THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT THE COMPANY HAS REGISTERED UNDER THE SECURITIES ACT OF 1933

JOANN INC.

400,000 Shares of Common Stock, par value $0.01 per share, Issuable under the JOANN Inc. 2021 Employee Stock Purchase Plan

This prospectus (the "Prospectus") relates to an aggregate of 400,000 shares of common stock ("Shares") of JOANN Inc. (the "Company"), which may be issued and sold pursuant to the JOANN Inc. 2021 Employee Stock Purchase Plan (as amended from time to time, the "ESPP"), which is described herein.

The ESPP generally provides for the grant to eligible employees of rights to purchase Shares at a discount through payroll deductions during consecutive purchase periods. The ESPP is intended to qualify as an "employee stock purchase plan," as that term is defined in Section 423 of the United States Internal Revenue Code of 1986, as amended (the "Code"). The Company is the issuer of the Shares under the ESPP. The Company Shares are listed on the Nasdaq Global Market under the symbol "JOAN".

The main features of the ESPP are summarized in this Prospectus. However, if there are any inconsistencies between this Prospectus and the ESPP, the ESPP will always control.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Individuals should rely only on the information contained in this document or that the Company has referred to them. The Company has not authorized anyone to provide information that is different. The Company is offering to sell, and seeking offers to buy, Shares only in jurisdictions which permit offers and sales. The information contained in this Prospectus is accurate only as of the date of this Prospectus.

Copies of the ESPP and additional information about the ESPP can be obtained without charge upon written or oral request to: Ann Aber, Senior Vice President, General Counsel and Secretary, 5555 Darrow Road, Hudson, Ohio 44236, (330) 463-6684, ann.aber@joann.com.

THE DATE OF THIS PROSPECTUS IS NOVEMBER 16, 2021.

AVAILABLE INFORMATION

The Company is subject to the reporting and information requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files periodic reports, proxy statements and other information with the SEC. Periodic reports, proxy statements and other information filed by the Company in accordance with the Exchange Act can be inspected and copied at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549, and copies of which can be obtained from the SEC upon payment of prescribed fees. Electronic reports, proxy statements and other information filed through the SEC's Electronic Data Gathering, Analysis and Retrieval system are publicly available through the SEC's web site (http://www.sec.gov). Additional updating information with respect to the Shares may be provided in the future to participants by means of appendices to this Prospectus or delivery of other documents.

The Company has filed with the SEC a Registration Statement on Form S-8 (including all amendments thereto, this "Registration Statement") with respect to the securities offered hereby. This Prospectus does not contain all of the information set forth in this Registration Statement and the exhibits and schedules thereto. For further information about the Company and the securities offered hereby, reference is made to this Registration Statement and the exhibits thereto, which may be examined without charge at the Public Reference Room of the SEC, and copies of which may be obtained from the SEC upon payment of the prescribed fees.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which the Company has filed with the SEC, are incorporated by reference in this Prospectus:

- The Company's Annual Report on Form 10-K for the year ended January 30, 2021 (File No. 001-40204);
- The Company's Quarterly Reports on Form 10-Q for the quarters ended May 1, 2021 and July 31, 2021, respectively (File No. 001-40204);
- The Company's Current Reports on Form 8-K filed on March 19, 2021 and July 8, 2021 (File No. 001-40204); and
- The description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A dated March 11, 2021 (File No. 001-40204) filed under the Exchange Act, as amended by the description of the Common Stock contained in Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended January 30, 2021 (File No. 001-40204), including any further amendment or report filed for the purpose of updating such description.

The Company deems all documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act to be incorporated by reference in this Prospectus after the date of this Prospectus and prior to the filing of a post-effective amendment which indicates that the Company has sold all securities offered or which deregisters all securities then remaining unsold. The Company deems all such documents to be a part of this Prospectus from the respective dates of filing such documents.

The Company further deems any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes such statement. The Company will not deem any such statement so modified or superseded to constitute a part of this Prospectus except as so modified or superseded.

The Company will provide copies of all documents which it has incorporated into this Prospectus by reference (not including the exhibits to such information, unless such exhibits are specifically incorporated by reference in such information) without charge to each person, including any beneficial owner, to whom the Company has delivered this Prospectus, upon a written or oral request. The Company will also provide copies of this Prospectus, as amended or supplemented from time to time, any other documents (or parts of documents) that constitute part of the Prospectus under Section 10(a) of the Securities Act of 1933, as amended (the "Securities Act") or which Rule 428(b) under the Securities Act requires the Company to deliver, and its Annual Report to Stockholders, without charge to each such person, upon written or oral request. Such persons should direct all requests to:

Ann Aber
Senior Vice President, General Counsel and Secretary
5555 Darrow Road
Hudson, Ohio 44236
(330) 463-6684
ann.aber@joann.com

SUMMARY OF THE ESPP

The purpose of the ESPP is to assist eligible employees in acquiring a stock ownership interest in the Company in order to help them provide for their future security and encourage them to remain in the employment of the Company and its Designated Subsidiaries (as defined in the ESPP).

The ESPP is a discretionary plan. Participation by any eligible employee is purely voluntary. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 ("Section 423") of the Code. The ESPP generally provides for the grant of purchase rights to U.S. employees that are intended to qualify for favorable U.S. federal tax treatment under Section 423.

The ESPP is not subject to any provisions of the Employee Retirement Income Security Act of 1974, as amended. In addition, the ESPP is not a qualified plan within the meaning of section 401(a) of the Code.

Because this is a summary, it does not contain all of the information that may be important to participants. To the extent that any provision of this summary is inconsistent with the terms of the ESPP, the ESPP will prevail. Participants may obtain a copy of the ESPP and additional information about the ESPP, without charge, by written or oral request to the Company:

Ann Aber
Senior Vice President, General Counsel and Secretary
5555 Darrow Road
Hudson, Ohio 44236
(330) 463-6684
ann.aber@joann.com

Securities Subject to the ESPP

Under the terms of the ESPP, the aggregate number of Shares that may be issued pursuant to rights granted under the ESPP is 400,000 Shares. Such figure shall annually increase on the first day of each calendar year beginning in 2022 and ending in 2031 in an amount equal to the lesser of (i) 400,000 Shares, (ii) 1% of the Shares outstanding (on an as converted basis) on the final day of the immediately preceding calendar year or (iii) such smaller number of Shares as determined by the board of directors of the Company (the "Board"). The Shares purchased pursuant to the ESPP may be authorized but unissued Shares, treasury Shares or Shares purchased on the open market. If any right granted under the ESPP terminates for any reason without having been exercised, the Shares subject thereto that are not purchased under such right will again be available for issuance under the ESPP.

Administration

The ESPP is administered by the Board. The Board may delegate administration of the ESPP to another committee or subcommittee of the Board or vest in itself any authority or duties for administration of the ESPP. The Board or the committee or subcommittee to whom administration of the ESPP is delegated is referred to herein as the "Administrator."

The Administrator has the authority to conduct the general administration of the ESPP, including the authority to determine when and how rights to purchase Shares shall be granted and the provisions of each offering of such rights (which need not be identical), to select Designated Subsidiaries, to construe and interpret the ESPP and the rights granted thereunder, to establish, amend and revoke rules and regulations for the administration of the ESPP and to amend, suspend or terminate the ESPP. The Administrator shall also have authority to carry out the intent that the ESPP be treated as an "employee stock purchase plan" within the meaning of Section 423.

Each member of the Administrator shall be entitled to rely or act upon any report or other information furnished to that member by an officer or other employee of the Company or any of its Designated Subsidiaries, 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 ESPP.

Grant of Rights; Purchase Periods

The ESPP provides eligible employees with the right to purchase Shares during offering periods ("Offering Periods") designated by the Administrator (as defined below). The terms and conditions applicable to each Offering Period will be set forth in an offering document adopted by the Administrator.

Each Offering Period will be set by the Administrator and will commence on a date determined by the Administrator. The Administrator may choose an Offering Period of not more than twenty-seven (27) months.

The maximum number of Shares that may be purchased by any eligible employee during an Offering Period will be 5,000 Shares, unless otherwise provided by the Administrator.

Offering periods may be comprised of one or more purchase periods. Rights to purchase Shares under the ESPP are automatically granted on the first trading day of each Offering Period and are automatically exercised on the last trading day of such purchase period within an Offering Period, as designated by the applicable offering document.

Eligibility

Generally, our employees and employees of our Designated Subsidiaries may participate in the ESPP, except for employees (or any other person whose stock would be attributed to the employee pursuant to section 424(d) of the Code) who own, or upon participation in the ESPP would own, 5% or more of the voting power or value of our stock. The Administrator may determine that an employee is not eligible to participate in any Offering Period if (i) such Employee is a highly compensated employee within the meaning of Section 423(b)(4)(D) of the Code, or is such a "highly compensated employee" that is subject to the disclosure requirements of Section 16(a) of the Exchange Act, (ii) such employee has not met an eligibility service requirement designated by the Administrator (not to exceed two years of employment), (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 or (iv) such employee is a citizen or resident of a non-U.S. jurisdiction and the grant of a right to purchase Shares under the ESPP would be prohibited under the laws of the applicable foreign jurisdiction or would cause the ESPP to violate the requirements of Section 423.

Designated Subsidiaries include any of our subsidiaries designated by the Administrator to participate in the ESPP.

Enrollment

Eligible employees may enroll in the ESPP by completing and returning a subscription agreement to the Company in accordance with the administrative requirements established by the Administrator.

Once a participant enrolls in the ESPP, his or her subscription agreement will remain in effect for subsequent Offering Periods unless (1) the participant submits a new subscription agreement, (2) the participant withdraws from the ESPP or (3) the participant otherwise becomes ineligible to participate in the ESPP.

Each participant's subscription agreement will authorize a certain percentage of his or her compensation to be deducted from his or her compensation and applied to the purchase of Shares under the ESPP. Such designated percentage must be equal to at least one percent (1%) of compensation payable on each payday and not more than fifteen percent (15%) of such compensation (unless otherwise specified by the Administrator in the applicable offering document). Subject to the offering document, participants may increase, decrease or otherwise change their payroll deduction elections during any Offering Period, provided that the Administrator may limit the number of changes a participant may make in the applicable offering document, and in the absence of such limitation, a participant will be allowed to make one change to his or her payroll deduction election. In the event a participant suspends his or her payroll deductions, such participant's cumulative payroll deductions prior to the suspension will remain in his or her account and will be applied to the purchase of Shares on the next occurring purchase date.

Contributions to the ESPP

Contributions to the ESPP are made throughout the Offering Period with payroll deductions from the participant's cash compensation of the amounts that he or she has elected to use for the purchase of Shares under the ESPP. The Company may, but is not obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable tax withholding obligations. The payroll deductions made for each participant will be credited to an account for each participant under the ESPP and will be deposited with the general funds of the Company. The designated percentage specified in the applicable subscription agreement will be deducted from compensation actually paid during the applicable Offering Period. No interest will accrue on payroll deductions or contributions under the ESPP.

For purposes of the ESPP, "compensation" means 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.

Except as otherwise provided in the applicable offering document, a participant's contributions will begin on the first payroll date following the first trading day of each Offering Period and end on the last payroll date in the Offering Period to which the participant's authorization is applicable, unless such participant elects to withdraw from the ESPP or suspends his or her payroll deductions. On the last trading day of each purchase period within an Offering Period, each participant's accumulated payroll deductions and any other payments specifically provided for in the applicable offering document will be used to purchase whole Shares.

Purchase Limits and Purchase Price

Participants may only be granted a right under the ESPP which, when considered with all other employee stock purchase plan rights granted to the participant by the Company or any parent or subsidiary of the Company, does not permit such participant's right to purchase Shares to accrue at a rate in excess of $25,000 in any calendar year (based on the fair market value of such Shares on the first day of the Offering Period during which the right is granted and determined in accordance with Section 423). Further, the number of Shares that an individual participant may purchase during any Offering Period may not exceed 5,000 Shares, unless otherwise provided for by the Administrator.

Under the ESPP, payroll deductions will be used to purchase whole Shares effective as of the close of business on the last trading day of the Purchase Period. The Administrator will determine the purchase price of the Shares for each Purchase Period, which may not be less than 85% or greater than 100% of the fair market value of our common stock on the first trading day of the Offering Period or the last trading day of each purchase period within an Offering Period (whichever is lower). If the Administrator does not designate a purchase price for any Offering Period, then the purchase price will be 85% of the lesser of the fair market value of a Share on the first trading day of the Offering Period or the last trading day of each purchase period within an Offering Period (whichever is lower).

Purchase of Shares

On the last trading day of each purchase period during the Offering Period, 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 ESPP and the applicable offering document, at the designated purchase price. No fractional Shares will be issued upon the exercise of rights granted under the ESPP unless the applicable offering document provides otherwise. Any cash in lieu of fractional Shares remaining after such purchase of whole Shares 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.

If the Administrator determines that the number of Shares for which rights are to be exercised on a given purchase date exceeds the number of Shares available for issuance under the ESPP on the first trading day or the last trading day of each purchase period within the applicable Offering Period, the Administrator may, in its discretion, provide for the pro rata allocation of the Shares available for purchase on such date to employees participating in such Offering Period, as it shall determine in its sole discretion to be equitable among all such employees, and then either (i) continue all Offering Periods or (ii) terminate any or all Offering Periods then in effect. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares will be paid to such Participant in a cash lump sum as soon as reasonably practicable after the purchase date.

Withdrawal from Participation

A participant may withdraw all (but not less than all) of his or her unused payroll deductions credited to his or her account by providing the Company with written notice of such withdrawal in a form acceptable to the Company at least two weeks prior to the end of the Offering Period. After receipt of notice of withdrawal, such participant's rights for the Offering Period will be automatically terminated, no further payroll deductions for the purchase of Shares will be made for the Offering Period and payroll deductions will not resume at the beginning of the next Offering Period unless the participant timely delivers a new subscription agreement to the Company.

Following any such withdrawal, the balance of the amount then-credited to the participant's account will be paid in a cash lump sum as soon as reasonably practicable.

Termination of Participation

If a participant ceases to be an eligible employee for any reason, such participant will be deemed to have elected to withdraw from the ESPP and have his or her rights for the Offering Period automatically terminated. The payroll deductions credited to such participant's account during the Offering Period will be paid to such participant (or in the case of death, his or her beneficiary) as soon as reasonably practicable.

The Administrator may establish administrative policies regarding a participant's right to continue to participate in the ESPP in the event he or she takes a leave of absence (including any leave of absence which meets the requirements of Treasury Regulation Section 1.421-1(h)(2)). Where the period of leave exceeds three months and the participant's right to reemployment is not guaranteed either by statute or contract, the employment relationship will be deemed terminated on the first day immediately following such three-month period.

Rights as a Stockholder

Participants will not be deemed to be, or have any of the rights or privileges of, a stockholder of the Company with respect to the Shares subject to a right granted under the ESPP until such Shares have been issued to the participant or his or her nominee following the exercise of his or her rights under the ESPP. No adjustment will 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 provided in the ESPP or as determined by the Administrator.

Reports

Statements of account will be given to participants at least annually setting forth the amount of payroll deductions, the purchase price, the number of Shares purchased and the remaining cash balance, if any.

Rights Not Transferable

Any right granted under the ESPP will not be transferable, except by will or the laws of descent and distribution, and a right granted under the ESPP is exercisable during a participant's lifetime only by the participant. The Company will not recognize and is under no duty to recognize any assignment or alienation of a participant's interest in the ESPP, the participant's rights under the ESPP or any rights thereunder.

Certain Adjustments

Subject to the terms of the ESPP, if the Administrator determines that any dividend or other distribution (whether in the form of cash, Shares, 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 Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the ESPP or with respect to any outstanding purchase rights under the ESPP, the Administrator will make equitable adjustments, if any, to reflect such change with respect to:

- the aggregate number and type of Shares (or other securities or property) that may be issued under the ESPP (including, but not limited, adjustments of the limitations on the maximum number of Shares that may be purchased);

- the class(es) and number of Shares and price per Share subject to outstanding rights; and/or

- the per share purchase price with respect to any outstanding rights.

In addition, in the event of any transaction or event described above 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 (including any change in control of the Company), or of changes in applicable law or accounting principles, the Administrator may, to the extent appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the ESPP or with respect to any outstanding purchase rights under the ESPP:

- Provide for the termination of outstanding rights in exchange for cash or the replacement of outstanding rights by other rights or property;
- Provide for the assumption or substitution of similar rights (with appropriate adjustments);
- Adjust the number and type of Shares (or other securities or property) subject to outstanding rights under the ESPP and/or in the terms and conditions of outstanding rights and rights that may be granted in the future;
- Provide that accumulated payroll deductions may be used to purchase Shares prior to the next-occurring purchase date and that then-current rights will terminate; and/or
- Provide for the termination of outstanding rights without the exercise thereof.

Equal Rights and Privileges

All participants granted rights under the ESPP will have equal rights and privileges so that the ESPP qualifies as an "employee stock purchase plan" within the meaning of Section 423 and applicable Treasury Regulations thereunder, except for differences approved by the Administrator pursuant to the ESPP that are consistent with that intention. Any provision of the ESPP that is inconsistent with Section 423 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.

Amendment, Suspension and Termination

The ESPP may be amended, suspended or terminated by the Administrator at any time. The Administrator must obtain stockholder approval of any amendment to the ESPP to (i) increase the aggregate number, or change the type, of shares that may be sold pursuant to rights under the ESPP, (ii) change the corporations or classes of corporations whose employees may be granted rights under the ESPP or (iii) change 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. The Administrator is entitled to, without obtaining stockholder approval or without regard to whether any participant rights may be adversely affected, 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 Shares for each participant properly corresponds 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 ESPP and Section 423.

Upon termination of the ESPP, the balance in each participant's ESPP account will be refunded as soon as practicable after such termination, without any interest thereon.

Actions in the Event of Unfavorable Accounting Consequences

In the event the Administrator determines that the ongoing operation of the ESPP may result in unfavorable accounting consequences, the Administrator may modify or amend the ESPP to reduce or eliminate such accounting consequences by, including but not limited to, (i) altering the purchase price for any Offering Period including an Offering Period underway at the time of the change in purchase price, (ii) 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 (iii) allocating Shares. Such modifications or amendments will not require stockholder approval.

Resale Restrictions Applicable to Affiliates

Certain of our officers and all of our directors, may be deemed "affiliates" of the Company, as that term is defined in Rule 144 under the Securities Act, and subject to certain legal restrictions regarding the transferability of our securities. This Prospectus may not be used for reoffers or resales of our common stock acquired under the ESPP by affiliates of the Company within the meaning of Rule 405 of the Securities

Act. Any reoffers or resales by affiliates may be made only (a) pursuant to Rule 144 under the Securities Act, (b) pursuant to another exemption from the registration requirements of the Securities Act or (c) by means of a separate prospectus relating to a registration statement that has been declared effective under the Securities Act. If you are an officer of the Company, you should consult with our counsel, and with your own personal advisor, prior to transacting in any of the Company's equity securities, including with respect to the purchase of Shares under the ESPP.

Mandatory Holding Period

During the six-month period from the last day of each Offering Period, each participant (whether or not still an employee) may not sell Shares acquired during such Offering Period except on account of the participant's death, or such other reason as the Administrator may permit in its discretion from time to time.

Notice of Disposition

Each participant shall promptly notify the Company of any disposition or other transfer of Shares purchased upon exercise of a right under the ESPP if such disposition or transfer is made within two years from the first trading day of the Offering Period in which the Shares were purchased. Such notice will 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.

INCOME TAX CONSEQUENCES FOR ESPP PARTICIPANTS SUBJECT TO U.S. TAX

The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423. The following is a general summary of the material U.S. federal income tax consequences for ESPP participants. This summary deals with the general tax principles that apply to awards under the ESPP and is provided only for general information. Certain kinds of taxes, such as foreign taxes and state and local income taxes, are not discussed. Tax laws are complex and subject to change and may vary depending on individual circumstances and from locality to locality. The summary does not discuss all aspects of income taxation that may be relevant to you in light of your personal investment circumstances. This summarized tax information is not tax advice.

Grant of Right; Exercise of Right

A participant will not recognize taxable income on the date the Company grants a right to the participant under the ESPP, nor will the participant recognize taxable income on the date the participant exercise the right (*i.e.*, the applicable purchase date).

Purchase and Sale of Common Stock

A participant will be taxed on the Shares the participant purchased under the ESPP only when the participant sells them or otherwise disposes of them. In general, how a participant's Shares will be taxed depends on the purchase price, the sale price (or fair market value), the price of common stock and how long the participant holds the Shares. The tax consequences depend on whether or not the participant holds the Shares for (i) two years after the first day of the Offering Period in which the Shares were purchased and (ii) one year after the purchase date on which the Shares were purchased (together, the "Holding Period").

Sale of Common Stock after the Holding Period

If a participant dispose of his or her Shares at any time after the expiration of the Holding Period or if the participant dies while holding Shares, the participant will be taxed in the year in which the participant disposes of the Shares or dies, as applicable, as follows:

- The participant will recognize ordinary income on an amount equal to the lesser of:
  - — the excess, if any, of the fair market value of the Shares on the date on which the participant disposed of such Shares or the date on which the participant died, as applicable, over the amount paid for the Shares, or
  - — the excess of the fair market value of the Shares on the date the Company granted the right, over the purchase price; and
- The participant will recognize as capital gain any further gain realized by the participant when he or she disposes of the Shares (after increasing the tax basis in these Shares by the amount of ordinary income realized as described above).

Sale of Common Stock during the Holding Period

If a participant disposes of his or her Shares purchased pursuant to the participant's rights under the ESPP before the Holding Period expires, the participant will be taxed in the year in which the participant disposes of such Shares as follows:

- The participant will recognize ordinary income to the extent of the excess of the fair market value of such Shares on the date on which the participant purchased the Shares, over the purchase price for such Shares; and
- The participant will recognize as capital gain any further gain realized by the participant when the participant dispose of the Shares (after increasing the tax basis in these Shares by the amount of ordinary income realized as described above).

If a participant dispose of the Shares before the Holding Period expires and the amount realized is less than the fair market value of the Company's common stock at the time of exercise, the participant will be taxed in the year in which the participant disposes of such Shares, as follows:

- The participant will recognize ordinary income to the extent of the excess of the fair market value of such Shares on the date on which the participant purchased such Shares, over the purchase price for such Shares; and
- The participant will recognize a capital loss to

the extent the fair market value of such Shares on the exercise date exceeds the amount realized on the sale.

Company Deduction

The Company (or any subsidiary of the Company that employs the participant) is entitled to a tax deduction only to the extent that the participant recognizes ordinary income because the participant disposes of the Shares before the Holding Period expires.

Other Tax Consequences

The Company will be entitled to require payment in cash or deduction from other compensation payable to a participant of any sums required by federal, state or local tax law to be withheld with respect to the purchase of Shares under the ESPP or any sale of such Shares.

The Company recommends that participants consult with their personal tax advisors with respect to the federal, foreign (if applicable), state and local tax aspects of grants of rights, exercises of rights and any subsequent dispositions of Shares acquired under the ESPP.