

Dear Valued Partner:

We are sharing an update with you on some difficult but necessary actions we are taking at Payless. After much consideration, we are announcing today that Payless' North American entities, as well as two foreign Hong Kong-based entities involved in logistics (CBL) and supply chain (DAL), have filed voluntary Chapter 11 petitions in U.S. Bankruptcy Court for the Eastern District of Missouri.

Payless is taking this step to facilitate the financial and operational restructuring necessary to position Payless for long-term success. We intend to use this process to strengthen our balance sheet and restructure Payless' debt load, invest in specific areas that we believe will provide sustainable growth including omnichannel expansion; product and inventory initiatives; and international expansion in Latin America and elsewhere; and optimize our store footprint.

We are entering the filing with specific financial support from certain of our existing lenders, having negotiated agreements with them to provide Payless access of up to \$385 million of debtor-in-possession financing, which includes access to \$305 million of ABL financing and up to \$80 million of term loan financing. In total the debtor-in-possession financing will provide Payless with access to up to \$120 million in incremental liquidity during the Chapter 11 cases. This incremental liquidity will ensure that suppliers and other business partners/vendors will be paid in a timely manner for authorized goods and services provided during the Chapter 11 process, in accordance with customary terms. The \$80 million of new term loan financing will also ensure the Company has the exit financing required to emerge from Chapter 11 well positioned for future growth and profitability post-restructuring.

In conjunction with the restructuring, Payless has also entered into a Plan Support Agreement (PSA) with parties who hold or control approximately 2/3 of its first lien and second lien debt. The PSA demonstrates the strong support of our senior lenders for a consensual restructuring and their conviction in the future of Payless as well as providing a clear path to emergence from Chapter 11 on an expedited basis.

Please note that a U.S. Chapter 11 proceeding is different from bankruptcy in most other countries. It is not a liquidation, rather **the U.S. Chapter 11 process enables a company to maintain normal business operations while it restructures.**

Under U.S. federal law, however, **our Chapter 11 filing means that Payless is generally prohibited from making any payments to vendors and suppliers of our filing entities for services or goods provided prior to the filing.** These "pre-petition" obligations will be treated as general unsecured claims in the restructuring proceedings and payments for these amounts generally are determined at the conclusion of the Chapter 11 case. You will be mailed instructions for filing pre-petition claims with the Bankruptcy Court in due course.

Additionally, **Chapter 11 law requires that payments be made under normal terms for authorized goods and services you provide us after our Chapter 11 filing.** Payments for these "post-petition" obligations are also given priority administrative status in reorganization proceedings, providing additional protection to you moving forward.

- **Additional information about Payless's restructuring, including Frequently Asked Questions for Vendors, is available at www.paylessrestructure.com**
- **For additional information about the case, including the claims process, please visit: <https://cases.primeclerk.com/payless>**
- **If you have further questions, please call the Payless restructuring call center:**
 - **Domestic: 844-648-5574**

- **International: +1 347-505-5254**

We recognize that the unprecedented transformation in the North American retail environment has created financial challenges both for Payless and for many of our suppliers and vendors. And we acknowledge our financial challenges have made this a difficult period for you.

This is a decision that we take with an understanding of the impact it is having on you. We are confident the outcome will be a stronger Payless for our customers, vendors and suppliers, associates, business partners and other stakeholders through the process.

We look forward to continuing our relationship with you and appreciate your support.

Sincerely,

Payless ShoeSource