciation Right or other stock-settled Award (including Awards that may be settled in cash or stock) that are not issued in connection with the settlement or exercise, as applicable, of the Stock Appreciation Right or other stock-settled Award; and (iv) Shares purchased on the open market by the Company with the cash proceeds received from the exercise of Options. Any Shares repurchased by the Company under Section 7.4 at the same price paid by the Holder so that such Shares are returned to the Company shall again be available for Awards. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the Shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

(c) Substitute Awards may be granted on such terms as the Administrator deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards shall not reduce the Shares authorized for grant under the Plan, except as may be required by reason of Section 422 of the Code, and Shares subject to such Substitute Awards shall not be added to the Shares available for Awards under the Plan as provided in Section 3.1(b) above. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards shall not be added to the Shares available for Awards under the Plan as provided in Section 3.1(b) above); provided that Awards using such available Shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Subsidiaries immediately prior to such acquisition or combination.

3.2 Award Vesting Limitations. Notwithstanding any other provision of the Plan to the contrary, but subject to Section 12.2, no Award (or portion thereof) granted under the Plan shall vest earlier than the first anniversary of the date the Award is granted and no Award Agreement shall reduce or eliminate such minimum vesting requirement; provided, however, that, notwithstanding the foregoing, the minimum vesting requirement of this Section 3.2 shall not apply to: (a) any Substitute Awards, (b) any Awards delivered in lieu of fully-vested Cash-Based Awards (or other fully-vested cash awards or payments), (c) any Awards to non-employee directors for which the vesting period runs from the date of one annual meeting of the Company's stockholders to the next annual meeting of the Company's stockholders, or (d) any other Awards granted by the Administrator from time to time that result in the issuance of an aggregate of up to 5% of the shares available for issuance under Section 3.1 as of the Effective Date; provided that, nothing in this Section 3.2 limits the ability of an Award to provide that such minimum vesting restrictions may lapse or be waived upon the Participant's Termination of Service or death or disability, subject to Section 11.7.

## **ARTICLE 4.**

### **GRANTING OF AWARDS**

4.1 Participation. The Administrator may, from time to time, select from among all Eligible Individuals those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. Except for any Non-Employee Director's right to Awards that may be required pursuant to the Non-Employee Director Equity Compensation Policy as described in Section 4.6, no Eligible Individual or other person shall have any right to be granted an Award pursuant to the Plan and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Holders or any other persons uniformly. Participation by each Holder in the Plan shall be voluntary and nothing in the Plan or any Program shall be construed as mandating that any Eligible Individual or other person shall participate in the Plan.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement that sets forth the terms, conditions and limitations for such Award as determined by the Administrator in its sole discretion (consistent with the requirements of the Plan and any applicable Program). Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code. The Administrator, in its sole discretion, may grant Awards to Eligible Individuals that are based on one or more Performance Criteria or achievement of one or more Performance Goals or any such other criteria or goals as the Administrator shall establish.

4.3 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

4.4 At-Will Service. Nothing in the Plan or in any Program or Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a Director or Consultant for, the Company or any Subsidiary, or shall interfere with or restrict in any way the rights of the Company and any Subsidiary, which rights are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without cause, and with or without notice, or to terminate or change all other terms and conditions of employment or engagement, except to the extent expressly provided otherwise in a written agreement between the Holder and the Company or any Subsidiary.

4.5 Foreign Holders. Notwithstanding any provision of the Plan or applicable Program to the contrary, in order to comply with the laws in countries other than the United States in which the Company and its Subsidiaries operate or have Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any foreign securities exchange or other Applicable Law, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with Applicable Law (including, without limitation, applicable foreign laws or listing requirements of any foreign securities exchange); (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable; provided, however, that no such subplans and/or modifications shall increase the share limitation contained in Section 3.1 or the Director Limit; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any foreign securities exchange.

#### 4.6 Non-Employee Director Awards.

(a) Non-Employee Director Compensation Policy. The Administrator, in its sole discretion, may provide that Awards granted to Non-Employee Directors shall be granted pursuant to a written nondiscretionary formula established by the Administrator (the “Non-Employee Director Compensation Policy”), subject to the limitations of the Plan. The Non-Employee Director Compensation Policy shall set forth the type of Award(s) to be granted to Non-Employee Directors, the number of Shares to be subject to Non-Employee Director Awards, the conditions on which such Awards shall be granted, become exercisable and/or payable and expire, and such other terms and conditions as the Administrator shall determine in its sole discretion. The Non-Employee Director Compensation Policy may be modified by the Administrator from time to time in its sole discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances and considerations as it shall deem relevant from time to time.

(b) Director Limit. Notwithstanding any provision to the contrary in the Plan or in the Non-Employee Director Compensation Policy, the sum of the grant date fair value of equity-based Awards and the amount of any cash-based Awards or other fees granted to a Non-Employee Director during any calendar year shall not exceed \$600,000 (the “Director Limit”). The Administrator may make exceptions to this limit for individual Non-Employee Directors in extraordinary circumstances, as the Administrator may determine in its discretion, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving Non-Employee Directors.

### ARTICLE 5.

#### GRANTING OF OPTIONS AND STOCK APPRECIATION RIGHTS

5.1 Granting of Options and Stock Appreciation Rights to Eligible Individuals. The Administrator is authorized to grant Options and Stock Appreciation Rights to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine, which shall not be inconsistent with the Plan, including any limitations in the Plan that apply to Incentive Stock Options.

5.2 Qualification of Incentive Stock Options. The Administrator may grant Options intended to qualify as Incentive Stock Options only to employees of the Company, any of the Company’s present or future “parent corporations” or “subsidiary corporations” as defined in Sections 424(e) or (f) of the Code, respectively, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code. No person who qualifies as a Greater Than 10% Stockholder may be granted an Incentive Stock Option unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code. To the extent that the aggregate fair market value of stock with respect to which “incentive stock options” (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a Holder during any calendar year under the Plan, and all other plans of the Company and any parent corporation or subsidiary corporation thereof (as defined in Section 424(e) and 424(f) of the Code, respectively), exceeds \$100,000, the Options shall be treated as Non-Qualified Stock Options to the extent required by Section 422 of the Code. The rule set forth in the immediately preceding sentence shall be applied by taking Options and other “incentive stock options” into account in the order in which they were granted and the fair market

value of stock shall be determined as of the time the respective options were granted. Any interpretations and rules under the Plan with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. Neither the Company nor the Administrator shall have any liability to a Holder, or any other person, (a) if an Option (or any part thereof) which is intended to qualify as an Incentive Stock Option fails to qualify as an Incentive Stock Option or (b) for any action or omission by the Company or the Administrator that causes an Option not to qualify as an Incentive Stock Option, including, without limitation, the conversion of an Incentive Stock Option to a Non-Qualified Stock Option or the grant of an Option intended as an Incentive Stock Option that fails to satisfy the requirements under the Code applicable to an Incentive Stock Option.

5.3 Option and Stock Appreciation Right Exercise Price. The exercise price per Share subject to each Option and Stock Appreciation Right shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value of a Share on the date the Option or Stock Appreciation Right, as applicable, is granted (or, as to Incentive Stock Options, on the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code). In addition, in the case of Incentive Stock Options granted to a Greater Than 10% Stockholder, such price shall not be less than 110% of the Fair Market Value of a Share on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code). Notwithstanding the foregoing, in the case of an Option or Stock Appreciation Right that is a Substitute Award, the exercise price per share of the Shares subject to such Option or Stock Appreciation Right, as applicable, may be less than the Fair Market Value per share on the date of grant; provided that the exercise price of any Substitute Award shall be determined in accordance with the applicable requirements of Section 424 and 409A of the Code.

5.4 Option and SAR Term. The term of each Option (the “Option Term”) and the term of each Stock Appreciation Right (the “SAR Term”) shall be set by the Administrator in its sole discretion; provided, however, that the Option Term or SAR Term, as applicable, shall not be more than (a) ten (10) years from the date the Option or Stock Appreciation Right, as applicable, is granted to an Eligible Individual (other than a Greater Than 10% Stockholder), or (b) five (5) years from the date an Incentive Stock Option is granted to a Greater Than 10% Stockholder. Except as limited by the requirements of Section 409A or Section 422 of the Code and regulations and rulings thereunder or the first sentence of this Section 5.4 and without limiting the Company’s rights under Section 10.6, the Administrator may extend the Option Term of any outstanding Option or the SAR Term of any outstanding Stock Appreciation Right, and may extend the time period during which vested Options or Stock Appreciation Rights may be exercised, in connection with any Termination of Service of the Holder or otherwise, and may amend, subject to Section 10.6 and 12.1, any other term or condition of such Option or Stock Appreciation Right relating to such Termination of Service of the Holder or otherwise.

5.5 Option and SAR Vesting. The period during which the right to exercise, in whole or in part, an Option or Stock Appreciation Right vests in the Holder shall be set by the Administrator and set forth in the applicable Award Agreement. Notwithstanding the foregoing and unless determined otherwise by the Company, in the event that on the last business day of the term of an Option or Stock Appreciation Right (other than an Incentive Stock Option) (a) the exercise of the Option or Stock Appreciation Right is prohibited by Applicable Law, as determined by the Company, or (b) Shares may not be purchased or sold by the applicable Participant due to



any Company insider trading policy (including blackout periods) or a “lock-up” agreement undertaken in connection with an issuance of securities by the Company, the term of the Option or Stock Appreciation Right shall be extended until the date that is thirty (30) days after the end of the legal prohibition, black-out period or lock-up agreement, as determined by the Company; provided, however, in no event shall the extension last beyond the ten year term of the applicable Option or Stock Appreciation Right. Unless otherwise determined by the Administrator in the Award Agreement, the applicable Program or by action of the Administrator following the grant of the Option or Stock Appreciation Right, (i) no portion of an Option or Stock Appreciation Right which is unexercisable at a Holder’s Termination of Service shall thereafter become exercisable and (ii) the portion of an Option or Stock Appreciation Right that is unexercisable at a Holder’s Termination of Service shall automatically expire thirty (30) days following such Termination of Service.

**5.6 Substitution of Stock Appreciation Rights; Early Exercise of Options.** The Administrator may provide in the applicable Program or Award Agreement evidencing the grant of an Option that the Administrator, in its sole discretion, shall have the right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option; provided that such Stock Appreciation Right shall be exercisable with respect to the same number of Shares for which such substituted Option would have been exercisable, and shall also have the same exercise price, vesting schedule and remaining term as the substituted Option. The Administrator may provide in the terms of an Award Agreement that the Holder may exercise an Option in whole or in part prior to the full vesting of the Option in exchange for unvested shares of Restricted Stock with respect to any unvested portion of the Option so exercised. Shares of Restricted Stock acquired upon the exercise of any unvested portion of an Option shall be subject to such terms and conditions as the Administrator shall determine.

## **ARTICLE 6.**

### **EXERCISE OF OPTIONS AND STOCK APPRECIATION RIGHTS**

**6.1 Exercise and Payment.** An exercisable Option or Stock Appreciation Right may be exercised in whole or in part. However, unless the Administrator otherwise determines, an Option or Stock Appreciation Right shall not be exercisable with respect to fractional Shares and the Administrator may require that, by the terms of the Option or Stock Appreciation Right, a partial exercise must be with respect to a minimum number of Shares. Payment of the amounts payable with respect to Stock Appreciation Rights pursuant to this Article 6 shall be in cash, Shares (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised), or a combination of both, as determined by the Administrator.

**6.2 Manner of Exercise.** Except as set forth in Section 6.3, all or a portion of an exercisable Option or Stock Appreciation Right shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, the stock plan administrator of the Company or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written notice of exercise in a form the Administrator approves (which may be electronic) complying with the applicable rules established by the Administrator. The notice shall be signed or otherwise acknowledge electronically by the Holder or other person then entitled to exercise the Option or Stock Appreciation Right or such portion thereof;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with Applicable Law.

(c) In the event that the Option shall be exercised pursuant to Section 10.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option or Stock Appreciation Right, as determined in the sole discretion of the Administrator; and

(d) Full payment of the exercise price and applicable withholding taxes for the Shares with respect to which the Option or Stock Appreciation Right, or portion thereof, is exercised, in a manner permitted by the Administrator in accordance with Sections 10.1 and 10.2.

**6.3 Expiration of Option Term or SAR Term: Automatic Exercise of In-The-Money Options and Stock Appreciation Rights.** Unless otherwise provided by the Administrator in an Award Agreement or otherwise or as otherwise directed by an Option or Stock Appreciation Rights Holder in writing to the Company, each vested and exercisable Option and Stock Appreciation Right outstanding on the Automatic Exercise Date with an exercise price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Option or Stock Appreciation Rights Holder or the Company be exercised on the Automatic Exercise Date. In the sole discretion of the Administrator, payment of the exercise price of any such Option shall be made pursuant to Section 10.1(b) or 10.1(c) and the Company or any Subsidiary shall be entitled to deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 10.2. Unless otherwise determined by the Administrator, this Section 6.3 shall not apply to an Option or Stock Appreciation Right if the Holder of such Option or Stock Appreciation Right incurs a Termination of Service on or before the Automatic Exercise Date. For the avoidance of doubt, no Option or Stock Appreciation Right with an exercise price per Share that is equal to or greater than the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 6.3.

**6.4 Notification Regarding Disposition.** The Holder shall give the Company prompt written or electronic notice of any disposition or other transfers (other than in connection with a Change in Control) of Shares acquired by exercise of an Incentive Stock Option which occurs within (a) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Holder, or (b) one year after the date of transfer of such Shares to such Holder. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the Holder in such disposition or other transfer.

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## ARTICLE 7.

### AWARD OF RESTRICTED STOCK

7.1 Award of Restricted Stock. The Administrator is authorized to grant Restricted Stock, or the right to purchase Restricted Stock, to Eligible Individuals, and shall determine the terms and conditions, including the restrictions applicable to each award of Restricted Stock, which terms and conditions shall not be inconsistent with the Plan or any applicable Program, and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate. The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that if a purchase price is charged, such purchase price shall be no less than the par value, if any, of the Shares to be purchased, unless otherwise permitted by Applicable Law. In all cases, legal consideration shall be required for each issuance of Restricted Stock to the extent required by Applicable Law.

7.2 Rights as Stockholders. Subject to Section 7.4, upon issuance of Restricted Stock, the Holder shall have, unless otherwise provided by the Administrator, all of the rights of a stockholder with respect to said Shares, subject to the restrictions in the Plan, any applicable Program and/or the applicable Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the Shares to the extent such dividends and other distributions have a record date that is on or after the date on which the Holder to whom such Restricted Stock are granted becomes the record holder of such Restricted Stock; provided, however, that, in the sole discretion of the Administrator, any extraordinary dividends or distributions with respect to the Shares may be subject to the restrictions set forth in Section 7.3. In addition, notwithstanding anything to the contrary herein, with respect to a share of Restricted Stock, unless otherwise determined by the Administrator dividends which are paid prior to vesting shall only be paid out to the Holder to the extent that the share of Restricted Stock vests.

7.3 Restrictions. All shares of Restricted Stock (including any shares received by Holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) and, unless the Administrator provides otherwise, any property (other than cash) transferred to Holders in connection with an extraordinary dividend or distribution shall be subject to such restrictions and vesting requirements as the Administrator shall provide in the applicable Program or Award Agreement.

7.4 Repurchase or Forfeiture of Restricted Stock. Except as otherwise determined by the Administrator, if no price was paid by the Holder for the Restricted Stock, upon a Termination of Service during the applicable restriction period, the Holder's rights in unvested Restricted Stock then subject to restrictions shall lapse, and such Restricted Stock shall be surrendered to the Company and cancelled without consideration on the date of such Termination of Service. If a price was paid by the Holder for the Restricted Stock, upon a Termination of Service during the applicable restriction period, the Company shall have the right to repurchase from the Holder the unvested Restricted Stock then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Stock or such other amount as may be specified in the applicable Program or Award Agreement.

7.5 Section 83(b) Election. If a Holder makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Holder would otherwise be taxable under Section 83(a) of the Code, the Holder shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service along with proof of the timely filing thereof with the Internal Revenue Service.

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## ARTICLE 8.

### AWARD OF RESTRICTED STOCK UNITS

8.1 Grant of Restricted Stock Units. The Administrator is authorized to grant Awards of Restricted Stock Units to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. A Holder will have no rights of a stockholder with respect to Shares subject to any Restricted Stock Unit unless and until the Shares are delivered in settlement of the Restricted Stock Unit.

8.2 Vesting of Restricted Stock Units. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including, without limitation, vesting based upon the Holder's duration of service to the Company or any Subsidiary, one or more Performance Goals or other specific criteria, in each case on a specified date or dates or over any period or periods, as determined by the Administrator. An Award of Restricted Stock Units shall only be eligible to vest while the Holder is an Employee, a Consultant or a Director, as applicable; provided, however, that the Administrator, in its sole discretion, may provide (in an Award Agreement or otherwise) that a Restricted Stock Unit award may become vested subsequent to a Termination of Service in the event of the occurrence of certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service subject to Section 11.7.

8.3 Maturity and Payment. At the time of grant, the Administrator shall specify the maturity date applicable to each grant of Restricted Stock Units, which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the Holder (if permitted by the applicable Award Agreement); provided that, except as otherwise determined by the Administrator, and subject to compliance with Section 409A, in no event shall the maturity date relating to each Restricted Stock Unit occur following the later of (a) the 15<sup>th</sup> day of the third month following the end of the calendar year in which the applicable portion of the Restricted Stock Unit vests; and (b) the 15<sup>th</sup> day of the third month following the end of the Company's fiscal year in which the applicable portion of the Restricted Stock Unit vests. On the maturity date, the Company shall, in accordance with the applicable Award Agreement and subject to Section 10.4(f), transfer to the Holder one unrestricted, fully transferable Share for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited, or in the sole discretion of the Administrator, an amount in cash equal to the Fair Market Value of such Shares on the maturity date or a combination of cash and Common Stock as determined by the Administrator.

## ARTICLE 9.

### AWARD OF OTHER STOCK OR CASH BASED AWARDS AND DIVIDEND EQUIVALENTS

9.1 Other Stock or Cash Based Awards. The Administrator is authorized to grant Other Stock or Cash Based Awards, including awards entitling a Holder to receive Shares or cash to be delivered immediately or in the future, to any Eligible Individual. Subject to the provisions of the Plan and any applicable Program, the Administrator shall determine the terms and conditions

of each Other Stock or Cash Based Award, including the term of the Award, any exercise or purchase price, Performance Criteria and Performance Goals, transfer restrictions, vesting conditions and other terms and conditions applicable thereto, which shall be set forth in the applicable Award Agreement. Other Stock or Cash Based Awards may be paid in cash, Shares, or a combination of cash and Shares, as determined by the Administrator, and may be available as a form of payment in the settlement of other Awards granted under the Plan, as stand-alone payments, as a part of a bonus, deferred bonus, deferred compensation or other arrangement, and/or as payment in lieu of compensation to which an Eligible Individual is otherwise entitled.

9.2 Dividend Equivalents. Dividend Equivalents may be granted by the Administrator, either alone or in tandem with another Award, based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date the Dividend Equivalents are granted to a Holder and the date such Dividend Equivalents terminate or expire, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional Shares by such formula and at such time and subject to such restrictions and limitations as may be determined by the Administrator. In addition, unless otherwise determined by the Administrator Dividend Equivalents with respect to an Award that are based on dividends paid prior to the vesting of such Award shall only be paid out to the Holder to the extent that the vesting conditions are subsequently satisfied and the Award vests. Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights unless otherwise determined by the Administrator.

## ARTICLE 10.

### ADDITIONAL TERMS OF AWARDS

10.1 Payment. The Administrator shall determine the method or methods by which payments by any Holder with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash, wire transfer of immediately available funds or check, (b) Shares (including, in the case of payment of the exercise price of an Award, Shares issuable pursuant to the exercise of the Award) or Shares held for such minimum period of time as may be established by the Administrator, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) delivery of a written or electronic notice that the Holder has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required; provided that payment of such proceeds is then made to the Company upon settlement of such sale, (d) other form of legal consideration acceptable to the Administrator in its sole discretion, or (e) any combination of the above permitted forms of payment. Notwithstanding any other provision of the Plan to the contrary, no Holder who is a Director or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment, with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

10.2 Tax Withholding. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Holder to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder's FICA, employment tax or other social security contribution obligation) required by law to be withheld with respect to any taxable event concerning a Holder arising as a result of the Plan or any Award. The Administrator may, in its sole discretion and in satisfaction of the foregoing requirement, or in satisfaction of such additional withholding obligations as a Holder may have elected, allow a Holder to satisfy such obligations by any payment means described in Section 10.1 hereof, including without limitation, by allowing such Holder to elect to have the Company or any Subsidiary withhold Shares otherwise issuable under an Award (or allow the surrender of Shares). The number of Shares that may be so withheld or surrendered shall be limited to the number of Shares that have a fair market value on the date of withholding or repurchase no greater than the aggregate amount of such liabilities based on the maximum statutory withholding rates in such Holder's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income. The Administrator shall determine the fair market value of the Shares, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker-assisted cashless Option or Stock Appreciation Right exercise involving the sale of Shares to pay the Option or Stock Appreciation Right exercise price or any tax withholding obligation.

10.3 Transferability of Awards.

(a) Except as otherwise provided in Sections 10.3(b) and 10.3(c):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than (A) by will or the laws of descent and distribution or (B) subject to the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed;

(ii) No Award or interest or right therein shall be liable for or otherwise subject to the debts, contracts or engagements of the Holder or the Holder's successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy) unless and until such Award has been exercised, or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed, and any attempted disposition of an Award prior to satisfaction of these conditions shall be null and void and of no effect, except to the extent that such disposition is permitted by Section 10.3(a)(i); and

(iii) During the lifetime of the Holder, only the Holder may exercise any exercisable portion of an Award granted to such Holder under the Plan, unless it has been disposed of pursuant to a DRO. After the death of the Holder, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Program or Award Agreement, be exercised by the Holder's personal representative or by any person empowered to do so under the deceased Holder's will or under the then-applicable laws of descent and distribution.

(b) Notwithstanding Section 10.3(a), the Administrator, in its sole discretion, may determine to permit a Holder or a Permitted Transferee of such Holder to transfer an Award other than an Incentive Stock Option (unless such Incentive Stock Option is intended to become a Nonqualified Stock Option) to any one or more Permitted Transferees of such Holder, subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than (A) to another Permitted Transferee of the applicable Holder or (B) by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Holder (other than the ability to further transfer the Award to any person other than another Permitted Transferee of the applicable Holder); (iii) the Holder (or transferring Permitted Transferee) and the receiving Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under Applicable Law and (C) evidence the transfer; and (iv) the transfer of an Award to a Permitted Transferee shall be without consideration. In addition, and further notwithstanding Section 10.3(a), hereof, the Administrator, in its sole discretion, may determine to permit a Holder to transfer Incentive Stock Options to a trust that constitutes a Permitted Transferee if, under Section 671 of the Code and other Applicable Law, the Holder is considered the sole beneficial owner of the Incentive Stock Option while it is held in the trust.

(c) Notwithstanding Section 10.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Program or Award Agreement applicable to the Holder and any additional restrictions deemed necessary or appropriate by the Administrator. If the Holder is married or a domestic partner in a domestic partnership qualified under Applicable Law and resides in a community property state, a designation of a person other than the Holder's spouse or domestic partner, as applicable, as the Holder's beneficiary with respect to more than 50% of the Holder's interest in the Award shall not be effective without the prior written or electronic consent of the Holder's spouse or domestic partner. If no beneficiary has been designated or survives the Holder, payment shall be made to the person entitled thereto pursuant to the Holder's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Holder at any time; provided that the change or revocation is delivered in writing to the Administrator prior to the Holder's death.

#### 10.4 Conditions to Issuance of Shares.

(a) The Administrator shall determine the methods by which Shares shall be delivered or deemed to be delivered to Holders. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of any Award, unless and until the Administrator has determined that the issuance of such Shares is in compliance with Applicable Law and the Shares are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Administrator may require that a Holder make such reasonable covenants, agreements and representations as the Administrator, in its sole discretion, deems advisable in order to comply with Applicable Law.

(b) All share certificates delivered pursuant to the Plan and all Shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with Applicable Law. The Administrator may place legends on any share certificate or book entry to reference restrictions applicable to the Shares (including, without limitation, restrictions applicable to Restricted Stock).

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) Unless the Administrator otherwise determines, no fractional Shares shall be issued and the Administrator, in its sole discretion, shall determine whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding down.

(e) The Company, in its sole discretion, may (i) retain physical possession of any stock certificate evidencing Shares until any restrictions thereon shall have lapsed and/or (ii) require that the stock certificates evidencing such Shares be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Holder deliver a stock power, endorsed in blank, relating to such Shares.

(f) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by Applicable Law, the Company shall not deliver to any Holder certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

**10.5 Forfeiture and Claw-Back Provisions.** All Awards (including any proceeds, gains or other economic benefit actually or constructively received by a Holder upon any receipt or exercise of any Award or upon the receipt or resale of any Shares underlying the Award and any payments of a portion of an incentive-based bonus pool allocated to a Holder) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, whether or not such claw-back policy was in place at the time of grant of an Award, to the extent set forth in such claw-back policy and/or in the applicable Award Agreement.

**10.6 Amendment of Awards.** Subject to Applicable Law, the Administrator may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or settlement, and converting an Incentive Stock Option to a Non-Qualified Stock Option. The Holder's consent to such action shall be required unless (a) the Administrator determines that the action, taking into account any related action, would not materially and adversely affect the Holder, or (b) the change is otherwise permitted under the Plan (including, without limitation, under Section 12.2 or 12.10).



10.7 Lock-Up Period. The Company may, in connection with registering the offering of any Company securities under the Securities Act, prohibit Holders from, directly or indirectly, selling or otherwise transferring any Shares or other Company securities during a period of up to one hundred eighty days following the effective date of a Company registration statement filed under the Securities Act, or such longer period as determined by the underwriter. In order to enforce the foregoing, the Company shall have the right to place restrictive legends on the certificates of any securities of the Company held by the Holder and to impose stop transfer instructions with the Company's transfer agent with respect to any securities of the Company held by the Holder until the end of such period.

10.8 Data Privacy. As a condition of receipt of any Award, each Holder explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Section 10.8 by and among, as applicable, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan. The Company and its Subsidiaries may hold certain personal information about a Holder, including but not limited to, the Holder's name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title(s), any shares of stock held in the Company or any of its Subsidiaries, details of all Awards, in each case, for the purpose of implementing, managing and administering the Plan and Awards (the "Data"). The Company and its Subsidiaries may transfer the Data amongst themselves as necessary for the purpose of implementation, administration and management of a Holder's participation in the Plan, and the Company and its Subsidiaries may each further transfer the Data to any third parties assisting the Company and its Subsidiaries in the implementation, administration and management of the Plan. These recipients may be located in the Holder's country, or elsewhere, and the Holder's country may have different data privacy laws and protections than the recipients' country. Through acceptance of an Award, each Holder authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Company or any of its Subsidiaries or the Holder may elect to deposit any Shares. The Data related to a Holder will be held only as long as is necessary to implement, administer, and manage the Holder's participation in the Plan. A Holder may, at any time, view the Data held by the Company with respect to such Holder, request additional information about the storage and processing of the Data with respect to such Holder, recommend any necessary corrections to the Data with respect to the Holder or refuse or withdraw the consents herein in writing, in any case without cost, by contacting his or her local human resources representative. The Company may cancel the Holder's ability to participate in the Plan and, in the Administrator's discretion, the Holder may forfeit any outstanding Awards if the Holder refuses or withdraws his or her consents as described herein. For more information on the consequences of refusal to consent or withdrawal of consent, Holders may contact their local human resources representative.

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## ARTICLE 11.

### ADMINISTRATION

11.1 Administrator. The Board shall administer the Plan (except as otherwise permitted herein). If the Board delegates the authority to administer the Plan to the Committee, then to the extent required to comply with the provisions of Rule 16b-3, it is intended that each member of the Committee will be, at the time the Committee takes any action with respect to an Award that is subject to Rule 16b-3, a “non-employee director” within the meaning of Rule 16b-3. Additionally, to the extent required by Applicable Law, each of the individuals constituting the Committee shall be an “independent director” under the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. Notwithstanding the foregoing, any action taken by the Board or Committee shall be valid and effective, whether or not members of the Board or the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 11.1, as applicable, or the Organizational Documents. Except as may otherwise be provided in the Organizational Documents or as otherwise required by Applicable Law, (a) appointment of Committee members shall be effective upon acceptance of appointment, (b) Committee members may resign at any time by delivering written or electronic notice to the Board and (c) vacancies in the Committee may only be filled by the Board. Notwithstanding the foregoing, (i) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors and, with respect to such Awards, the term “Administrator” as used in the Plan shall be deemed to refer to the Board and (ii) the Board or Committee may delegate its authority hereunder to the extent permitted by Section 11.6.

11.2 Duties and Powers of Administrator. It shall be the duty of the Administrator to conduct the general administration of the Plan in accordance with its provisions. The Administrator shall have the power to interpret the Plan, all Programs and Award Agreements, and to adopt such rules for the administration, interpretation and application of the Plan and any Program as are not inconsistent with the Plan, to interpret, amend or revoke any such rules and to amend the Plan or any Program or Award Agreement; provided that the rights or obligations of the Holder of the Award that is the subject of any such Program or Award Agreement are not materially and adversely affected by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 10.7 or Section 12.10. In its sole discretion, as applicable, the Board may at any time and from time to time exercise any and all rights and duties of the Committee in its capacity as the Administrator under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule, or any regulations or rules issued thereunder, or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded are required to be determined in the sole discretion of the Committee.

11.3 Action by the Administrator. Unless otherwise established by the Board, set forth in any Organizational Documents or as required by Applicable Law, a majority of the Administrator shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Administrator in lieu of a meeting, shall be deemed the acts of the Administrator. Each member of the Administrator is entitled to, in good faith, rely or act upon any report or other information

furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan. Neither the Administrator nor any member or delegate thereof shall have any liability to any person (including any Holder) for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award.

11.4 Authority of Administrator. Subject to the Organizational Documents, any specific designation in the Plan and Applicable Law, the Administrator has the exclusive power, authority and sole discretion to:

(a) Designate Eligible Individuals to receive Awards;

(b) Determine the type or types of Awards to be granted to each Eligible Individual (including, without limitation, any Awards granted in tandem with another Award granted pursuant to the Plan);

(c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, purchase price, any Performance Criteria and/or Performance Goals, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and claw-back and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Institute and determine the terms and conditions of any Exchange Program;

(f) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(g) Prescribe the form of each Award Agreement, which need not be identical for each Holder;

(h) Decide all other matters that must be determined in connection with an Award;

(i) Establish, adopt, or revise any Programs, rules and regulations as it may deem necessary or advisable to administer the Plan;

(j) Interpret the terms of, and any matter arising pursuant to, the Plan, any Program or any Award Agreement; and

(k) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

11.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Program or any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding and conclusive on all persons.

11.6 Delegation of Authority. The Board or Committee may from time to time delegate to a committee of one or more Directors or one or more officers of the Company the authority to grant or amend Awards or to take other administrative actions pursuant to this Article 11; provided, however, that in no event shall an officer of the Company be delegated the authority to grant Awards to, or amend Awards held by, the following individuals: (a) individuals who are subject to Section 16 of the Exchange Act, or (b) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder; provided, further, that any delegation of administrative authority shall only be permitted to the extent it is permissible under any Organizational Documents and Applicable Law. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation or that are otherwise included in the applicable Organizational Documents, and the Board or Committee, as applicable, may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 11.6 shall serve in such capacity at the pleasure of the Board or the Committee, as applicable, and the Board or the Committee may abolish any committee at any time and re-vest in itself any previously delegated authority.

11.7 Acceleration. Subject to the Organizational Documents, any specific designation in the Plan and Applicable Law, the Administrator has the exclusive power, authority and sole discretion to accelerate, wholly or partially, the vesting or lapse of restrictions (and, if applicable, the Company shall cease to have a right of repurchase) of any Award or portion thereof at any time after the grant of an Award, subject to whatever terms and conditions it selects and Section 12.2.

## ARTICLE 12.

### MISCELLANEOUS PROVISIONS

#### 12.1 Amendment, Suspension or Termination of the Plan.

(a) Except as otherwise provided in Section 12.1(b), the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board; provided that, except as provided in Section 10.6 and Section 12.10, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, materially and adversely affect any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides.

(b) Notwithstanding Section 12.1(a), the Board may not, except as provided in Section 12.2, without approval of the Company's stockholders given within twelve (12) months before or after such action, increase the limit imposed in Section 3.1 on the maximum number of Shares which may be issued under the Plan.

(c) No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and notwithstanding anything herein to the contrary, in no event may any Award be granted under the Plan after the tenth (10<sup>th</sup>) anniversary of the earlier of (i) the date on which the Plan was adopted by the Board or (ii) the date the Plan was approved by the Company's stockholders (such anniversary, the "Expiration Date"). Any Awards that are outstanding on the Expiration Date shall remain in force according to the terms of the Plan, the applicable Program and the applicable Award Agreement.

#### 12.2 Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of the Company's stock or the share price of the Company's stock other than an Equity Restructuring, the Administrator may make equitable adjustments to reflect such change with respect to: (i) the aggregate number and kind of Shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of Shares which may be issued under the Plan); (ii) the number and kind of Shares (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable Performance Criteria and Performance Goals with respect thereto); (iv) the grant or exercise price per share for any outstanding Awards under the Plan; and (v) the number and kind of Shares (or other securities or property) for which automatic grants are subsequently to be made to new and continuing Non-Employee Directors pursuant to any Non-Employee Director Compensation Policy adopted in accordance with Section 4.6.

(b) In the event of any transaction or event described in Section 12.2(a) or any unusual or nonrecurring transactions or events affecting the Company, any Subsidiary of the Company, or the financial statements of the Company or any Subsidiary, or of changes in Applicable Law or Applicable Accounting Standards, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in Applicable Law or Applicable Accounting Standards:

(i) To provide for the termination of any such Award in exchange for an amount of cash and/or other property with a value equal to the amount that would have been attained upon the exercise of such Award or realization of the Holder's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 12.2 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by the Company without payment);

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and applicable exercise or purchase price, in all cases, as determined by the Administrator;

(iii) To make adjustments in the number and type of Shares of the Company's stock (or other securities or property) subject to outstanding Awards, and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Program or Award Agreement;

(v) To replace such Award with other rights or property selected by the Administrator; and/or

(vi) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 12.2(a) and 12.2(b):

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, shall be equitably adjusted (and the adjustments provided under this Section 12.2(c)(i) shall be nondiscretionary and shall be final and binding on the affected Holder and the Company); and/or

(ii) The Administrator shall make such equitable adjustments, if any, as the Administrator, in its sole discretion, may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of Shares that may be issued under the Plan (including, but not limited to, adjustments of the limitation in Section 3.1 on the maximum number and kind of Shares which may be issued under the Plan).

(d) Notwithstanding any other provision of the Plan, in the event of a Change in Control, unless the Administrator elects to (i) terminate an Award in exchange for cash, rights or property, or (ii) cause an Award to become fully exercisable and no longer subject to any forfeiture restrictions prior to the consummation of a Change in Control, pursuant to Section 12.2, (A) such Award (other than any portion subject to performance-based vesting) shall continue in effect or be assumed or an equivalent Award (which may include, without limitation, an Award settled in cash) substituted by the successor corporation or a parent or subsidiary of the successor corporation and (B) the portion of such Award subject to performance-based vesting shall be subject to the terms and conditions of the applicable Award Agreement and, in the absence of applicable terms and conditions, the Administrator's discretion.

(e) In the event that the successor corporation in a Change in Control refuses to assume or substitute for an Award (other than any portion subject to performance-based vesting), the Administrator may cause (i) any or all of such Award (or portion thereof) to terminate in exchange for cash, rights or other property pursuant to Section 12.2(b)(i) or (ii) any or all of such Award (or portion thereof) to become fully exercisable immediately prior to the consummation of

such transaction and all forfeiture restrictions on any or all of such Award to lapse. If any such Award is exercisable in lieu of assumption or substitution in the event of a Change in Control, the Administrator shall notify the Holder that such Award shall be fully exercisable for a period of fifteen (15) days from the date of such notice, contingent upon the occurrence of the Change in Control, and such Award shall terminate upon the expiration of such period.

(f) For the purposes of this Section 12.2, an Award shall be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control was not solely common stock of the successor corporation or its parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each Share subject to an Award, to be solely common stock of the successor corporation or its parent equal in fair market value to the per-share consideration received by holders of Common Stock in the Change in Control.

(g) The Administrator, in its sole discretion, may include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of the Plan.

(h) Unless otherwise determined by the Administrator, no adjustment or action described in this Section 12.2 or in any other provision of the Plan shall be authorized to the extent it would (i) cause the Plan to violate Section 422(b)(1) of the Code, (ii) result in short-swing profits liability under Section 16 of the Exchange Act or violate the exemptive conditions of Rule 16b-3 of the Exchange Act, or (iii) cause an Award to fail to be exempt from or comply with Section 409A.

(i) The existence of the Plan, any Program, any Award Agreement and/or the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(j) In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the Shares or the share price of the Common Stock including any Equity Restructuring, for reasons of administrative convenience, the Administrator, in its sole discretion, may refuse to permit the exercise of any Award during a period of up to thirty (30) days prior to the consummation of any such transaction.

12.3 Approval of Plan by Stockholders. The Plan shall be submitted for the approval of the Company's stockholders within twelve (12) months after the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval; provided that such Awards shall not be exercisable, shall not vest and the restrictions thereon shall not lapse and no Shares shall be issued pursuant thereto prior to the time when the Plan is approved by the Company's stockholders; and provided, further, that if such approval has not been obtained at the end of said twelve (12) month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

12.4 No Stockholders Rights. Except as otherwise provided herein or in an applicable Program or Award Agreement, a Holder shall have none of the rights of a stockholder with respect to Shares covered by any Award until the Holder becomes the record owner of such Shares.

12.5 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

12.6 Effect of Plan upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in the Plan shall be construed to limit the right of the Company or any Subsidiary: (a) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Subsidiary, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

12.7 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of Shares and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all Applicable Law (including but not limited to state, federal and foreign securities law and margin requirements), and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all Applicable Law. The Administrator, in its sole discretion, may take whatever actions it deems necessary or appropriate to effect compliance with Applicable Law, including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars. Notwithstanding anything to the contrary herein, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate Applicable Law. To the extent permitted by Applicable Law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to Applicable Law.



12.8 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code or the Exchange Act shall include any amendment or successor thereto.

12.9 Governing Law. The Plan and any Programs and Award Agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof or of any other jurisdiction.

12.10 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A, the Plan, the Program pursuant to which such Award is granted and the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A. In that regard, to the extent any Award under the Plan or any other compensatory plan or arrangement of the Company or any of its Subsidiaries is subject to Section 409A, and such Award or other amount is payable on account of a Holder's Termination of Service (or any similarly defined term), then (a) such Award or amount shall only be paid to the extent such Termination of Service qualifies as a "separation from service" as defined in Section 409A, and (b) if such Award or amount is payable to a "specified employee" as defined in Section 409A then to the extent required in order to avoid a prohibited distribution under Section 409A, such Award or other compensatory payment shall not be payable prior to the earlier of (i) the expiration of the six-month period measured from the date of the Holder's Termination of Service, or (ii) the date of the Holder's death. To the extent applicable, the Plan, the Program and any Award Agreements shall be interpreted in accordance with Section 409A. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A, the Administrator may (but is not obligated to), without a Holder's consent, adopt such amendments to the Plan and the applicable Program and Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (A) exempt the Award from Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (B) comply with the requirements of Section 409A and thereby avoid the application of any penalty taxes under Section 409A. The Company makes no representations or warranties as to the tax treatment of any Award under Section 409A or otherwise. The Company shall have no obligation under this Section 12.10 or otherwise to take any action (whether or not described herein) to avoid the imposition of taxes, penalties or interest under Section 409A with respect to any Award and shall have no liability to any Holder or any other person if any Award, compensation or other benefits under the Plan are determined to constitute non-compliant, "nonqualified deferred compensation" subject to the imposition of taxes, penalties and/or interest under Section 409A.

12.11 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Program or Award Agreement shall give the Holder any rights that are greater than those of a general creditor of the Company or any Subsidiary.

12.12 Indemnification. To the extent permitted under Applicable Law and the Organizational Documents, each member of the Administrator (and each delegate thereof pursuant to Section 11.6) shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan or any Award Agreement and against and from any and all amounts paid by him or her, with the Board's approval, in satisfaction of judgment in such action, suit, or proceeding against him or her; provided he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf and, once the Company gives notice of its intent to assume such defense, the Company shall have sole control over such defense with counsel of the Company's choosing. The foregoing right of indemnification shall not be available to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of the person seeking indemnity giving rise to the indemnification claim resulted from such person's bad faith, fraud or willful criminal act or omission. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Organizational Documents, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

12.13 Relationship to Other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

12.14 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

\* \* \* \* \*

I hereby certify that the foregoing Plan was approved by the stockholders of JOANN Inc. on \_\_\_\_\_, 20\_\_.

Executed on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Corporate Secretary

## JOANN INC.

## 2021 EQUITY INCENTIVE PLAN

## STOCK OPTION GRANT NOTICE

Capitalized terms not specifically defined in this Stock Option Grant Notice (the “Grant Notice”) have the meanings given to them in the 2021 Equity Incentive Plan (as amended from time to time, the “Plan”) of JOANN Inc. (the “Company”). The Company hereby grants to the participant listed below (“Participant”) the stock option described in this Grant Notice (the “Option”), subject to the terms and conditions of the Plan and the Stock Option Agreement attached hereto as Exhibit A (the “Agreement”), both of which are incorporated into this Grant Notice by reference.

**Participant:****Grant Date:****Exercise Price per Share:****Shares Subject to the Option:****Final Expiration Date:****Vesting Commencement Date:****Vesting Schedule:**

[To be specified in individual agreements]

**Type of Option**☐ Incentive Stock Option☐ Non-Qualified Stock Option

By Participant’s signature below or electronic acceptance or authentication in a form authorized by the Company, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or relating to the Option.

**JOANN INC.****PARTICIPANT**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

STOCK OPTION AGREEMENT

ARTICLE I.  
GENERAL

1.1 Incorporation of Terms of Plan. The Option is subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.2 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice. For purposes of this Agreement,

(a) “Cause” shall mean a Participating Company having “Cause” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participating Company shall have “Cause” to terminate the Participant’s employment upon: (a) the willful and continued failure by the Participant to substantially perform his or her normal duties (other than any such failure resulting from the Participant’s illness or injury), after a written demand for substantial performance is delivered to the Participant that specifically identifies the manner in which the Administrator believes that the Participant has not substantially performed his or her duties, and the Participant has failed to remedy the situation within thirty (30) business days of receiving such notice; (b) the Participant’s conviction for committing an act of fraud, embezzlement, theft, or other criminal act constituting a felony; or (c) the willful engaging by the Participant in gross negligence materially and demonstrably injurious to the Participating Companies; (d) the Participant’s material failure to abide by a Participating Company’s code of conduct or other policies (including, without limitation, policies relating to harassment, discrimination and reasonable workplace conduct); or (e) any material breach by the Participant of any employment or service agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement. However, no act, or failure to act on the Participant’s part shall be considered “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his or her action or omission was not in or not opposed to the best interest of the Company.

(b) “Cessation Date” shall mean the date of Participant’s Termination of Service (regardless of the reason for such termination).

(c) “CIC Qualifying Termination” shall mean Termination of Service of Participant by any Participating Company without Cause or by Participant for Good Reason during the twelve (12) month period immediately following a Change in Control.

(d) “Good Reason” shall mean a Participant having “Good Reason” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participant shall have “Good Reason” to terminate the Participant’s employment upon, on or after a Change in Control, (i) any material adverse change by the Participating Companies in Participant’s job title, duties, responsibility or authority; (ii) failure by the Participating Companies to pay Participant any amount of Participant’s annual base salary or bonus when due; (iii) any material diminution of Participant’s annual base salary (other than such a material diminution that is applied on a substantially comparable basis to similarly-situated employees of the Participating Companies); (iv) any material reduction in Participant’s short-term incentive compensation opportunities; (v) the termination or denial of Participant’s right to

participate in material employment related benefits that are offered to similarly-situated employees of the Participating Companies; (vi) the movement of Participant's principal location of work to a new location that is in excess of 50 miles from Participant's principal location of work as of the date hereof without Participant's consent; or (vii) failure by the Company to require any successor to assume and agree to perform the Company's obligations under this any employment or severance agreement with the Participant; provided that none of the events described in this definition of Good Reason shall constitute Good Reason unless Participant 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.

(e) "Participating Company," shall mean the Company or any of its parents or Subsidiaries.

## **ARTICLE I. GRANT OF OPTION**

Section 1.1 Grant of Option. In consideration of Participant's past and/or continued employment with or service to a Participating Company and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to the Participant the Option to purchase any part or all of an aggregate number of Shares set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustment as provided in Section 12.2 of the Plan.

Section 1.2 Exercise Price. The exercise price per Share of the Shares subject to the Option (the "Exercise Price") shall be as set forth in the Grant Notice.

Section 1.3 Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to any Participating Company.

## **ARTICLE II. PERIOD OF EXERCISABILITY**

### Section 2.1 Commencement of Exercisability.

(a) Subject to Participant's continued employment with or service to a Participating Company on each applicable vesting date and subject to Sections 2.2, 2.3, 5.9 and 5.14 hereof, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) Notwithstanding the Grant Notice or the provisions of Section 2.1(a) and (c), in the event of a CIC Qualifying Termination, the Option shall become vested and exercisable in full on the date of such CIC Qualifying Termination.

(c) Subject to Section 2.1(b) and unless otherwise determined by the Administrator or as set forth in a written agreement between Participant and the Company, any portion of the Option that has not become vested and exercisable on or prior to the Cessation Date (including, without limitation, pursuant to any employment or similar agreement by and between Participant and the Company) shall be forfeited on the Cessation Date and shall not thereafter become vested or exercisable.

Section 2.2 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment that becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 2.3 hereof. Once the Option becomes unexercisable, it shall be forfeited immediately.

Section 2.3 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

- (a) The expiration date set forth in the Grant Notice; *provided* that such expiration date shall not be later than the tenth (10th) anniversary of the Grant Date;
- (b) Except as the Administrator may otherwise approve, the ninetieth (90th) day following the Cessation Date by reason of Participant's Termination of Service for any reason other than due to death, Disability or by a Participating Company for Cause;
- (c) Except as the Administrator may otherwise approve, immediately upon the Cessation Date by reason of Participant's Termination of Service by a Participating Company for Cause; and
- (d) The expiration of twelve (12) months from the Cessation Date by reason of Participant's Termination of Employment due to death or Disability.

Section 2.4 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Participating Companies have the authority to deduct or withhold, or require Participant to remit to the applicable Participating Company, an amount sufficient to satisfy any applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by Applicable Law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Participating Companies may withhold or Participant may make such payment in one or more of the forms specified below:

- (i) by cash or check made payable to the Participating Company with respect to which the withholding obligation arises;
- (ii) by the deduction of such amount from other compensation payable to Participant;
- (iii) with respect to any withholding taxes arising in connection with the exercise of the Option, with the consent of the Administrator, by requesting that the Participating Companies withhold a net number of vested Shares otherwise issuable upon the exercise of the Option having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Participating Companies based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;
- (iv) with respect to any withholding taxes arising in connection with the exercise of the Option, with the consent of the Administrator, by tendering to the Company vested Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Participating Companies based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;

(v) with respect to any withholding taxes arising in connection with the exercise of the Option, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable to Participant pursuant to the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Participating Company with respect to which the withholding obligation arises in satisfaction of such withholding taxes; provided that payment of such proceeds is then made to the applicable Participating Company at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the Option, in the event Participant fails to provide timely payment of all sums required pursuant to Section 2.4(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 2.4(a)(ii), or Section 2.4(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing Shares issuable with respect to the exercise of the Option to, or to cause any such Shares to be held in book-entry form by, Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the exercise of the Option or any other taxable event related to the Option.

(c) In the event any tax withholding obligation arising in connection with the Option will be satisfied under Section 2.4(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of Shares from those Shares then issuable upon the exercise of the Option as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Participating Company with respect to which the withholding obligation arises. Participant's acceptance of this Option constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.4(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any Shares to Participant until the foregoing tax withholding obligations are satisfied, provided that no payment shall be delayed under this Section 2.4(c) if such delay will result in a violation of Section 409A.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the Option, regardless of any action any Participating Company takes with respect to any tax withholding obligations that arise in connection with the Option. No Participating Company makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Shares. The Participating Companies do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

### **ARTICLE III. EXERCISE OF OPTION**

Section 3.1 Person Eligible to Exercise. During the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 2.3 hereof, be exercised by Participant's personal representative or by any Person empowered to do so under the deceased Participant's will or under the then Applicable Laws of descent and distribution.



Section 3.2 Partial Exercise. Subject to Section 5.2, any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 2.3 hereof.

Section 3.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other Person designated by the Company), during regular business hours, of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 2.3 hereof.

(a) An exercise notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the Shares with respect to which the Option or portion thereof is exercised, in such form of consideration permitted under Section 3.4 that is acceptable to the Administrator;

(c) The payment of any applicable withholding tax in accordance with Section 2.4;

(d) Any other written representations or documents as may be required in the Administrator's sole discretion to effect compliance with Applicable Law; and

(e) In the event the Option or portion thereof shall be exercised pursuant to Section 3.1 by any Person or Persons other than Participant, appropriate proof of the right of such Person or Persons to exercise the Option.

Notwithstanding any of the foregoing, the Administrator shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

Section 3.4 Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of Participant:

(a) Cash or check;

(b) With the consent of the Administrator, surrender of vested Shares (including, without limitation, Shares otherwise issuable upon exercise of the Option) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate Exercise Price of the Option or exercised portion thereof;

(c) Through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Exercise Price; *provided* that payment of such proceeds is then made to the Company at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(d) Any other form of legal consideration acceptable to the Administrator.

**Section 3.5 Conditions to Issuance of Shares.** The Company shall not be required to issue or deliver any certificate or certificates for any Shares or to cause any Shares to be held in book-entry form prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable, (d) the receipt by the Company of full payment for such Shares, which may be in one or more of the forms of consideration permitted under Section 3.4, and (e) the receipt of full payment of any applicable withholding tax in accordance with Section 2.4 by the Participating Company with respect to which the applicable withholding obligation arises.

**Section 3.6 Rights as Stockholder.** Neither Participant nor any Person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares purchasable upon the exercise of any part of the Option unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars and delivered to Participant (including through electronic delivery to a brokerage account). No adjustment will be made for a dividend or other right for which the record date is prior to the date of such issuance, recordation and delivery, except as provided in Section 12.2 of the Plan. Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

## **ARTICLE IV.**

### **RESTRICTIVE COVENANTS**

**Section 4.1 Restrictive Covenants.** In consideration of the benefits being provided to Participant pursuant to this Agreement, Participant agrees to be bound by the restrictive covenants contained in this Article IV.

(a) **Obligation to Maintain Confidentiality.** Participant 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 Participant during his or her employment with the Participating Companies or their respective affiliates. “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 Participant has any doubt as to whether information constitutes Confidential Information, Participant agrees to obtain advice from the Company’s General Counsel prior to divulging or using such information. Participant 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 Participant prior to his or her employment with the Company (including its predecessor in interest, affiliates and Subsidiaries) and was obtained, to the best of Participant’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, Participant must notify the Company’s General Counsel immediately. Nothing in this Section 4.1(a) shall be interpreted to preclude Participant 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.

(b) Ownership of Property. Participant 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 Participating Companies' 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 Participant (either solely or jointly with others) while employed by or in the service of the Participating Companies or their respective 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 Participating Companies or their respective affiliates, and Participant hereby assigns, and agrees to assign, all of the above Work Product to a Participating Company or affiliate thereof. Any copyrightable work prepared in whole or in part by Participant in the course of Participant's work for any of the foregoing entities shall be deemed a "work made for hire" under the copyright laws, and the Participating Company or affiliate thereof shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire", Participant hereby assigns and agrees to assign to the Participating Company or affiliate thereof all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Participant 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 Participant's employment with or service to the Participating Companies and their respective affiliates) to establish and confirm the Participating Company's or such affiliate's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments). Participant is hereby provided notice of immunity under the federal Defend Trade Secrets Act of 2016, which states: (i) an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law, or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal and (B) does not disclose the trade secret, except pursuant to court order.

(c) Third Party Information. Participant understands that the Participating Companies and their respective affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Participating Companies or their respective affiliates part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the period of Participant'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 4.1(a) above, Participant will hold Third Party Information in the strictest confidence and will not disclose to any one (other than personnel and consultants of the Participating Companies and their respective affiliates who need to know such information in connection with their work for the Participating Companies and their respective affiliates) or use, except in connection with Participant's work for the Participating Companies or their respective 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 Participant's acts or omissions to act, (b) was known to Participant prior to Participant's employment with or service to the Participating Companies or their respective affiliates and was obtained, to the best of Participant'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.

(d) Noncompetition and Nonsolicitation. Participant acknowledges that, in the course of Participant's employment, Participant will become familiar with the Participating Companies' and their respective affiliates' trade secrets and with other confidential information concerning the Participating Companies and their respective affiliates and that Participant's services will be of special, unique and extraordinary value to the Participating Companies and their respective affiliates.

(i) Noncompetition. Participant agrees that while employed by any Participating Company or its affiliates, and continuing until (i) the eighteen (18) month anniversary of the date of any termination of Participant's employment or service (other than as a result of Participant's CIC Qualifying Termination), or (ii) twenty-four (24) months from the date of termination of Participant's employment or service as a result of Participant's CIC Qualifying Termination (the "Noncompete Period"), Participant shall not, anywhere in the world where the Company or its Subsidiaries or affiliates conduct or actively propose to conduct business during Participant'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 Participant had knowledge, involvement, and/or responsibility while at the Company. Further, during the Noncompete Period, Participant shall not conduct any of the Restricted Activities in similar line(s) of business or similar functions for which the Participant 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, Participant 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 4.1(d) confers upon Participant any right to receive severance or obligates the Company to pay any severance to Participant in connection with his or her termination of employment for any reason.

(ii) Nonsolicitation. Participant agrees that during the Noncompete Period, Participant shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Participating Companies or their respective affiliates to leave the employ of the Participating Companies or their respective affiliates, or in any way interfere with the relationship between the Participating Companies or their respective affiliates and any employee thereof, (ii) hire any person who was an employee of the Participating Companies or their respective affiliates within 180 days prior to the time such employee was hired by Participant, (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Participating Companies or their respective affiliates to cease doing business with the Participating Companies or their respective affiliates or in any way interfere with the relationship between any such customer, licensee or business relation and the Participating Companies or their respective 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 any of the Participating Companies or their respective affiliates have entered into substantive negotiations or has requested and received confidential information relating to the acquisition of such business by the Participating Companies or their respective affiliates in the two-year period immediately preceding Participant's termination of employment with any Participating Company.

(e) Non-disparagement. Participant agrees that at no time during his or her employment by any Participating Company 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 Participating Companies or their respective affiliates or any of their respective directors, officers or employees; provided that Participant shall not be required to make any untruthful statement or to violate any law.

Section 4.2 Enforcement. If, at the time of enforcement of Article IV 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. Participant agrees that because his or her services are unique and Participant has access to confidential information, money damages would be an inadequate remedy for any breach of this Article IV and its subsections. Participant agrees that the Participating Companies and their respective affiliates, in the event of a breach or threatened breach of this Article IV 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.

Section 4.3 Acknowledgments. Participant acknowledges that the provisions of this Article IV and its subsections are (a) in addition to, and not in limitation of, any obligation of Participant under the terms of any other agreement with the Participating Companies or their respective affiliates (including, without limitation, the restrictive covenants in any employment or severance agreement between the Participant and any Participating Company, which Participant acknowledges remain in full force and effect in accordance with their terms), and (b) in consideration of (i) employment with the Participating Companies, and (ii) additional good and valuable consideration as set forth in this Agreement. In addition, Participant agrees and acknowledges that the restrictions contained in this Article IV and its subsections do not preclude Participant from earning a livelihood, nor do they unreasonably impose limitations on Participant's ability to earn a living. Participant agrees and acknowledges that the potential harm to the Participating Companies or their respective affiliates of the non-enforcement of this Article IV and its subsections outweighs any potential harm to Participant of its enforcement by injunction or otherwise. Participant acknowledges that he or she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Participant 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 Participating Companies and their respective affiliates now existing or to be developed in the future. Participant 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.

## **ARTICLE V.**

### **OTHER PROVISIONS**

Section 5.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

Section 5.2 Whole Shares. The Option may only be exercised for whole Shares.

Section 5.3 Option Not Transferable. Subject to Section 3.1 hereof, the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the Option have been issued, and all restrictions applicable to such Shares have lapsed. Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence. Notwithstanding the foregoing, with the consent of the Administrator, if the Option is a Non-Qualified Stock Option, it may be transferred to Permitted Transferees pursuant to any conditions and procedures the Administrator may require.

Section 5.4 Adjustments. The Administrator may accelerate the vesting of all or a portion of the Option in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 12.2 of the Plan.

Section 5.5 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 5.5, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 5.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section 5.7 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

Section 5.8 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

Section 5.9 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of Participant.

**Section 5.10 Successors and Assigns.** The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 5.3 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

**Section 5.11 Limitations Applicable to Section 16 Persons.** Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

**Section 5.12 Not a Contract of Employment.** Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of any Participating Company or shall interfere with or restrict in any way the rights of any Participating Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent (i) expressly provided otherwise in a written agreement between a Participating Company and Participant or (ii) where such provisions are not consistent with applicable foreign or local laws, in which case such applicable foreign or local laws shall control.

**Section 5.13 Entire Agreement.** The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

**Section 5.14 Section 409A.** This Option is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Option (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other Person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Option either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

**Section 5.15 Agreement Severable.** In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

**Section 5.16 Limitation on Participant's Rights.** Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the right to receive Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms hereof.

**Section 5.17 Counterparts.** The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

**Section 5.18 Broker-Assisted Sales.** In the event of any broker-assisted sale of Shares in connection with the payment of withholding taxes as provided in Section 2.4(a)(v) or Section 2.4(c) or the payment of the Exercise Price as provided in Section 3.4(c): (a) any Shares to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation or exercise of the Option, as applicable, occurs or arises, or as soon thereafter as practicable; (b) such Shares may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (c) Participant will be responsible for all broker's fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (d) to the extent the proceeds of such sale exceed the applicable tax withholding obligation or Exercise Price, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (e) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation or Exercise Price; and (f) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Participating Company with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the applicable Participating Company's withholding obligation.

**Section 5.19 Incentive Stock Options.** Participant acknowledges that to the extent the aggregate Fair Market Value of Shares (determined as of the time the option with respect to the Shares is granted) with respect to which Incentive Stock Options, including this Option (if applicable), are exercisable for the first time by Participant during any calendar year exceeds \$100,000 or if for any other reason such Incentive Stock Options do not qualify or cease to qualify for treatment as "incentive stock options" under Section 422 of the Code, such Incentive Stock Options shall be treated as Non-Qualified Stock Options. Participant further acknowledges that the rule set forth in the preceding sentence shall be applied by taking the Option and other stock options into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder. Participant also acknowledges that an Incentive Stock Option exercised more than three (3) months after Participant's Termination of Service, other than by reason of death or disability, will be taxed as a Non-Qualified Stock Option.

**Section 5.20 Notification of Disposition.** If this Option is designated as an Incentive Stock Option, Participant shall give prompt written notice to the Company of any disposition or other transfer of any Shares acquired under this Agreement if such disposition or transfer is made (a) within two (2) years from the Grant Date or (b) within one (1) year after the transfer of such Shares to Participant. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

\* \* \* \* \*



**JOANN INC.  
2021 EQUITY INCENTIVE PLAN**

**RESTRICTED STOCK UNIT GRANT NOTICE**

Capitalized terms not specifically defined in this Restricted Stock Unit Grant Notice (the “Grant Notice”) have the meanings given to them in the 2021 Equity Incentive Plan (as amended from time to time, the “Plan”) of JOANN Inc. (the “Company”). The Company hereby grants to the participant listed below (“Participant”) the Restricted Stock Units described in this Grant Notice (the “RSUs”), subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “Agreement”), both of which are incorporated into this Grant Notice by reference..

**Participant:** \_\_\_\_\_  
**Grant Date:** \_\_\_\_\_  
**Number of Restricted Stock Units:** \_\_\_\_\_  
**Vesting Commencement Date:** \_\_\_\_\_  
**Vesting Schedule:** \_\_\_\_\_

By Participant’s signature below or electronic acceptance or authentication in a form authorized by the Company, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or relating to the RSUs.

**JOANN INC.**

By: \_\_\_\_\_  
 Print Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

**PARTICIPANT**

By: \_\_\_\_\_  
 Print Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

**EXHIBIT A**  
**TO RESTRICTED STOCK UNIT GRANT NOTICE**

**RESTRICTED STOCK UNIT AGREEMENT**

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

**ARTICLE I.**

**GENERAL**

**Section 1.1 Defined Terms.** Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

(a) “**Cause**” shall mean a Participating Company having “Cause” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participating Company shall have “Cause” to terminate the Participant’s employment upon: (a) the willful and continued failure by the Participant to substantially perform his or her normal duties (other than any such failure resulting from the Participant’s illness or injury), after a written demand for substantial performance is delivered to the Participant that specifically identifies the manner in which the Administrator believes that the Participant has not substantially performed his or her duties, and the Participant has failed to remedy the situation within thirty (30) business days of receiving such notice; (b) the Participant’s conviction for committing an act of fraud, embezzlement, theft, or other criminal act constituting a felony; or (c) the willful engaging by the Participant in gross negligence materially and demonstrably injurious to the Participating Companies; (d) the Participant’s material failure to abide by a Participating Company’s code of conduct or other policies (including, without limitation, policies relating to harassment, discrimination and reasonable workplace conduct); or (e) any material breach by the Participant of any employment or service agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement. However, no act, or failure to act on the Participant’s part shall be considered “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his or her action or omission was not in or not opposed to the best interest of the Company.

(b) “**Cessation Date**” shall mean the date of Participant’s Termination of Service (regardless of the reason for such termination).

(c) “**CIC Qualifying Termination**” shall mean Termination of Service of Participant by any Participating Company without Cause or by Participant for Good Reason during the twelve (12) month period immediately following a Change in Control.

(d) “**Good Reason**” shall mean a Participant having “Good Reason” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participant shall have “Good Reason” to terminate the Participant’s employment upon, on or after a Change in Control, (i) any material adverse change by the Participating Companies in Participant’s job title, duties, responsibility or authority; (ii) failure by the Participating Companies to pay Participant any amount of Participant’s annual base salary or bonus when due; (iii) any material diminution of Participant’s annual base salary (other than such a material diminution that is applied on a substantially comparable basis to similarly-situated employees of the Participating Companies); (iv) any material reduction in Participant’s

short-term incentive compensation opportunities; (v) the termination or denial of Participant's right to participate in material employment related benefits that are offered to similarly-situated employees of the Participating Companies; (vi) the movement of Participant's principal location of work to a new location that is in excess of 50 miles from Participant's principal location of work as of the date hereof without Participant's consent; or (vii) failure by the Company to require any successor to assume and agree to perform the Company's obligations under this any employment or severance agreement with the Participant; provided that none of the events described in this definition of Good Reason shall constitute Good Reason unless Participant notifies the Company in writing of the event that is purported to constitute Good Reason (which notice is provided not later than the 30<sup>th</sup> 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.

(e) "Participating Company," shall mean the Company or any of its parents or Subsidiaries.

Section 1.2 Incorporation of Terms of Plan. The RSUs and the shares of Common Stock ("Stock") to be issued to Participant hereunder ("Shares") are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

Section 1.3 Consideration to the Company. In consideration of the grant of the RSUs by the Company, Participant agrees to render faithful and efficient services to any Participating Company.

## ARTICLE II.

### AWARD OF RESTRICTED STOCK UNITS AND DIVIDEND EQUIVALENTS

#### Section 2.1 Award of RSUs and Dividend Equivalents.

(c) In consideration of Participant's past and/or continued employment with or service to any Participating Company and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Article 12 of the Plan. Each RSU represents the right to receive one Share or, at the option of the Company, an amount of cash as set forth in Section 2.3(b), in either case, at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

(d) The Company hereby grants to Participant an Award of Dividend Equivalents with respect to each RSU granted pursuant to the Grant Notice for all ordinary cash dividends which are paid to all or substantially all holders of the outstanding shares of Stock between the Grant Date and the date when the applicable RSU is distributed or paid to Participant or is forfeited or expires. The Dividend Equivalents for each RSU shall be equal to the number of shares of Stock or, at the option of the Company, the amount of cash, which is paid as a dividend on one share of Stock. All such Dividend Equivalents shall be credited to Participant and be deemed to be reinvested in additional RSUs as of the date of payment of any such dividend based on the Fair Market Value of a share of Stock on such date. Each additional RSU which results from such deemed reinvestment of Dividend Equivalents granted hereunder shall be subject to the same vesting, distribution or payment, adjustment and other provisions which apply to the underlying RSU to which such additional RSU relates.

## Section 2.2 Vesting of RSUs and Dividend Equivalents.

(a) Subject to Participant's continued employment with or service to the Participating Companies on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in such amounts and at such times as are set forth in the Grant Notice. Each additional RSU which results from deemed reinvestments of Dividend Equivalents pursuant to Section 2.1(b) hereof shall vest whenever the underlying RSU to which such additional RSU relates vests.

(b) In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs and Dividend Equivalents granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs and Dividend Equivalents which are not so vested shall lapse and expire.

(c) Notwithstanding the Grant Notice or the provisions of Section 2.2(a) and Section 2.2(b), in the event of a CIC Qualifying Termination, the RSUs shall become vested in full on the date of such CIC Qualifying Termination.

## Section 2.3 Distribution or Payment of RSUs.

(a) Participant's RSUs shall be distributed in Shares (either in book-entry form or otherwise) or, at the option of the Company, paid in an amount of cash as set forth in Section 2.3(b), in either case, as soon as administratively practicable following the vesting of the applicable RSU pursuant to Section 2.2, and, in any event, no later than March 15<sup>th</sup> of the calendar year following the year in which such vesting occurred (for the avoidance of doubt, this deadline is intended to comply with the "short-term deferral" exemption from Section 409A). Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and provided further that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A.

(b) In the event that the Company elects to make payment of Participant's RSUs in cash, the amount of cash payable with respect to each RSU shall be equal to the Fair Market Value of a Share on the day immediately preceding the applicable distribution or payment date set forth in Section 2.3(a). All distributions made in Shares shall be made by the Company in the form of whole Shares unless otherwise determined by the Administrator. The Administrator shall determine whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding down.

Section 2.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares or to cause any Shares to be held in book-entry form prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable, and (d) the receipt of full payment of any applicable withholding tax in accordance with Section 2.5 by the Participating Company with respect to which the applicable withholding obligation arises.

Section 2.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Participating Companies have the authority to deduct or withhold, or require Participant to remit to the applicable Participating Company, an amount sufficient to satisfy any applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by Applicable Law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Participating Companies may withhold or Participant may make such payment in one or more of the forms specified below:

(i) by cash or check made payable to the Participating Company with respect to which the withholding obligation arises;

(ii) by the deduction of such amount from other compensation payable to Participant;

(iii) with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by requesting that the Company withhold a net number of vested shares of Stock otherwise issuable pursuant to the RSUs having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Participating Companies based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;

(iv) with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by tendering to the Company vested shares of Stock having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Participating Companies based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;

(v) with respect to any withholding taxes arising in connection with the distribution of the RSUs, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable to Participant pursuant to the RSUs, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Participating Company with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the applicable Participating Company at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the RSUs, in the event Participant fails to provide timely payment of all sums required pursuant to Section 2.5(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 2.5(a)(ii) or Section 2.5(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing shares of Stock issuable with respect to the RSUs to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the RSUs or any other taxable event related to the RSUs.

(c) In the event any tax withholding obligation arising in connection with the RSUs will be satisfied under Section 2.5(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those shares of Stock then issuable to Participant pursuant to the RSUs as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Participating Company with respect to which the withholding obligation arises. Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.5(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Stock in settlement of the RSUs to Participant until the foregoing tax withholding obligations are satisfied, provided that no payment shall be delayed under this Section 2.5(c) if such delay will result in a violation of Section 409A of the Code.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action any Participating Company takes with respect to any tax withholding obligations that arise in connection with the RSUs. No Participating Company makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Participating Companies do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

Section 2.6 Rights as Stockholder. Neither Participant nor any Person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

### ARTICLE III.

Section 3.1 Restrictive Covenants. In consideration of the benefits being provided to Participant pursuant to this Agreement, Participant agrees to be bound by the restrictive covenants contained in this Article III.

(a) Obligation to Maintain Confidentiality. Participant 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 Participant during his or her employment with the Participating Companies or their respective affiliates. "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 Participant has any doubt as to whether information constitutes Confidential Information, Participant agrees to obtain advice from the Company's General Counsel prior to divulging or using such information. Participant 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 Participant prior to his or her employment with the Company (including its predecessor in interest, affiliates and Subsidiaries) and was obtained, to the best of Participant'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, Participant must notify the Company's General Counsel immediately. Nothing in this Section 3.1(a) shall be interpreted to preclude Participant 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.

(b) Ownership of Property. Participant 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 Participating Companies' 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 Participant (either solely or jointly with others) while employed by or in the service of the Participating Companies or their respective 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 Participating Companies or their respective affiliates, and Participant hereby assigns, and agrees to assign, all of the above Work Product to a Participating Company or affiliate thereof. Any copyrightable work prepared in whole or in part by Participant in the course of Participant's work for any of the foregoing entities shall be deemed a "work made for hire" under the copyright laws, and the Participating Company or affiliate thereof shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire", Participant hereby assigns and agrees to assign to the Participating Company or affiliate thereof all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Participant 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 Participant's employment with or service to the Participating Companies and their respective affiliates) to establish and confirm the Participating Company's or such affiliate's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments). Participant is hereby provided notice of immunity under the federal Defend Trade Secrets Act of 2016, which states: (i) an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law, or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal and (B) does not disclose the trade secret, except pursuant to court order.

(c) Third Party Information. Participant understands that the Participating Companies and their respective affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Participating Companies or their respective affiliates part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the period of Participant'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 3.1(a) above, Participant will hold Third Party Information in the strictest confidence and will not disclose to any one (other than personnel

and consultants of the Participating Companies and their respective affiliates who need to know such information in connection with their work for the Participating Companies and their respective affiliates) or use, except in connection with Participant's work for the Participating Companies or their respective 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 Participant's acts or omissions to act, (b) was known to Participant prior to Participant's employment with or service to the Participating Companies or their respective affiliates and was obtained, to the best of Participant'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.

(d) Noncompetition and Nonsolicitation. Participant acknowledges that, in the course of Participant's employment, Participant will become familiar with the Participating Companies' and their respective affiliates' trade secrets and with other confidential information concerning the Participating Companies and their respective affiliates and that Participant's services will be of special, unique and extraordinary value to the Participating Companies and their respective affiliates.

(i) Noncompetition. Participant agrees that while employed by any Participating Company or its affiliates, and continuing until (i) the eighteen (18) month anniversary of the date of any termination of Participant's employment or service (other than as a result of Participant's CIC Qualifying Termination), or (ii) twenty-four (24) months from the date of termination of Participant's employment or service as a result of Participant's CIC Qualifying Termination (the "Noncompete Period"), Participant shall not, anywhere in the world where the Company or its Subsidiaries or affiliates conduct or actively propose to conduct business during Participant'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 Participant had knowledge, involvement, and/or responsibility while at the Company. Further, during the Noncompete Period, Participant shall not conduct any of the Restricted Activities in similar line(s) of business or similar functions for which the Participant 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, Participant 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 3.1(d) confers upon Participant any right to receive severance or obligates the Company to pay any severance to Participant in connection with his or her termination of employment for any reason.

(ii) Nonsolicitation. Participant agrees that during the Noncompete Period, Participant shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Participating Companies or their respective affiliates to leave the employ of the Participating Companies or their respective affiliates, or in any way interfere with the relationship between the Participating Companies or their respective affiliates and any employee thereof, (ii) hire any person who was an employee of the Participating Companies or their respective affiliates within 180 days prior to the time such employee was hired by Participant, (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Participating Companies or their respective affiliates to cease doing business with the Participating Companies or their respective affiliates or in any way interfere with the relationship between any such customer, licensee or business relation and the Participating Companies or their respective 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 any of the Participating Companies or their respective affiliates have entered into substantive negotiations or has requested and received confidential information relating to the acquisition of such business by the Participating Companies or their respective affiliates in the two-year period immediately preceding Participant's termination of employment with any Participating Company.



(e) Non-disparagement. Participant agrees that at no time during his or her employment by any Participating Company 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 Participating Companies or their respective affiliates or any of their respective directors, officers or employees; provided that Participant shall not be required to make any untruthful statement or to violate any law.

Section 3.2 Enforcement. If, at the time of enforcement of Article III 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. Participant agrees that because his or her services are unique and Participant has access to confidential information, money damages would be an inadequate remedy for any breach of this Article III and its subsections. Participant agrees that the Participating Companies and their respective affiliates, in the event of a breach or threatened breach of this Article III 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.

Section 3.3 Acknowledgments. Participant acknowledges that the provisions of this Article III and its subsections are (a) in addition to, and not in limitation of, any obligation of Participant under the terms of any other agreement with the Participating Companies or their respective affiliates (including, without limitation, the restrictive covenants in any employment or severance agreement between the Participant and any Participating Company, which Participant acknowledges remain in full force and effect in accordance with their terms), and (b) in consideration of (i) employment with the Participating Companies, and (ii) additional good and valuable consideration as set forth in this Agreement. In addition, Participant agrees and acknowledges that the restrictions contained in this Article III and its subsections do not preclude Participant from earning a livelihood, nor do they unreasonably impose limitations on Participant's ability to earn a living. Participant agrees and acknowledges that the potential harm to the Participating Companies or their respective affiliates of the non-enforcement of this Article III and its subsections outweighs any potential harm to Participant of its enforcement by injunction or otherwise. Participant acknowledges that he or she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Participant 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 Participating Companies and their respective affiliates now existing or to be developed in the future. Participant 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.

## **ARTICLE IV.**

### **OTHER PROVISIONS**

Section 4.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

**Section 4.2 RSUs Not Transferable.** The RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

**Section 4.3 Adjustments.** The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 12.2 of the Plan.

**Section 4.4 Notices.** Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this **Section 4.4**, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

**Section 4.5 Titles.** Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

**Section 4.6 Governing Law.** The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

**Section 4.7 Conformity to Securities Laws.** Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

**Section 4.8 Amendment, Suspension and Termination.** To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

**Section 4.9 Successors and Assigns.** The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in **Section 4.2** and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

**Section 4.10 Limitations Applicable to Section 16 Persons.** Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs (including RSUs which result from the deemed reinvestment of Dividend Equivalents), the Dividend Equivalents, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

**Section 4.11 Not a Contract of Employment.** Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of any Participating Company or shall interfere with or restrict in any way the rights of any Participating Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent (i) expressly provided otherwise in a written agreement between a Participating Company and Participant or (ii) where such provisions are not consistent with applicable foreign or local laws, in which case such applicable foreign or local laws shall control.

**Section 4.12 Entire Agreement.** The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings, notices, communications and agreements of the Company and Participant with respect to the subject matter hereof.

**Section 4.13 Section 409A.** This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other Person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

**Section 4.14 Agreement Severable.** In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

**Section 4.15 Limitation on Participant’s Rights.** Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents.

Section 4.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

Section 4.17 Broker-Assisted Sales. In the event of any broker-assisted sale of shares of Stock in connection with the payment of withholding taxes as provided in Section 2.5(a)(iii) or Section 2.5(a)(v): (A) any shares of Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (B) such shares of Stock may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker's fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Participating Company with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the applicable Participating Company's withholding obligation.

JOANN INC.  
2021 EQUITY INCENTIVE PLAN

**RESTRICTED STOCK UNIT GRANT NOTICE**

Capitalized terms not specifically defined in this Restricted Stock Unit Grant Notice (the “Grant Notice”) have the meanings given to them in the 2021 Equity Incentive Plan (as amended from time to time, the “Plan”) of JOANN Inc. (the “Company”). The Company hereby grants to the participant listed below (“Participant”) the Restricted Stock Units described in this Grant Notice (the “RSUs”), subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “Agreement”), both of which are incorporated into this Grant Notice by reference..

**Participant:** \_\_\_\_\_

**Grant Date:** \_\_\_\_\_

**Number of Restricted Stock Units:** \_\_\_\_\_

**Vesting Commencement Date:** \_\_\_\_\_

**Vesting Schedule:** \_\_\_\_\_

**Withholding Tax Election:** By accepting this Award electronically through the Plan service provider’s online grant acceptance policy, the Participant understands and agrees that as a condition of the grant of the RSUs hereunder, the Participant is required to, and hereby affirmatively elects to (the “Sell to Cover Election”), (1) sell that number of Shares determined in accordance with Section 2.5 of the Agreement as may be necessary to satisfy all applicable withholding obligations with respect to any taxable event arising in connection with the RSUs and similarly sell such number of Shares as may be necessary to satisfy all applicable withholding obligations with respect to any other awards of restricted stock units granted to the Participant under the Plan or any other equity incentive plans of the Company, and (2) to allow the Agent (as defined in the Agreement) to remit the cash proceeds of such sale(s) to the Company. Furthermore, the Participant directs the Company to make a cash payment equal to the required tax withholding from the cash proceeds of such sale(s) directly to the appropriate taxing authorities. **The Participant has carefully reviewed Section 2.5 of the Agreement and the Participant hereby represents and warrants that on the date hereof he or she is not aware of any material, nonpublic information with respect to the Company or any securities of the Company, is not subject to any legal, regulatory or contractual restriction that would prevent the Agent from conducting sales, does not have, and will not attempt to exercise, authority, influence or control over any sales of Shares effected by the Agent pursuant to the Agreement, and is entering into the Agreement and this election to “sell to cover” in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 (regarding trading of the Company’s securities on the basis of material nonpublic information) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). It is the Participant’s intent that this election to “sell to cover” comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act and be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act.**

By accepting this Award electronically through the Plan service provider’s online grant acceptance policy, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement.

**JOANN INC.**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PARTICIPANT**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
  
Address: \_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT A**  
**TO RESTRICTED STOCK UNIT GRANT NOTICE**

**RESTRICTED STOCK UNIT AGREEMENT**

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

**ARTICLE I.**

**GENERAL**

Section 1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

(a) “Cause” shall mean a Participating Company having “Cause” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participating Company shall have “Cause” to terminate the Participant’s employment upon: (a) the willful and continued failure by the Participant to substantially perform his or her normal duties (other than any such failure resulting from the Participant’s illness or injury), after a written demand for substantial performance is delivered to the Participant that specifically identifies the manner in which the Administrator believes that the Participant has not substantially performed his or her duties, and the Participant has failed to remedy the situation within thirty (30) business days of receiving such notice; (b) the Participant’s conviction for committing an act of fraud, embezzlement, theft, or other criminal act constituting a felony; or (c) the willful engaging by the Participant in gross negligence materially and demonstrably injurious to the Participating Companies; (d) the Participant’s material failure to abide by a Participating Company’s code of conduct or other policies (including, without limitation, policies relating to harassment, discrimination and reasonable workplace conduct); or (e) any material breach by the Participant of any employment or service agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement. However, no act, or failure to act on the Participant’s part shall be considered “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his or her action or omission was not in or not opposed to the best interest of the Company.

(b) “Cessation Date” shall mean the date of Participant’s Termination of Service (regardless of the reason for such termination).

(c) “CIC Qualifying Termination” shall mean Termination of Service of Participant by any Participating Company without Cause or by Participant for Good Reason during the twelve (12) month period immediately following a Change in Control.

(d) “Good Reason” shall mean a Participant having “Good Reason” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participant shall have “Good Reason” to terminate the Participant’s employment upon, on or after a Change in Control, (i) any material adverse change by the Participating Companies in Participant’s job title, duties, responsibility or authority; (ii) failure by the Participating Companies to pay Participant any amount of Participant’s annual base salary or bonus when due; (iii) any material diminution of Participant’s annual base salary (other than such a material diminution that is applied on a substantially comparable basis to similarly-situated employees of the Participating Companies); (iv) any material reduction in Participant’s

short-term incentive compensation opportunities; (v) the termination or denial of Participant's right to participate in material employment related benefits that are offered to similarly-situated employees of the Participating Companies; (vi) the movement of Participant's principal location of work to a new location that is in excess of 50 miles from Participant's principal location of work as of the date hereof without Participant's consent; or (vii) failure by the Company to require any successor to assume and agree to perform the Company's obligations under this any employment or severance agreement with the Participant; provided that none of the events described in this definition of Good Reason shall constitute Good Reason unless Participant notifies the Company in writing of the event that is purported to constitute Good Reason (which notice is provided not later than the 30<sup>th</sup> 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.

(e) "Participating Company," shall mean the Company or any of its parents or Subsidiaries.

Section 1.2 Incorporation of Terms of Plan. The RSUs and the shares of Common Stock ("Stock") to be issued to Participant hereunder ("Shares") are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

Section 1.3 Consideration to the Company. In consideration of the grant of the RSUs by the Company, Participant agrees to render faithful and efficient services to any Participating Company.

## ARTICLE II.

### AWARD OF RESTRICTED STOCK UNITS AND DIVIDEND EQUIVALENTS

#### Section 2.1 Award of RSUs and Dividend Equivalents.

(c) In consideration of Participant's past and/or continued employment with or service to any Participating Company and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Article 12 of the Plan. Each RSU represents the right to receive one Share or, at the option of the Company, an amount of cash as set forth in Section 2.3(b), in either case, at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

(d) The Company hereby grants to Participant an Award of Dividend Equivalents with respect to each RSU granted pursuant to the Grant Notice for all ordinary cash dividends which are paid to all or substantially all holders of the outstanding shares of Stock between the Grant Date and the date when the applicable RSU is distributed or paid to Participant or is forfeited or expires. The Dividend Equivalents for each RSU shall be equal to the number of shares of Stock or, at the option of the Company, the amount of cash, which is paid as a dividend on one share of Stock. All such Dividend Equivalents shall be credited to Participant and be deemed to be reinvested in additional RSUs as of the date of payment of any such dividend based on the Fair Market Value of a share of Stock on such date. Each additional RSU which results from such deemed reinvestment of Dividend Equivalents granted hereunder shall be subject to the same vesting, distribution or payment, adjustment and other provisions which apply to the underlying RSU to which such additional RSU relates.



## Section 2.2 Vesting of RSUs and Dividend Equivalents.

(a) Subject to Participant's continued employment with or service to the Participating Companies on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in such amounts and at such times as are set forth in the Grant Notice. Each additional RSU which results from deemed reinvestments of Dividend Equivalents pursuant to Section 2.1(b) hereof shall vest whenever the underlying RSU to which such additional RSU relates vests.

(b) In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs and Dividend Equivalents granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs and Dividend Equivalents which are not so vested shall lapse and expire.

(c) Notwithstanding the Grant Notice or the provisions of Section 2.2(a) and Section 2.2(b), in the event of a CIC Qualifying Termination, the RSUs shall become vested in full on the date of such CIC Qualifying Termination.

## Section 2.3 Distribution or Payment of RSUs.

(a) Participant's RSUs shall be distributed in Shares (either in book-entry form or otherwise) or, at the option of the Company, paid in an amount of cash as set forth in Section 2.3(b), in either case, as soon as administratively practicable following the vesting of the applicable RSU pursuant to Section 2.2, and, in any event, no later than March 15<sup>th</sup> of the calendar year following the year in which such vesting occurred (for the avoidance of doubt, this deadline is intended to comply with the "short-term deferral" exemption from Section 409A). Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and provided further that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A.

(b) In the event that the Company elects to make payment of Participant's RSUs in cash, the amount of cash payable with respect to each RSU shall be equal to the Fair Market Value of a Share on the day immediately preceding the applicable distribution or payment date set forth in Section 2.3(a). All distributions made in Shares shall be made by the Company in the form of whole Shares unless otherwise determined by the Administrator. The Administrator shall determine whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding down.

Section 2.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares or to cause any Shares to be held in book-entry form prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable, and (d) the receipt of full payment of any applicable withholding tax in accordance with Section 2.5 by the Participating Company with respect to which the applicable withholding obligation arises.

Section 2.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) As set forth in Section 10.2 of the Plan, the Company shall have the authority and the right to deduct or withhold, or to require the Participant to remit to the Company, an amount sufficient to satisfy all applicable federal, state and local taxes required by law to be withheld with respect to any taxable event arising in connection with the RSUs. In satisfaction of such tax withholding obligations and in accordance with the Sell to Cover Election included in the Grant Notice, the Participant has irrevocably elected to sell the portion of the Shares to be delivered under the Restricted Stock Units necessary so as to satisfy the tax withholding obligations and shall execute any letter of instruction or agreement required by the Company's transfer agent (together with any other party the Company determines necessary to execute the Sell to Cover Election, the "Agent") to cause the Agent to irrevocably commit to forward the proceeds necessary to satisfy the tax withholding obligations directly to the Company and/or its Affiliates. Notwithstanding any other provision of this Agreement, the Company shall not be obligated to deliver any new certificate representing Shares to the Participant or the Participant's legal representative or enter such Shares in book entry form unless and until the Participant or the Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of the Participant resulting from the grant or vesting of the RSUs or the issuance of Shares. In accordance with Participant's Sell to Cover Election pursuant to the Grant Notice, the Participant hereby acknowledges and agrees:

(i) The Participant hereby appoints the Agent as the Participant's agent and authorizes the Agent to (1) sell on the open market at the then prevailing market price(s), on the Participant's behalf, as soon as practicable on or after the Shares are issued upon the vesting of the RSUs, that number (rounded up to the next whole number) of the Shares so issued necessary to generate proceeds to cover (x) any tax withholding obligations incurred with respect to such vesting or issuance and (y) all applicable fees and commissions due to, or required to be collected by, the Agent with respect thereto and (2) apply any remaining funds to the Participant's federal tax withholding.

(ii) The Participant hereby authorizes the Company and the Agent to cooperate and communicate with one another to determine the number of Shares that must be sold pursuant to subsection (i) above.

(iii) The Participant understands that the Agent may effect sales as provided in subsection (i) above in one or more sales and that the average price for executions resulting from bunched orders will be assigned to the Participant's account. In addition, the Participant acknowledges that it may not be possible to sell Shares as provided by subsection (i) above due to (1) a legal or contractual restriction applicable to the Participant or the Agent, (2) a market disruption, or (3) rules governing order execution priority on the national exchange where the Shares may be traded. The Participant further agrees and acknowledges that in the event the sale of Shares would result in material adverse harm to the Company, as determined by the Company in its sole discretion, the Company may instruct the Agent not to sell Shares as provided by subsection (i) above. In the event of the Agent's inability to sell Shares, the Participant will continue to be responsible for the timely payment to the Company and/or its Affiliates of all federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld, including but not limited to those amounts specified in subsection (i) above.

(iv) The Participant acknowledges that regardless of any other term or condition of this Section 2.5(a), the Agent will not be liable to the Participant for (1) special, indirect, punitive, exemplary, or consequential damages, or incidental losses or damages of any kind, or (2) any failure to perform or for any delay in performance that results from a cause or circumstance that is beyond its reasonable control.

(v) The Participant hereby agrees to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of this Section 2.5(a). The Agent is a third-party beneficiary of this Section 2.5(a).

(vi) This Section 2.5(a) shall terminate not later than the date on which all tax withholding obligations arising in connection with the vesting of the Award have been satisfied.

(b) The Company shall not be obligated to deliver any certificate representing Shares issuable with respect to the RSUs to, or to cause any such Shares to be held in book-entry form by, Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the RSUs or any other taxable event related to the RSUs.

(c) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any other Participating Company takes with respect to any tax withholding obligations that arise in connection with the RSUs. No Participating Company makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Participating Companies do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

Section 2.6 Rights as Stockholder. Neither Participant nor any Person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

### ARTICLE III.

Section 3.1 Restrictive Covenants. In consideration of the benefits being provided to Participant pursuant to this Agreement, Participant agrees to be bound by the restrictive covenants contained in this Article III.

(a) Obligation to Maintain Confidentiality. Participant 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 Participant during his or her employment with the Participating Companies or their respective affiliates. "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 Participant has any doubt as to whether information constitutes Confidential Information, Participant agrees to obtain advice from the Company's General

Counsel prior to divulging or using such information. Participant 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 Participant prior to his or her employment with the Company (including its predecessor in interest, affiliates and Subsidiaries) and was obtained, to the best of Participant'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, Participant must notify the Company's General Counsel immediately. Nothing in this Section 3.1(a) shall be interpreted to preclude Participant 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.

(b) Ownership of Property. Participant 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 Participating Companies' 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 Participant (either solely or jointly with others) while employed by or in the service of the Participating Companies or their respective 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 Participating Companies or their respective affiliates, and Participant hereby assigns, and agrees to assign, all of the above Work Product to a Participating Company or affiliate thereof. Any copyrightable work prepared in whole or in part by Participant in the course of Participant's work for any of the foregoing entities shall be deemed a "work made for hire" under the copyright laws, and the Participating Company or affiliate thereof shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire", Participant hereby assigns and agrees to assign to the Participating Company or affiliate thereof all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Participant 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 Participant's employment with or service to the Participating Companies and their respective affiliates) to establish and confirm the Participating Company's or such affiliate's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments). Participant is hereby provided notice of immunity under the federal Defend Trade Secrets Act of 2016, which states: (i) an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law, or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal and (B) does not disclose the trade secret, except pursuant to court order.

(c) Third Party Information. Participant understands that the Participating Companies and their respective affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Participating Companies or their respective affiliates part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the period of Participant'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 3.1(a) above, Participant will hold Third Party Information in the strictest confidence and will not disclose to any one (other than personnel and consultants of the Participating Companies and their respective affiliates who need to know such information in connection with their work for the Participating Companies and their respective affiliates) or use, except in connection with Participant's work for the Participating Companies or their respective 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 Participant's acts or omissions to act, (b) was known to Participant prior to Participant's employment with or service to the Participating Companies or their respective affiliates and was obtained, to the best of Participant'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.

(d) Noncompetition and Nonsolicitation. Participant acknowledges that, in the course of Participant's employment, Participant will become familiar with the Participating Companies' and their respective affiliates' trade secrets and with other confidential information concerning the Participating Companies and their respective affiliates and that Participant's services will be of special, unique and extraordinary value to the Participating Companies and their respective affiliates.

(i) Noncompetition. Participant agrees that while employed by any Participating Company or its affiliates, and continuing until (i) the eighteen (18) month anniversary of the date of any termination of Participant's employment or service (other than as a result of Participant's CIC Qualifying Termination), or (ii) twenty-four (24) months from the date of termination of Participant's employment or service as a result of Participant's CIC Qualifying Termination (the "Noncompete Period"), Participant shall not, anywhere in the world where the Company or its Subsidiaries or affiliates conduct or actively propose to conduct business during Participant'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 Participant had knowledge, involvement, and/or responsibility while at the Company. Further, during the Noncompete Period, Participant shall not conduct any of the Restricted Activities in similar line(s) of business or similar functions for which the Participant 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, Participant 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 3.1(d) confers upon Participant any right to receive severance or obligates the Company to pay any severance to Participant in connection with his or her termination of employment for any reason.

(ii) Nonsolicitation. Participant agrees that during the Noncompete Period, Participant shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Participating Companies or their respective affiliates to leave the employ of the Participating Companies or their respective affiliates, or in any way interfere with the relationship between the Participating Companies or their respective affiliates and any employee thereof, (ii) hire any person who was an employee of the Participating Companies or their respective affiliates within 180 days prior to the time such employee was hired by Participant, (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Participating Companies or their respective affiliates to cease doing business with the Participating Companies or their respective affiliates or in any way interfere with the relationship between any such customer, licensee or business relation and the Participating Companies or their respective 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 any of the Participating Companies or their respective affiliates have entered into substantive negotiations or has requested and received confidential information relating to the acquisition of such business by the Participating Companies or their respective affiliates in the two-year period immediately preceding Participant's termination of employment with any Participating Company.

(e) Non-disparagement. Participant agrees that at no time during his or her employment by any Participating Company 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 Participating Companies or their respective affiliates or any of their respective directors, officers or employees; provided that Participant shall not be required to make any untruthful statement or to violate any law.

Section 3.2 Enforcement. If, at the time of enforcement of Article III 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. Participant agrees that because his or her services are unique and Participant has access to confidential information, money damages would be an inadequate remedy for any breach of this Article III and its subsections. Participant agrees that the Participating Companies and their respective affiliates, in the event of a breach or threatened breach of this Article III 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.

Section 3.3 Acknowledgments. Participant acknowledges that the provisions of this Article III and its subsections are (a) in addition to, and not in limitation of, any obligation of Participant under the terms of any other agreement with the Participating Companies or their respective affiliates (including, without limitation, the restrictive covenants in any employment or severance agreement between the Participant and any Participating Company, which Participant acknowledges remain in full force and effect in accordance with their terms), and (b) in consideration of (i) employment with the Participating Companies, and (ii) additional good and valuable consideration as set forth in this Agreement. In addition, Participant agrees and acknowledges that the restrictions contained in this Article III and its subsections do not preclude Participant from earning a livelihood, nor do they unreasonably impose limitations on Participant's ability to earn a living. Participant agrees and acknowledges that the potential harm to the Participating Companies or their respective affiliates of the non-enforcement of this Article III and its subsections outweighs any potential harm to Participant of its enforcement by injunction or otherwise. Participant acknowledges that he or she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Participant 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 Participating Companies and their respective affiliates now existing or to be developed in the future. Participant 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.

## ARTICLE IV.

### OTHER PROVISIONS

**Section 4.1 Administration.** The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

**Section 4.2 RSUs Not Transferable.** The RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

**Section 4.3 Adjustments** The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 12.2 of the Plan.

**Section 4.4 Notices.** Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this **Section 4.4**, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

**Section 4.5 Titles.** Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

**Section 4.6 Governing Law.** The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

**Section 4.7 Conformity to Securities Laws.** Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

**Section 4.8 Amendment, Suspension and Termination.** To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

**Section 4.9 Successors and Assigns.** The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 4.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

**Section 4.10 Limitations Applicable to Section 16 Persons.** Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs (including RSUs which result from the deemed reinvestment of Dividend Equivalents), the Dividend Equivalents, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

**Section 4.11 Not a Contract of Employment.** Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of any Participating Company or shall interfere with or restrict in any way the rights of any Participating Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent (i) expressly provided otherwise in a written agreement between a Participating Company and Participant or (ii) where such provisions are not consistent with applicable foreign or local laws, in which case such applicable foreign or local laws shall control.

**Section 4.12 Entire Agreement.** The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings, notices, communications and agreements of the Company and Participant with respect to the subject matter hereof.

**Section 4.13 Section 409A.** This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other Person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

**Section 4.14 Agreement Severable.** In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

**Section 4.15 Limitation on Participant’s Rights.** Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents.



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Section 4.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

JOANN INC.  
2021 EMPLOYEE STOCK PURCHASE PLAN

ARTICLE I.  
PURPOSE

The purposes of this JOANN Inc. 2021 Employee Stock Purchase Plan (as it may be amended or restated from time to time, the “**Plan**”) are to assist Eligible Employees of JOANN Inc., a Delaware corporation (the “**Company**”), and its Designated Subsidiaries in acquiring a stock ownership interest in the Company pursuant to a plan which is intended to qualify as an “employee stock purchase plan” within the meaning of Section 423(b) of the Code, and to help Eligible Employees provide for their future security and to encourage them to remain in the employment of the Company and its Designated Subsidiaries.

ARTICLE II.  
DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates. Masculine, feminine and neuter pronouns are used interchangeably and each comprehends the others.

2.1 “**Administrator**” shall mean the entity that conducts the general administration of the Plan as provided in Article XI. The term “Administrator” shall refer to the Committee unless the Board has assumed the authority for administration of the Plan as provided in Article XI.

2.2 “**Applicable Law**” means any applicable law, including, without limitation: (a) provisions of the Code, the Securities Act, the Exchange Act and any rules or regulations thereunder; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether federal, state, local or foreign; and (c) rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded.

2.3 “**Board**” shall mean the Board of Directors of the Company.

2.4 “**Code**” shall mean the Internal Revenue Code of 1986, from time to time, together with the regulations and official guidance promulgated thereunder.

2.5 “**Common Stock**” shall mean the common stock of the Company, par value \$0.01, and such other securities of the Company that may be substituted therefor pursuant to Article VIII.

2.6 “**Company**” shall mean JOANN Inc., a Delaware corporation.

2.7 “**Compensation**” of an Eligible Employee shall mean the gross base compensation received by such Eligible Employee as compensation for services to the Company or any Designated Subsidiary, including prior week adjustment and overtime payments but excluding vacation pay, holiday pay, jury duty pay, funeral leave pay, military leave pay, commissions, incentive compensation, one-time bonuses (e.g., retention or sign on bonuses), education or tuition reimbursements, travel expenses, business and moving reimbursements, income received in connection with any stock options, stock appreciation rights, restricted stock, restricted stock units or other compensatory equity awards, fringe benefits, other special payments and all contributions made by the Company or any Designated Subsidiary for the Employee’s benefit under any employee benefit plan now or hereafter established.

2.8 “**Designated Subsidiary**” shall mean any Subsidiary designated by the Administrator in accordance with Section 11.3(b).

2.9 “**Effective Date**” shall mean the day prior to the Public Trading Date, provided that the Board has adopted the Plan prior to or on such date.

2.10 “**Eligible Employee**” shall mean an Employee who does not, immediately after any rights under the Plan are granted, own (directly or through attribution) stock possessing 5% or more of the total combined voting power or value of all classes of Common Stock and other stock of the Company, a Parent or a Subsidiary (as determined under Section 423(b)(3) of the Code). For purposes of the foregoing sentence, the rules of Section 424(d) of the Code with regard to the attribution of stock ownership shall apply in determining the stock ownership of an individual, and stock that an Employee may purchase under outstanding options shall be treated as stock owned by the Employee; provided, however, that the Administrator may provide in an Offering Document that an Employee shall not be eligible to participate in an Offering Period if: (i) such Employee is a highly compensated employee within the meaning of Section 423(b)(4)(D) of the Code, (ii) such Employee has not met a service requirement designated by the Administrator pursuant to Section 423(b)(4)(A) of the Code (which service requirement may not exceed two years), (iii) such Employee’s customary employment is for twenty hours or less per week, (iv) such Employee’s customary employment is for less than five months in any calendar year and/or (v) such Employee is a citizen or resident of a foreign jurisdiction and the grant of a right to purchase Common Stock under the Plan to such Employee would be prohibited under the laws of such foreign jurisdiction or the grant of a right to purchase Common Stock under the Plan to such Employee in compliance with the laws of such foreign jurisdiction would cause the Plan to violate the requirements of Section 423 of the Code, as determined by the Administrator in its sole discretion; provided, further, that any exclusion in clauses (i), (ii), (iii), (iv) or (v) shall be applied in an identical manner under each Offering Period to all Employees, in accordance with Treasury Regulation Section 1.423-2(e).

2.11 “**Employee**” shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Designated Subsidiary. “Employee” shall not include any director of the Company or a Designated Subsidiary who does not render services to the Company or a Designated Subsidiary as an employee within the meaning of Section 3401(c) of the Code. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company or Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-1(h)(2). Where the period of leave exceeds three months and the individual’s right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three-month period.

2.12 “**Enrollment Date**” shall mean the first Trading Day of each Offering Period.

2.13 “**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.14 “**Fair Market Value**” shall mean, as of any date, the value of a Share determined as follows: (i) if the Common Stock is (i) listed on any established securities exchange (such as the New York Stock Exchange, the Nasdaq Capital Market, the Nasdaq Global Market and the Nasdaq Global Select Market), (ii) listed on any national market system or (iii) quoted or traded on any automated quotation system, its Fair Market Value shall be the closing sales price for a Share as quoted on such exchange or system for such date or, if there is no closing sales price for a Share on the date in question, the closing sales price for a Share on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; (ii) if the Common Stock is not listed on an established securities exchange, national market system or automated quotation system, but the Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a Share on such date, the high bid and low asked prices for a Share on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or (iii) if the Common Stock is neither listed on an established securities exchange, national market system or automated quotation system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in its discretion.

2.15 “**Offering Document**” shall have the meaning given to such term in Section 4.1.

2.16 “**Offering Period**” shall have the meaning given to such term in Section 4.1.

2.17 “**Parent**” shall mean any corporation, other than the Company, in an unbroken chain of corporations ending with the Company if, at the time of the determination, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2.18 “**Participant**” shall mean any Eligible Employee who has executed a subscription agreement and been granted rights to purchase Common Stock pursuant to the Plan.

2.19 “**Person**” shall mean any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act).

2.20 “**Plan**” shall mean this JOANN Inc. 2021 Employee Stock Purchase Plan, as it may be amended from time to time.

2.21 “**Public Trading Date**” shall mean the first date upon which the Common Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system, or, if earlier, the date on which the Company becomes a “publicly held corporation” for purposes of Treasury Regulation Section 1.162-27(c)(1).

2.22 “**Purchase Date**” shall mean the last Trading Day of each Purchase Period.

2.23 “**Purchase Period**” shall refer to one or more periods within an Offering Period, as designated in the applicable Offering Document; provided, however, that, in the event no purchase period is designated by the Administrator in the applicable Offering Document, the purchase period for each Offering Period covered by such Offering Document shall be the same as the applicable Offering Period.

2.24 “**Purchase Price**” shall mean the purchase price designated by the Administrator in the applicable Offering Document (which purchase price shall not be less than 85% of the Fair Market Value of a Share on the Enrollment Date or on the Purchase Date, whichever is lower); provided, however, that, in the event no purchase price is designated by the Administrator in the applicable Offering Document, the purchase price for the Offering Periods covered by such Offering Document shall be 85% of the Fair Market Value of a Share on the Enrollment Date or on the Purchase Date, whichever is lower; provided, further, that the Purchase Price may be adjusted by the Administrator pursuant to Article VIII and shall not be less than the par value of a Share.

2.25 “**Securities Act**” shall mean the Securities Act of 1933, as amended.

2.26 “**Share**” shall mean a share of Common Stock.

2.27 “**Subsidiary**” shall mean any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of the determination, each of the corporations other than the last corporation in an unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain; provided, however, that a limited liability company or partnership may be treated as a Subsidiary to the extent either (a) such entity is treated as a disregarded entity under Treasury Regulation Section 301.7701-3(a) by reason of the Company or any other Subsidiary that is a corporation being the sole owner of such entity, or (b) such entity elects to be classified as a corporation under Treasury Regulation Section 301.7701-3(a) and such entity would otherwise qualify as a Subsidiary.

2.28 “**Trading Day**” shall mean a day on which national stock exchanges in the United States are open for trading.

### **ARTICLE III. SHARES SUBJECT TO THE PLAN**

3.1 Number of Shares. Subject to Article VIII, the aggregate number of Shares that may be issued pursuant to rights granted under the Plan shall be 400,000 Shares. In addition to the foregoing, subject to Article VIII, on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031, the number of Shares available for issuance under the Plan shall be increased by that number of Shares equal to the least of (a) 400,000 shares of Common Stock (subject to any adjustment pursuant to Article VIII), (b) one

percent (1%) of the outstanding shares of all classes of the Company's common stock on the final day of the immediately preceding calendar year or (c) such smaller number of Shares as determined by the Board. If any right granted under the Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall again become available for issuance under the Plan.

3.2 Stock Distributed. Any Common Stock distributed pursuant to the Plan may consist, in whole or in part, of authorized and unissued Common Stock, treasury stock or Common Stock purchased on the open market.

#### **ARTICLE IV. OFFERING PERIODS; OFFERING DOCUMENTS; PURCHASE DATES**

4.1 Offering Periods. The Administrator may from time to time grant or provide for the grant of rights to purchase Common Stock under the Plan to Eligible Employees during one or more periods (each, an "***Offering Period***") selected by the Administrator. The terms and conditions applicable to each Offering Period shall be set forth in an "***Offering Document***" adopted by the Administrator, which Offering Document shall be in such form and shall contain such terms and conditions as the Administrator shall deem appropriate and shall be incorporated by reference into and made part of the Plan and shall be attached hereto as part of the Plan. The provisions of separate Offering Periods under the Plan need not be identical.

4.2 Offering Documents. Each Offering Document with respect to an Offering Period shall specify (through incorporation of the provisions of the Plan by reference or otherwise):

- (a) the length of the Offering Period, which period shall not exceed twenty-seven months;
- (b) the maximum number of Shares that may be purchased by any Eligible Employee during such Offering Period, which, in the absence of a contrary designation by the Administrator, shall be 5,000 Shares; and
- (c) such other provisions as the Administrator determines are appropriate, subject to the Plan.

#### **ARTICLE V. ELIGIBILITY AND PARTICIPATION**

5.1 Eligibility. Any Eligible Employee who shall be employed by the Company or a Designated Subsidiary on a given Enrollment Date for an Offering Period shall be eligible to participate in the Plan during such Offering Period, subject to the requirements of this Article V and the limitations imposed by Section 423(b) of the Code.

5.2 Enrollment in Plan.

(a) Except as otherwise set forth in an Offering Document or determined by the Administrator, an Eligible Employee may become a Participant in the Plan for an Offering Period by delivering a subscription agreement to the Company by such time prior to the Enrollment Date for such Offering Period (or such other date specified in the Offering Document) designated by the Administrator and in such form (which may be electronic) as the Company provides.

(b) Each subscription agreement shall designate either (i) a whole percentage of such Eligible Employee's Compensation or (ii) or a fixed dollar amount, in either case, to be withheld by the Company or the Designated Subsidiary employing such Eligible Employee on each payday during the Offering Period as payroll deductions under the Plan. In either event, the designated percentage or fixed dollar amount may not be less than 1% and may not be more than the maximum percentage specified by the Administrator in the applicable Offering Document (which percentage shall be 15% in the absence of any such designation) as payroll deductions. The payroll deductions made for each Participant shall be credited to an account for such Participant under the Plan and shall be deposited with the general funds of the Company.

(c) A Participant may increase or decrease the percentage of Compensation or the fixed dollar amount designated in his or her subscription agreement, subject to the limits of this Section 5.2, or may suspend his or her payroll deductions, at any time during an Offering Period; provided, however, that the Administrator may limit the number of changes a Participant may make to his or her payroll deduction elections during each Offering Period in the applicable Offering Document (and in the absence of any specific designation by the Administrator, a Participant shall be allowed one change to his or her payroll deduction elections during each Offering Period). Any such change or suspension of payroll deductions shall be effective with the first full payroll period following ten business days after the Company's receipt of the new subscription agreement (or such shorter or longer period as may be specified by the Administrator in the applicable Offering Document). In the event a Participant suspends his or her payroll deductions, such Participant's cumulative payroll deductions prior to the suspension shall remain in his or her account and shall be applied to the purchase of Shares on the next occurring Purchase Date and shall not be paid to such Participant unless he or she withdraws from participation in the Plan pursuant to Article VII.

(d) Except as otherwise set forth in an Offering Document or determined by the Administrator, a Participant may participate in the Plan only by means of payroll deduction and may not make contributions by lump sum payment for any Offering Period.

5.3 Payroll Deductions. Except as otherwise provided in the applicable Offering Document, payroll deductions for a Participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which the Participant's authorization is applicable, unless sooner terminated by the Participant as provided in Article VII or suspended by the Participant or the Administrator as provided in Section 5.2 and Section 5.6, respectively.

5.4 Effect of Enrollment. A Participant's completion of a subscription agreement will enroll such Participant in the Plan for each subsequent Offering Period on the terms contained therein until the Participant either submits a new subscription agreement, withdraws from participation under the Plan as provided in Article VII or otherwise becomes ineligible to participate in the Plan.

5.5 Limitation on Purchase of Common Stock. An Eligible Employee may be granted rights under the Plan only if such rights, together with any other rights granted to such Eligible Employee under “employee stock purchase plans” of the Company, any Parent or any Subsidiary, as specified by Section 423(b)(8) of the Code, do not permit such employee’s rights to purchase stock of the Company or any Parent or Subsidiary to accrue at a rate that exceeds \$25,000 of the fair market value of such stock (determined as of the first day of the Offering Period during which such rights are granted) for each calendar year in which such rights are outstanding at any time. This limitation shall be applied in accordance with Section 423(b)(8) of the Code.

5.6 Decrease or Suspension of Payroll Deductions. Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 5.5 or the other limitations set forth in the Plan, a Participant’s payroll deductions may be suspended by the Administrator at any time during an Offering Period. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares by reason of Section 423(b)(8) of the Code, Section 5.5 or the other limitations set forth in the Plan shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable after the Purchase Date.

5.7 Foreign Employees. In order to facilitate participation in the Plan, the Administrator may provide for such special terms applicable to Participants who are citizens or residents of a foreign jurisdiction, or who are employed by a Designated Subsidiary outside of the United States, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such special terms may not be more favorable than the terms of rights granted under the Plan to Eligible Employees who are residents of the United States. Moreover, the Administrator may approve such supplements to, or amendments, restatements or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose. No such special terms, supplements, amendments or restatements shall include any provisions that are inconsistent with the terms of the Plan as then in effect unless the Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

5.8 Leave of Absence. During leaves of absence approved by the Company meeting the requirements of Treasury Regulation Section 1.421-1(h)(2) under the Code, a Participant may continue participation in the Plan by making cash payments to the Company on his or her normal payday equal to his or her authorized payroll deduction.

## **ARTICLE VI. GRANT AND EXERCISE OF RIGHTS**

6.1 Grant of Rights. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period shall be granted a right to purchase the maximum number of Shares specified under Section 4.2, subject to the limits in Section 5.5, and shall have the right to buy, on each Purchase Date during such Offering Period (at the applicable Purchase Price), such number of whole Shares as is determined by dividing (a) such Participant’s payroll deductions accumulated prior to such Purchase Date and retained in the Participant’s account as of the Purchase Date, by (b) the applicable Purchase Price (rounded down to the nearest Share). The right shall expire on the earliest of: (x) the last Purchase Date of the Offering Period, (y) the last day of the Offering Period and (z) the date on which the Participant withdraws in accordance with Section 7.1 or Section 7.3.



6.2 Exercise of Rights. On each Purchase Date, each Participant's accumulated payroll deductions and any other additional payments specifically provided for in the applicable Offering Document will be applied to the purchase of whole Shares, up to the maximum number of Shares permitted pursuant to the terms of the Plan and the applicable Offering Document, at the Purchase Price. No fractional Shares shall be issued upon the exercise of rights granted under the Plan, unless the Offering Document specifically provides otherwise. Any cash in lieu of fractional Shares remaining after the purchase of whole Shares upon exercise of a purchase right will be credited to a Participant's account and carried forward and applied toward the purchase of whole Shares for the next following Offering Period. Shares issued pursuant to the Plan may be evidenced in such manner as the Administrator may determine and may be issued in certificated form or issued pursuant to book-entry procedures.

6.3 Pro Rata Allocation of Shares. If the Administrator determines that, on a given Purchase Date, the number of Shares with respect to which rights are to be exercised may exceed (a) the number of Shares that were available for issuance under the Plan on the Enrollment Date of the applicable Offering Period, or (b) the number of Shares available for issuance under the Plan on such Purchase Date, the Administrator may in its sole discretion provide that the Company shall make a pro rata allocation of the Shares available for purchase on such Enrollment Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participants for whom rights to purchase Common Stock are to be exercised pursuant to this Article VI on such Purchase Date, and shall either (i) continue all Offering Periods then in effect, or (ii) terminate any or all Offering Periods then in effect pursuant to Article IX. The Company may make pro rata allocation of the Shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable after the Purchase Date.

6.4 Withholding. At the time a Participant's rights under the Plan are exercised, in whole or in part, or at the time some or all of the Common Stock issued under the Plan is disposed of, the Participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, that arise upon the exercise of the right or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary for the Company to meet applicable withholding obligations.

6.5 Conditions to Issuance of Common Stock. The Company shall not be required to issue or deliver any certificate or certificates for, or make any book entries evidencing, Shares purchased upon the exercise of rights under the Plan prior to fulfillment of all of the following conditions:

- (a) The admission of such Shares to listing on all stock exchanges, if any, on which the Common Stock is then listed;
- (b) The completion of any registration or other qualification of such Shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, that the Administrator shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The payment to the Company of all amounts that it is required to withhold under federal, state or local law upon exercise of the rights, if any; and
- (e) The lapse of such reasonable period of time following the exercise of the rights as the Administrator may from time to time establish for reasons of administrative convenience.

**ARTICLE VII.**  
**WITHDRAWAL; CESSATION OF ELIGIBILITY**

7.1 Withdrawal. A Participant may withdraw all but not less than all of the payroll deductions credited to his or her account and not yet used to exercise his or her rights under the Plan at any time by giving written notice to the Company in a form acceptable to the Company no later than two weeks prior to the end of the Offering Period. All of the Participant's payroll deductions credited to his or her account during an Offering Period shall be paid to such Participant as soon as reasonably practicable after receipt of notice of withdrawal and such Participant's rights for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of Shares shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the next Offering Period unless the Participant timely delivers to the Company a new subscription agreement.

7.2 Future Participation. A Participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or a Designated Subsidiary or in subsequent Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

7.3 Cessation of Eligibility. Upon a Participant's ceasing to be an Eligible Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan pursuant to this Article VII and the payroll deductions credited to such Participant's account during the Offering Period shall be paid to such Participant or, in the case of his or her death, to the Person or Persons entitled thereto under Section 12.4, as soon as reasonably practicable, and such Participant's rights for the Offering Period shall be automatically terminated.

**ARTICLE VIII.**  
**ADJUSTMENTS UPON CHANGES IN STOCK**

8.1 Changes in Capitalization. Subject to Section 8.3, in the event that the Administrator determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), reorganization, merger, amalgamation, consolidation, combination, repurchase, recapitalization, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or sale or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, as determined by the Administrator, affects the Common Stock such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any outstanding purchase rights under the Plan, the Administrator shall make equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of Shares (or other securities or property) that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 and the limitations established in each Offering Document pursuant to Section 4.2 on the maximum number of Shares that may be purchased); (b) the class(es) and number of Shares and price per Share subject to outstanding rights; and (c) the Purchase Price with respect to any outstanding rights.

8.2 Other Adjustments. Subject to Section 8.3, in the event of any transaction or event described in Section 8.1 or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in Applicable Law or accounting principles, the Administrator, in its discretion, and on such terms and conditions as it deems appropriate, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any right under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(a) To provide for either (i) termination of any outstanding right in exchange for an amount of cash, if any, equal to the amount that would have been obtained upon the exercise of such right had such right been currently exercisable or (ii) the replacement of such outstanding right with other rights or property selected by the Administrator in its sole discretion;

(b) To provide that the outstanding rights under the Plan shall be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar rights covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(c) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding rights under the Plan and/or in the terms and conditions of outstanding rights and rights that may be granted in the future;

(d) To provide that Participants' accumulated payroll deductions may be used to purchase Common Stock prior to the next occurring Purchase Date on such date as the Administrator determines in its sole discretion and the Participants' rights under the ongoing Offering Period(s) shall be terminated; and

(e) To provide that all outstanding rights shall terminate without being exercised.

8.3 No Adjustment Under Certain Circumstances. No adjustment or action described in this Article VIII or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to fail to satisfy the requirements of Section 423 of the Code.

8.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to outstanding rights under the Plan or the Purchase Price with respect to any outstanding rights.

## **ARTICLE IX. AMENDMENT, MODIFICATION AND TERMINATION**

9.1 Amendment, Modification and Termination. The Administrator may amend, suspend or terminate the Plan at any time and from time to time; provided, however, that approval of the Company's stockholders shall be required to amend the Plan to: (a) increase the aggregate number, or change the type, of shares that may be sold pursuant to rights under the Plan under Section 3.1 (other than an adjustment as provided by Article VIII); (b) change the corporations or classes of corporations whose employees may be granted rights under the Plan; or (c) change the Plan in any manner that would cause the Plan to no longer be an "employee stock purchase plan" within the meaning of Section 423(b) of the Code.

9.2 Certain Changes to Plan. Without stockholder consent and without regard to whether any Participant rights may be considered to have been adversely affected, to the extent permitted by Section 423 of the Code, the Administrator shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld from Compensation during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of payroll withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion to be advisable that are consistent with the Plan.

9.3 Actions In the Event of Unfavorable Financial Accounting Consequences. In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

- (a) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;
- (b) shortening any Offering Period so that the Offering Period ends on a new Purchase Date, including an Offering Period underway at the time of the Administrator action; and
- (c) allocating Shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Participant.

9.4 Payments Upon Termination of Plan. Upon termination of the Plan, the balance in each Participant's Plan account shall be refunded as soon as practicable after such termination, without any interest thereon.

## **ARTICLE X. TERM OF PLAN**

The Plan shall be effective on the Effective Date. The effectiveness of the Plan shall be subject to approval of the Plan by the stockholders of the Company within twelve months following the date the Plan is first approved by the Board. No right may be granted under the Plan prior to such stockholder approval. No rights may be granted under the Plan during any period of suspension of the Plan or after termination of the Plan.

## **ARTICLE XI. ADMINISTRATION**

11.1 Administrator. Unless otherwise determined by the Board, the Administrator of the Plan shall be the Compensation Committee of the Board (or another committee or a subcommittee of the Board to which the Board delegates administration of the Plan) (such committee, the "**Committee**"). The Board may at any time vest in the Board any authority or duties for administration of the Plan.

11.2 Action by the Administrator. Unless otherwise established by the Board or in any charter of the Administrator, a majority of the Administrator shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present and, subject to Applicable Law and the Bylaws of the Company, acts approved in writing by a majority of the Administrator in lieu of a meeting, shall be deemed the acts of the Administrator. Each member of the Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other Employee, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

11.3 Authority of Administrator. The Administrator shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(a) To determine when and how rights to purchase Common Stock shall be granted and the provisions of each offering of such rights (which need not be identical).

(b) To designate from time to time which Subsidiaries of the Company shall be Designated Subsidiaries, which designation may be made without the approval of the stockholders of the Company.

(c) To construe and interpret the Plan and rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Administrator, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(d) To amend, suspend or terminate the Plan as provided in Article IX.

(e) Generally, to exercise such powers and to perform such acts as the Administrator deems necessary or expedient to promote the best interests of the Company and its Subsidiaries and to carry out the intent that the Plan be treated as an “employee stock purchase plan” within the meaning of Section 423 of the Code.

11.4 Decisions Binding. The Administrator’s interpretation of the Plan, any rights granted pursuant to the Plan, any subscription agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

## **ARTICLE XII. MISCELLANEOUS**

12.1 Restriction upon Assignment. A right granted under the Plan shall not be transferable other than by will or the applicable laws of descent and distribution, and is exercisable during the Participant’s lifetime only by the Participant. Except as provided in Section 12.4 hereof, a right under the Plan may not be exercised to any extent except by the Participant. The Company shall not recognize and shall be under no duty to recognize any assignment or alienation of the Participant’s interest in the Plan, the Participant’s rights under the Plan or any rights thereunder.

12.2 Rights as a Stockholder. With respect to Shares subject to a right granted under the Plan, a Participant shall not be deemed to be a stockholder of the Company, and the Participant shall not have any of the rights or privileges of a stockholder, until such Shares have been issued to the Participant or his or her nominee following exercise of the Participant’s rights under the Plan. No adjustments shall be made for dividends (ordinary or extraordinary, whether in cash securities, or other property) or distribution or other rights for which the record date occurs prior to the date of such issuance, except as otherwise expressly provided herein or as determined by the Administrator.

12.3 Interest. No interest shall accrue on the payroll deductions or contributions of a Participant under the Plan.

12.4 Designation of Beneficiary.

(a) A Participant may, in the manner determined by the Administrator, file a written or electronic (subject to Section 12.11, as applicable) designation of a beneficiary who is to receive any Shares and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to a Purchase Date on which the Participant's rights are exercised but prior to delivery to such Participant of such Shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the Participant's rights under the Plan. If the Participant is married and resides in a community property state, a designation of a Person other than the Participant's spouse as his or her beneficiary shall not be effective without the prior written consent of the Participant's spouse.

(b) Such designation of beneficiary may be changed by the Participant at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other Person as the Company may designate.

12.5 Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the Person, designated by the Company for the receipt thereof.

12.6 Equal Rights and Privileges. Subject to Section 5.7, all Eligible Employees will have equal rights and privileges under the Plan so that the Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code. Subject to Section 5.7, any provision of the Plan that is inconsistent with Section 423 of the Code will, without further act or amendment by the Company, the Board or the Administrator, be reformed to comply with the equal rights and privileges requirement of Section 423 of the Code.

12.7 Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

12.8 Reports. Statements of account shall be given to or made available to Participants at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

12.9 No Employment Rights. Nothing in the Plan shall be construed to give any Person (including any Eligible Employee or Participant) the right to remain in the employ of the Company or any Parent or Subsidiary or affect the right of the Company or any Parent or Subsidiary to terminate the employment of any Person (including any Eligible Employee or Participant) at any time, with or without cause.

12.10 Notice of Disposition of Shares. Each Participant shall give prompt notice to the Company of any disposition or other transfer of any Shares purchased upon exercise of a right under the Plan if such disposition or transfer is made: (a) within two years from the Enrollment Date of the Offering Period in which the Shares were purchased or (b) within one year after the Purchase Date on which such Shares were purchased. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the Participant in such disposition or other transfer.

12.11 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof or of any other jurisdiction.

12.12 Electronic Forms. To the extent permitted by Applicable Law and in the discretion of the Administrator, an Eligible Employee may submit any designation, form or notice as set forth herein by means of an electronic form approved by the Administrator. Before the commencement of an Offering Period, the Administrator shall prescribe the time limits within which any such electronic form shall be submitted to the Administrator with respect to such Offering Period in order to be a valid election.



## JOANN INC.

## NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

Non-employee members of the board of directors (the “**Board**”) of JOANN Inc. (the “**Company**”) shall be eligible to receive cash and equity compensation as set forth in this Non-Employee Director Compensation Policy (this “**Policy**”). The cash and equity compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a “**Non-Employee Director**”) who may be eligible to receive such cash or equity compensation, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. This Policy shall become effective after the effectiveness of the Company’s initial public offering (the “**IPO**”) and shall remain in effect until it is revised or rescinded by further action of the Board. This Policy may be amended, modified or terminated by the Board at any time in its sole discretion and if such IPO does not occur on or prior to January 1, 2022 this Policy shall be void *ab initio*. The terms and conditions of this Policy shall supersede any prior cash and/or equity compensation arrangements for service as a member of the Board between the Company and any of its Non-Employee Directors and between any subsidiary of the Company and any of its non-employee directors.

1. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall receive an annual retainer of \$70,000 for service on the Board.

(b) Additional Annual Retainers. In addition, a Non-Employee Director shall receive the following annual retainers:

(i) Audit Committee. A Non-Employee Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of \$25,000 for such service. A Non-Employee Director serving as a member of the Audit Committee (other than the Chairperson) shall receive an additional annual retainer of \$12,500 for such service.

(ii) Compensation Committee. A Non-Employee Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of \$20,000 for such service. A Non-Employee Director serving as a member of the Compensation Committee (other than the Chairperson) shall receive an additional annual retainer of \$10,000 for such service.

(iii) Nominating and Corporate Governance Committee. A Non-Employee Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of \$15,000 for such service. A Non-Employee Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall receive an additional annual retainer of \$7,500 for such service.

(c) Payment of Retainers. The annual retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the fifteenth day following the end of each calendar quarter. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, such Non-Employee

Director shall receive a prorated portion of the retainer(s) otherwise payable to such Non-Employee Director for such calendar quarter pursuant to Sections 1(a) and 1(b), with such prorated portion determined by multiplying such otherwise payable retainer(s) by a fraction, the numerator of which is the number of days during which the Non-Employee Director serves as a Non-Employee Director or in the applicable positions described in Section 1(b) during the applicable calendar quarter and the denominator of which is the number of days in the applicable calendar quarter.

2. Equity Compensation. Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2021 Equity Incentive Plan or any other applicable Company equity incentive plan then-maintained by the Company (such plan, as may be amended from time to time, the "**Equity Plan**") and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms previously approved by the Board. All applicable terms of the Equity Plan apply to this Policy as if fully set forth herein, and all equity grants hereunder are subject in all respects to the terms of the Equity Plan.

(a) IPO Awards. Each Non-Employee Director who (i) serves on the Board as of the date the IPO price of the shares of the Company's common stock is established in connection with the Company's IPO (the "**Pricing Date**") and (ii) will continue to serve as a Non-Employee Director immediately following the Pricing Date shall be automatically granted, on the Pricing Date, an award of restricted stock units that have an aggregate fair value on the date of grant of \$125,000 (as determined in accordance with FASB Accounting Codification Topic 718 ("**ASC 718**") and subject to adjustment as provided in the Equity Plan in each case).

(b) Annual Awards. Each Non-Employee Director who (i) serves on the Board as of the date of any annual meeting of the Company's stockholders (an "**Annual Meeting**") after the Pricing Date and (ii) will continue to serve as a Non-Employee Director immediately following such Annual Meeting shall be automatically granted, on the date of such Annual Meeting, an award of restricted stock units that have an aggregate fair value on the date of such Annual Meeting of \$125,000 (as determined in accordance with ASC 718 and with the number of shares of common stock underlying such award subject to adjustment as provided in the Equity Plan). The awards described in this Section 2(b) shall be referred to as the "**Annual Awards**." For the avoidance of doubt, a Non-Employee Director elected for the first time to the Board at an Annual Meeting shall receive only an Annual Award in connection with such election, and shall not receive any Initial Award on the date of such Annual Meeting as well.

(c) Initial Awards. Except as otherwise determined by the Board, each Non-Employee Director who is initially elected or appointed to the Board after the Pricing Date on any date other than the date of an Annual Meeting shall be automatically granted, on the date of such Non-Employee Director's initial election or appointment (such Non-Employee Director's "**Start Date**"), an award of restricted stock units that have an aggregate fair value on such Non-Employee Director's Start Date equal to the product of (i) \$125,000 (as determined in accordance with ASC 718) and (ii) a fraction, the numerator of which is (x) 365 minus (y) the number of days in the period beginning on the date of the Annual Meeting immediately preceding such Non-Employee Director's Start Date (or, if no such Annual Meeting has occurred, the effective date of the Company's IPO) and ending on such Non-Employee Director's Start Date and the denominator of

which is 365 (with the number of shares of common stock underlying each such award subject to adjustment as provided in the Equity Plan). The awards described in this Section 2(c) shall be referred to as “**Initial Awards.**” For the avoidance of doubt, no Non-Employee Director shall be granted more than one Initial Award.

(d) Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award pursuant to Section 2(c) above, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from employment with the Company and any parent or subsidiary of the Company, Annual Awards as described in Section 2(b) above.

(e) Vesting of Awards Granted to Non-Employee Directors. Each IPO Award shall vest and become exercisable on the first anniversary of the date of grant, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date, and each Annual Award and Initial Award shall vest and become exercisable on the earlier of (i) the day immediately preceding the date of the first Annual Meeting following the date of grant and (ii) the first anniversary of the date of grant, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date. No portion of an IPO Award, Annual Award or Initial Award that is unvested or unexercisable at the time of a Non-Employee Director’s termination of service on the Board shall become vested and exercisable thereafter. All of a Non-Employee Director’s IPO Awards, Annual Awards and Initial Awards shall vest in full immediately prior to the occurrence of a Change in Control (as defined in the Equity Plan), to the extent outstanding at such time.

\* \* \* \* \*

**INDEMNIFICATION AND ADVANCEMENT AGREEMENT**

This Indemnification and Advancement Agreement (this “Agreement”) is made as of \_\_\_\_\_, 20\_\_ by and between JOANN Inc., a Delaware corporation (the “Company”), and \_\_\_\_\_, [a member of the Board of Directors/an officer/an employee/an agent/a fiduciary] of the Company (“Indemnatee”). This Agreement supersedes and replaces any and all previous Agreements between the Company and Indemnatee covering indemnification and advancement.

**RECITALS**

WHEREAS, the Board of Directors of the Company (the “Board”) believes that highly competent persons have become more reluctant to serve publicly-held corporations as directors, officers, or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification and advancement of expenses against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Bylaws and Certificate of Incorporation of the Company require indemnification of the officers and directors of the Company. Indemnatee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the “DGCL”). The Bylaws, Certificate of Incorporation, and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification and advancement of expenses;

WHEREAS, the uncertainties relating to such insurance, to indemnification, and to advancement of expenses may increase the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws, Certificate of Incorporation and any resolutions adopted pursuant thereto, and is not a substitute therefor, nor diminishes or abrogates any rights of Indemnatee thereunder; and

WHEREAS, Indemnatee does not regard the protection available under the Bylaws, Certificate of Incorporation, DGCL and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as an officer or director without adequate additional protection, and the Company desires Indemnatee to serve or continue to serve in such capacity. Indemnatee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnatee be so indemnified and be advanced expenses.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnatee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnatee agrees to serve as [a/an] [director/officer/employee/agent/fiduciary] of the Company. Indemnatee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law). This Agreement does not create any obligation on the Company to continue Indemnatee in such position and is not an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnatee.

Section 2. Definitions. As used in this Agreement:

(a) "Affiliate" shall have the meaning set forth in Rule 405 under the Securities Act of 1933, as amended (as in effect on the date hereof).

(b) "Agent" means any person who is authorized by the Company or an Enterprise to act for or represent the interests of the Company or an Enterprise, respectively.

(c) A "Change in Control" occurs upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below), other than the Sponsor Entities and their Related Parties, is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities unless the change in relative beneficial ownership of the Company's securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

vi. For purposes of this Section 2(b), the following terms have the following meanings:

- 1 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.
- 2 "Person" has the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person excludes (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.
- 3 "Beneficial Owner" has the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner excludes any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(d) "Corporate Status" describes the status of a person who is or was acting as a director, officer, employee, fiduciary, or Agent of the Company or an Enterprise.

(e) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(f) "Enterprise" means any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other entity for which Indemnatee is or was serving at the request of the Company as a director, officer, employee, or Agent.

(g) "Expenses" includes all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnatee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 14(d) only, Expenses incurred by Indemnatee in connection with the interpretation, enforcement or defense of Indemnatee's rights under this Agreement, by litigation or otherwise. Expenses, however, do not include amounts paid in settlement by Indemnatee, the amount of judgments or fines against Indemnatee, or fees, salaries, wages or benefits owed to Indemnatee.

(h) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnatee in any matter material to either such party (other than with respect to matters concerning the Indemnatee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" does not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnatee in an action to determine Indemnatee's rights under this Agreement.

(i) The term "Proceeding" includes any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, legislative, or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnatee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of Indemnatee's Corporate Status or by reason of any action taken by Indemnatee (or a failure to take action by Indemnatee) or of any action (or failure to act) on Indemnatee's part while acting pursuant to Indemnatee's Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. A Proceeding also includes a situation the Indemnatee believes in good faith may lead to or culminate in the institution of a Proceeding.

(j) “Related Party” means, with respect to any Person, (i) any controlling stockholder, controlling member, general partner, subsidiary, spouse or immediate family member (in the case of an individual) of such Person, (ii) any estate, trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners or owners of which consist solely of one or more of the Sponsor Entities (as defined below) and their respective Affiliates (other than the Company and its subsidiaries, if applicable) and Related Parties and/or such other Persons referred to in the immediately preceding clause (i), or (iii) any executor, administrator, trustee, manager, director or other similar fiduciary of any Person referred to in the immediately preceding clause (ii), acting solely in such capacity.

(k) “Sponsor Entities” means funds affiliated with or endorsed by Leonard Green & Partners, L.P.

Section 3. Indemnity in Third-Party Proceedings. The Company will indemnify Indemnatee in accordance with the provisions of this Section 3 if Indemnatee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, the Company will indemnify Indemnatee to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnatee or on Indemnatee’s behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner Indemnatee reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that Indemnatee’s conduct was unlawful.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company will indemnify Indemnatee in accordance with the provisions of this Section 4 if Indemnatee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, the Company will indemnify Indemnatee to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnatee or on Indemnatee’s behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnatee acted in good faith and in a manner Indemnatee reasonably believed to be in or not opposed to the best interests of the Company. The Company will not indemnify Indemnatee for Expenses under this Section 4 related to any claim, issue or matter in a Proceeding for which Indemnatee has been finally adjudged by a court to be liable to the Company, unless, and only to the extent that, the Delaware Court of Chancery or any court in which the Proceeding was brought determines upon application by Indemnatee that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. To the fullest extent permitted by applicable law, the Company will indemnify Indemnatee against all Expenses actually and reasonably incurred by Indemnatee in connection with any Proceeding the extent that Indemnatee is successful, on the merits or otherwise. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company will indemnify Indemnatee against all Expenses actually and reasonably incurred by Indemnatee or on Indemnatee’s behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section 5 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, will be deemed to be a successful result as to such claim, issue or matter.



Section 6. Indemnification For Expenses of a Witness. To the fullest extent permitted by applicable law, the Company will indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with any Proceeding to which Indemnitee is not a party but to which Indemnitee is a witness, deponent, interviewee, or otherwise asked to participate.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company will indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification. Notwithstanding any limitation in Sections 3, 4, or 5, the Company will indemnify Indemnitee to the fullest extent permitted by applicable law (including but not limited to, the DGCL and any amendments to or replacements of the DGCL adopted after the date of this Agreement that expand the Company's ability to indemnify its officers and directors) if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor).

Section 9. Exclusions. Notwithstanding any provision in this Agreement, the Company is not obligated under this Agreement to make any indemnification payment to Indemnitee in connection with any Proceeding:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except to the extent provided in Section 16(b) and except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law, (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act")), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act) or (iii) any reimbursement of the Company by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the compensation committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act; or

(c) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Proceeding or part of any Proceeding is to enforce Indemnitee's rights to indemnification or advancement, of Expenses, including a Proceeding (or any part of any Proceeding) initiated pursuant to Section 14 of this Agreement, (ii) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (iii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 10. Advances of Expenses.

(a) The Company will advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee or any Proceeding (or any part of any Proceeding) initiated by Indemnitee if (i) the Proceeding or part of any Proceeding is to enforce Indemnitee's rights to obtain indemnification or advancement of Expenses from the Company or Enterprise, including a proceeding initiated pursuant to Section 14 or (ii) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation. The Company will advance the Expenses within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding.

(b) Advances will be unsecured and interest free. Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company, thus Indemnitee qualifies for advances upon the execution of this Agreement and delivery to the Company. No other form of undertaking is required other than the execution of this Agreement. The Company will make advances without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement.

Section 11. Procedure for Notification of Claim for Indemnification or Advancement.

(a) Indemnitee will notify the Company in writing of any Proceeding with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. Indemnitee will include in the written notification to the Company a description of the nature of the Proceeding and the facts underlying the Proceeding and provide such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. Indemnitee's failure to notify the Company will not relieve the Company from any obligation it may have to Indemnitee under this Agreement, and any delay in so notifying the Company will not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company will, promptly upon receipt of such a request for indemnification or advancement, advise the Board in writing that Indemnitee has requested indemnification or advancement.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 12. Procedure Upon Application for Indemnification.

(a) Unless a Change of Control has occurred, the determination of Indemnatee's entitlement to indemnification will be made:

- i. by a majority vote of the Disinterested Directors, even though less than a quorum of the Board;
- ii. by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board;
- iii. if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by written opinion provided by Independent Counsel selected by the Board; or
- iv. if so directed by the Board, by the stockholders of the Company.

(b) If a Change in Control has occurred, the determination of Indemnatee's entitlement to indemnification will be made by written opinion provided by Independent Counsel selected by Indemnatee (unless Indemnatee requests such selection be made by the Board)

(c) The party selecting Independent Counsel pursuant to subsection (a)(iii) or (b) of this Section 12 will provide written notice of the selection to the other party. The notified party may, within ten (10) days after receiving written notice of the selection of Independent Counsel, deliver to the selecting party a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection will set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected will act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within thirty (30) days after the later of submission by Indemnatee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, Independent Counsel has not been selected or, if selected, any objection to has not been resolved, either the Company or Indemnatee may petition the Delaware Court for the appointment as Independent Counsel of a person selected by such court or by such other person as such court designates. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel will be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(d) Indemnatee will cooperate with the person, persons or entity making the determination with respect to Indemnatee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnatee and reasonably necessary to such determination. The Company will advance and pay any Expenses incurred by Indemnatee in so cooperating with the person, persons or entity making the indemnification determination irrespective of the determination as to Indemnatee's entitlement to indemnification and the Company hereby indemnifies and agrees to hold Indemnatee harmless therefrom. The Company promptly will advise Indemnatee in writing of the determination that Indemnatee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied and providing a copy of any written opinion provided to the Board by Independent Counsel.

(e) If it is determined that Indemnatee is entitled to indemnification, the Company will make payment to Indemnatee within thirty (30) days after such determination.

Section 13. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination will, to the fullest extent not prohibited by law, presume Indemnatee is entitled to indemnification under this Agreement if Indemnatee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company will, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnatee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnatee has not met such applicable standard of conduct, will be a defense to the action or create a presumption that Indemnatee has not met the applicable standard of conduct.

(b) If the determination of the Indemnatee's entitlement to indemnification has not been made pursuant to Section 12 within sixty (60) days after the later of (i) receipt by the Company of Indemnatee's request for indemnification pursuant to Section 11(a) and (ii) the final disposition of the Proceeding for which Indemnatee requested indemnification (the "Determination Period"), the requisite determination of entitlement to indemnification will, to the fullest extent not prohibited by law, be deemed to have been made and Indemnatee will be entitled to such indemnification, absent (i) a misstatement by Indemnatee of a material fact, or an omission of a material fact necessary to make Indemnatee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law. The Determination Period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, the Determination Period may be extended an additional fifteen (15) days if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a)(iv) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, will not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnatee to indemnification or create a presumption that Indemnatee did not act in good faith and in a manner which Indemnatee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnatee had reasonable cause to believe that Indemnatee's conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnatee will be deemed to have acted in good faith if Indemnatee acted based on the records or books of account of the Company, its subsidiaries, or an Enterprise, including financial statements, or on information supplied to Indemnatee by the directors or officers of the Company, its subsidiaries, or an Enterprise in the course of their duties, or on the advice of legal counsel for the Company, its subsidiaries, or an Enterprise or on information or records given or reports made to the Company or an Enterprise by an independent certified public accountant or by an appraiser, financial advisor or other expert selected with reasonable care by or on behalf of the Company, its subsidiaries, or an Enterprise. Further, Indemnatee will be deemed to have acted in a manner “not opposed to the best interests of the Company,” as referred to in this Agreement if Indemnatee acted in good faith and in a manner Indemnatee reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan. The provisions of this Section 13(d) are not exclusive and does not limit in any way the other circumstances in which the Indemnatee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise may not be imputed to Indemnatee for purposes of determining Indemnatee’s right to indemnification under this Agreement.

#### Section 14. Remedies of Indemnatee.

(a) Indemnatee may commence litigation against the Company in the Delaware Court of Chancery to obtain indemnification or advancement of Expenses provided by this Agreement in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnatee is not entitled to indemnification under this Agreement, (ii) the Company does not advance Expenses pursuant to Section 10 of this Agreement, (iii) the determination of entitlement to indemnification is not made pursuant to Section 12 of this Agreement within the Determination Period, (iv) the Company does not indemnify Indemnatee pursuant to Section 5 or 6 or the second to last sentence of Section 12(d) of this Agreement within thirty (30) days after receipt by the Company of a written request therefor, (v) the Company does not indemnify Indemnatee pursuant to Section 3, 4, 7, or 8 of this Agreement within thirty (30) days after a determination has been made that Indemnatee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnatee the benefits provided or intended to be provided to the Indemnatee hereunder. Alternatively, Indemnatee, at Indemnatee’s or the Company’s option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnatee must commence such Proceeding seeking an adjudication or an award in arbitration within one hundred and eighty (180) days following the date on which Indemnatee first has the right to commence such Proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause does not apply in respect of a Proceeding brought by Indemnatee to enforce Indemnatee’s rights under Section 5 of this Agreement. The Company will not oppose Indemnatee’s right to seek any such adjudication or award in arbitration.

(b) If a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 will be conducted in all respects as a *de novo* trial, or arbitration, on the merits and Indemnitee may not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company will have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and will not introduce evidence of the determination made pursuant to Section 12 of this Agreement.

(c) If a determination is made pursuant to Section 12 of this Agreement that Indemnitee is entitled to indemnification, the Company will be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company is, to the fullest extent not prohibited by law, precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and will stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(e) It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company, to the fullest extent permitted by law, will (within thirty (30) days after receipt by the Company of a written request therefor) advance to Indemnitee such Expenses which are incurred by Indemnitee in connection with any action concerning this Agreement, Indemnitee's right to indemnification or advancement of Expenses from the Company, or concerning any directors' and officers' liability insurance policies maintained by the Company, and will indemnify Indemnitee against any and all such Expenses unless the court determines that each of the Indemnitee's claims in such action were made in bad faith or were frivolous or are prohibited by law.

Section 15. [Reserved].

Section 16. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The indemnification and advancement of Expenses provided by this Agreement are not exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. The indemnification and advancement of Expenses provided by this Agreement may not be limited or restricted by any amendment, alteration or repeal of this Agreement in any way with respect to any action taken or omitted by Indemnitee in Indemnitee's Corporate Status occurring prior to any amendment, alteration or repeal of this Agreement. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Bylaws, Certificate of Incorporation, or this Agreement, it is the intent of the parties hereto that Indemnitee enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy is cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, will not prevent the concurrent assertion or employment of any other right or remedy.

(b) The Company hereby acknowledges that Indemnatee may have certain rights to indemnification, advancement of Expenses and/or insurance provided by one or more other Persons with whom or which Indemnatee may be associated (including, without limitation, any Sponsor Entities). The relationship between the Company and such other Persons, other than an Enterprise, with respect to the Indemnatee's rights to indemnification, advancement of Expenses, and insurance is described by this subsection, subject to the provisions of subsection (d) of this Section 16 with respect to a Proceeding concerning Indemnatee's Corporate Status with an Enterprise.

i. The Company hereby acknowledges and agrees:

- 1) the Company is the indemnitor of first resort with respect to any request for indemnification or advancement of Expenses made pursuant to this Agreement concerning any Proceeding;
- 2) the Company is primarily liable for all indemnification and indemnification or advancement of Expenses obligations for any Proceeding, whether created by law, organizational or constituent documents, contract (including this Agreement) or otherwise;
- 3) any obligation of any other Persons with whom or which Indemnatee may be associated (including, without limitation, any Sponsor Entities) to indemnify Indemnatee and/or advance Expenses to Indemnatee in respect of any proceeding are secondary to the obligations of the Company's obligations;
- 4) the Company will indemnify Indemnatee and advance Expenses to Indemnatee hereunder to the fullest extent provided herein without regard to any rights Indemnatee may have against any other Person with whom or which Indemnatee may be associated (including, without limitation, any Sponsor Entities) or insurer of any such Person; and

ii. the Company irrevocably waives, relinquishes and releases (A) any other Person with whom or which Indemnatee may be associated (including, without limitation, any Sponsor Entities) from any claim of contribution, subrogation, reimbursement, exoneration or indemnification, or any other recovery of any kind in respect of amounts paid by the Company to Indemnatee pursuant to this Agreement and (B) any right to participate in any claim or remedy of Indemnatee against any Person (including any Sponsor Entities), whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Person (including, without limitation, any Sponsor Entities), directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right.

iii. In the event any other Person with whom or which Indemnitee may be associated (including, without limitation, any Sponsor Entities) or their insurers advances or extinguishes any liability or loss for Indemnitee, the payor has a right of subrogation against the Company or its insurers for all amounts so paid which would otherwise be payable by the Company or its insurers under this Agreement. In no event will payment by any other Person with whom or which Indemnitee may be associated (including, without limitation, any Sponsor Entities) or their insurers affect the obligations of the Company hereunder or shift primary liability for the Company's obligation to indemnify or advance Expenses to any other Person with whom or which Indemnitee may be associated (including, without limitation, any Sponsor Entities).

iv. Any indemnification or advancement of Expenses provided by any other Person with whom or which Indemnitee may be associated (including, without limitation, any Sponsor Entities) is specifically in excess over the Company's obligation to indemnify and advance Expenses or any valid and collectible insurance (including but not limited to any malpractice insurance or professional errors and omissions insurance) provided by the Company.

(c) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company, the Company will obtain a policy or policies covering Indemnitee to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies, including coverage in the event the Company does not or cannot, for any reason, indemnify or advance Expenses to Indemnitee as required by this Agreement. If, at the time of the receipt of a notice of a claim pursuant to this Agreement, the Company has director and officer liability insurance in effect, the Company will give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company will thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies. Indemnitee agrees to assist the Company efforts to cause the insurers to pay such amounts and will comply with the terms of such policies, including selection of approved panel counsel, if required.

(d) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee for any Proceeding concerning Indemnitee's Corporate Status with an Enterprise will be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such Enterprise. The Company and Indemnitee intend that any such Enterprise (and its insurers) be the indemnitor of first resort with respect to indemnification and advancement of Expenses for any Proceeding related to or arising from Indemnitee's Corporate Status with such Enterprise. The Company's obligation to indemnify and advance Expenses to Indemnitee is secondary to the obligations the Enterprise or its insurers owe to Indemnitee. Indemnitee agrees to take all reasonably necessary and desirable action to obtain from an Enterprise indemnification and advancement of Expenses for any Proceeding related to or arising from Indemnitee's Corporate Status with such Enterprise.

(e) In the event of any payment made by the Company under this Agreement, the Company will be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee from any Enterprise or insurance carrier. Indemnitee will execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.



Section 17. Duration of Agreement. This Agreement continues until and terminates upon the later of: (a) ten (10) years after the date that Indemnatee ceases to have a Corporate Status or (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnatee is granted rights of indemnification or advancement of Expenses hereunder and of any Proceeding commenced by Indemnatee pursuant to Section 14 of this Agreement relating thereto. The indemnification and advancement of Expenses rights provided by or granted pursuant to this Agreement are binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), continue as to an Indemnatee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and inure to the benefit of Indemnatee and Indemnatee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

Section 18. Severability. If any provision or provisions of this Agreement is held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) will not in any way be affected or impaired thereby and remain enforceable to the fullest extent permitted by law; (b) such provision or provisions will be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) will be construed so as to give effect to the intent manifested thereby.

Section 19. Interpretation. Any ambiguity in the terms of this Agreement will be resolved in favor of Indemnatee and in a manner to provide the maximum indemnification and advancement of Expenses permitted by law. The Company and Indemnatee intend that this Agreement provide to the fullest extent permitted by law for indemnification and advancement in excess of that expressly provided, without limitation, by the Certificate of Incorporation, the Bylaws, vote of the Company stockholders or disinterested directors, or applicable law.

Section 20. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnatee to serve as a director or officer of the Company, and the Company acknowledges that Indemnatee is relying upon this Agreement in serving or continuing to serve as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws and applicable law, and is not a substitute therefor, nor to diminish or abrogate any rights of Indemnatee thereunder.

Section 21. Modification and Waiver. No supplement, modification or amendment of this Agreement is binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement will be deemed or constitutes a waiver of any other provisions of this Agreement nor will any waiver constitute a continuing waiver.

Section 22. Notice by Indemnatee. Indemnatee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnatee to so notify the Company does not relieve the Company of any obligation which it may have to the Indemnatee under this Agreement or otherwise.

Section 23. Notices. All notices, requests, demands and other communications under this Agreement will be in writing and will be deemed to have been duly given if (a) delivered by hand to the other party, (b) sent by reputable overnight courier to the other party or (c) sent by facsimile transmission or electronic mail, with receipt of oral confirmation that such communication has been received:

(a) If to Indemnatee, at the address indicated on the signature page of this Agreement, or such other address as Indemnatee provides to the Company.

(b) If to the Company to:

JOANN Inc.  
5555 Darrow Road  
Hudson, Ohio 44236  
Attention: Ann Aber, General Counsel  
Email: ann.aber@joann.com

or to any other address as may have been furnished to Indemnatee by the Company.

Section 24. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnatee for any reason whatsoever, the Company, in lieu of indemnifying Indemnatee, will contribute to the amount incurred by Indemnatee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnatee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnatee in connection with such event(s) and/or transaction(s).

Section 25. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties are governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnatee pursuant to Section 14(a) of this Agreement, the Company and Indemnatee hereby irrevocably and unconditionally (i) agree that any action or Proceeding arising out of or in connection with this Agreement may be brought only in the Delaware Court of Chancery and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or Proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or Proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or Proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 26. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which will for all purposes be deemed to be an original but all of which together constitutes one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 27. Headings. The headings of this Agreement are inserted for convenience only and do not constitute part of this Agreement or affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

COMPANY

INDEMNITEE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Office: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated December 18, 2020 (except as to the second paragraph of Note 1, as to which the date is February 16, 2021, and except as to the third paragraph of Note 15, as to which the date is March 4, 2021), in the Registration Statement (Amendment No. 1 to Form S-1 No. 253121) and related Prospectus of JOANN Inc. for the registration of its common stock.

/s/ Ernst & Young LLP

Cleveland, Ohio

March 4, 2021