

AMENDMENT NUMBER ONE
TO THE PAYLESS SHOESOURCE, INC. SEVERANCE PLAN
(Amended and Restated Effective as of February 27, 2017)

WHEREAS, Payless Inc., on behalf of itself and certain of its affiliates, including Payless ShoeSource, Inc. and Collective Licensing International LLC (the “Company”) maintains the Payless ShoeSource, Inc. Severance Plan (the “Plan”), under its Plan Document and Summary Plan Description (“Plan Document”) which was last amended and restated effective as of February 27, 2017;

WHEREAS, under the General Provisions of the Plan Document the Company reserves the right to amend or terminate the Plan, in whole or in part, at any time in its sole discretion; and

WHEREAS, the Company desires to amend the Plan to revise severance benefits payable in any reduction in force that results from a plant closing or mass layoff covered by the Worker Adjustment and Retraining Notification Act (“WARN Act”).

NOW, THEREFORE, the Employer hereby amends the Plan, effective as of November 1, 2017, as follows:

SEVERANCE BENEFITS

Eligibility. You may be eligible to receive a severance benefit if you are classified by the Company as a regular employee in a covered position and your employment with the Company or any commonly owned affiliate employer of the Company authorized to participate in the Plan, is involuntarily terminated due to a qualifying termination. This Plan does not apply to temporary associates, associates covered by a collective bargaining agreement, independent contractors, leased employees or Rebadged Employees as later defined. For purposes of determining eligibility, a qualifying termination is a reduction in force designated by the Company or a store closing. The covered positions for each type of qualifying termination are listed in the tables below. You will not be eligible for severance benefits if your employment is terminated, whether voluntarily or involuntarily, for any reason other than a qualifying termination, unless otherwise determined by the Company in its sole discretion.

| Payless ShoeSource, Inc. Table1: Reduction in Force | | | |
|--|---------------|---|--|
| Covered Position | Job Level | Minimum Severance Benefit | Maximum Severance Benefit, if greater than Minimum |
| Executives: | | | |
| DSVP & SVP (all locations) | E13 and above | As specified in the employment agreement or other written arrangement | |
| VP (all locations) | E12 | 16 weeks, unless otherwise specified in an employment | 1 week per year of service |

| | | | |
|---|-------------------------------|--|----------------------------|
| | | agreement or other written arrangement | |
| Director (all locations) | E10 | 12 weeks | 1 week per year of service |
| Corporate/DC: | | | |
| Manager | E07 S07 | 8 weeks | 1 week per year of service |
| Other Exempt and N30 Nonexempt | E02 - E05 AP5 – AP6 N30 | 6 weeks | 1 week per year of service |
| Nonexempt | N02 - N11 D15 – D90 | 2 weeks | 1 week per year of service |
| Stores: | | | |
| Group Leader, Store Leader, Department Leader | -- | 8 weeks | 1 week per year of service |
| Full-Time Associate | -- | 2 weeks | 1 week per year of service |
| Part-Time Associate | -- | 1 week | 1 week per year of service |

| Payless ShoeSource, Inc. Table 2: Store Closings | | | |
|---|-----------|---------------------------|--|
| Covered Position | Job Level | Minimum Severance Benefit | Maximum Severance Benefit, if greater than Minimum |
| Stores: | | | |
| Group Leader/Store Leader | -- | 6 weeks | 1 week per year of service |
| Full-Time Associate | -- | 2 weeks | 1 week per year of service |
| Part-Time Associate | -- | 1 week | 1 week per year of service |

| Collective Licensing International LLC Table 3: Reduction in Force | | |
|---|---|--|
| Covered Positions | Minimum Severance Benefit | Maximum Severance Benefit, if greater than Minimum |
| SVP | As specified in the employment agreement or other written arrangement | |
| VP | As specified in the employment agreement or other written arrangement | |
| All others | 2 weeks | 1 week per year of service |

Amount of Severance Benefits. In the event of your qualifying termination, a severance benefit may be made available by the Company, in its sole discretion. As a guideline, during any qualifying termination, you may be eligible to receive a severance benefit of continuation of your weekly base pay for a number of weeks as reflected in Tables 1 and 2, or in the case of any employee of Collective Licensing International LLC, by paying the lump sum equivalent for such

number of weeks as reflected in Table 3. If the qualifying termination results from a plant closing or mass layoff covered by the Worker Adjustment and Retraining Notification Act (“WARN Act”), any severance benefits that may be offered by the Company may be reduced by the value of any wages paid during the required notice period under the WARN Act for any period of time when you were told not to report to work while remaining employed, *provided, however, that* a minimum severance benefit will be offered of at least two weeks of your weekly base pay. The Company may alter, reduce or eliminate severance benefits for any covered position or qualifying termination at any time, either in an individual case or more generally, based on any factors that the Company, in its sole discretion, considers appropriate. For this purpose:

(1) Your “weekly base pay” is your base salary or wages in effect upon your qualifying termination, determined on a weekly basis, but does not include overtime, incentive compensation, bonuses or any other payments.

(2) A “year of service” is a period of 12 months of continuous employment beginning on your date of hire with the Company and each anniversary of that date.

Except as expressly modified by this Amendment, all other terms, conditions and provisions of the Payless ShoeSource, Inc. Severance Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Employer has caused this Amendment Number One to be executed this 10th day of November, 2017.

PAYLESS INC.

By: s/Robert Donohoo
Its: DSVP-General Counsel

**SUMMARY OF MATERIAL MODIFICATION
TO PAYLESS SHOESOURCE, INC. SEVERANCE PLAN**

Employer Identification Number: 48-0674097

Plan Number: 552

This Summary of Material Modification (“SMM”) is intended to notify you of an important change to the Payless ShoeSource, Inc. Severance Plan (“Plan”) that may affect your eligibility for benefits under the Plan.

Effective November 7, 2017, (the “Effective Date”) the severance benefits offered under the Plan were amended to provide that for any qualifying termination resulting from a plant closing or mass layoff covered by the Workers Adjustment and Retraining Notification Act (“WARN Act”), any severance benefits that may be offered by the Company may be reduced by the value of any wages paid during the required notice period under the WARN Act for any period of time when you were told not to report to work while remaining employed. In this circumstance, the amendment also provides for a minimum severance benefit of at least two weeks at your weekly base pay.

The WARN Act is a federal law requiring covered employers to provide notice to their affected workers 60 days before a covered plant closing (including, but not limited to, a store closing) or a covered mass layoff. Generally, a covered plant closing occurs when an employment site (or one or more facilities or operating units within an employment site) will be shut down, and the shutdown will result in the loss of employment for 50 or more employees during any 30-day period. A mass layoff is generally the loss of employment during any 30-day period for the lesser of (1) 500 or more employees or (2) 33% of the employer’s active workforce (if at least 50 employees will lose employment). Coverage under the WARN Act may also be triggered in other limited circumstances.

To obtain more information or to obtain a copy of Plan Document and Summary Plan Description, with amendments, which provides all the details, rules, and exceptions, contact the Plan Administrator at:

Payless Severance Plan Administrator
3231 S.E. Sixth Avenue
Topeka, Kansas, 66607-2207
(785) 233-5151

PAYLESS SHOESOURCE, INC

SEVERANCE PLAN

AND

SUMMARY PLAN DESCRIPTION

(as amended and restated February 27, 2017)

**PAYLESS SHOESOURCE, INC.
SEVERANCE PLAN
AND
SUMMARY PLAN DESCRIPTION**

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**PAYLESS SHOESOURCE, INC.
SEVERANCE PLAN
AND
SUMMARY PLAN DESCRIPTION**

INTRODUCTION

Payless Inc. on behalf of itself and certain of its affiliates, including Payless ShoeSource, Inc. and Collective Licensing International LLC (the “Company”) has established the Payless ShoeSource, Inc. Severance Plan (“Plan”) to provide severance and other benefits to eligible employees in connection with certain terminations of employment due to a reduction in force or a store closing. The Plan was originally effective May 4, 1996. Unless otherwise adopted by appropriate corporate action of an “adopting Employer” of the Company, no other affiliate Employer is eligible for benefits under the Plan. This document outlines the terms and conditions of the Plan, and shall serve as both the plan document and summary plan description for the Plan, as those terms are defined under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

This Plan is the only severance pay plan, program or policy of the Company and supersedes all other severance plans, programs, policies, understandings and agreements, express or implied, written or oral, other than any individual severance arrangement specifically provided for in a written employment agreement between the Company and an Associate. Any individual severance arrangement described in the previous sentence shall be considered part of this Plan, but the benefits provided under that arrangement (i.e. employment agreement) shall apply in lieu of the severance and other benefits described in this document.

SEVERANCE BENEFITS

Eligibility. You may be eligible to receive a severance benefit if you are classified by the Company as a regular employee in a covered position and your employment with the Company or any commonly owned affiliate employer of the Company authorized to participate in the Plan, is involuntarily terminated due to a qualifying termination. This Plan does not apply to temporary associates, associates covered by a collective bargaining agreement, independent contractors, leased employees or Rebadged Employees as later defined. For purposes of determining eligibility, a qualifying termination is a reduction in force designated by the Company or a store closing. The covered positions for each type of qualifying termination are listed in the tables below. You will not be eligible for severance benefits if your employment is terminated, whether voluntarily or involuntarily, for any reason other than a qualifying termination.

| Payless ShoeSource, Inc. Table1: Reduction in Force | | | |
|--|-----------------------------|---|--|
| Covered Position | Job Level | Minimum Severance Benefit | |
| Executives: | | | |
| DSVP & SVP (all locations) | E14 and above | As specified in the employment agreement or other written arrangement | |
| VP (all locations) | E11 - E13 | As specified in the employment agreement or other written arrangement | |
| Director (all locations) | E09 - E10 | 12 weeks | |
| Corporate/DC: | | | |
| Manager | E06 - E07, 106 - 107 | 8 weeks | |
| Other Exempt | E02 - E05 102 - 105, P05 | 6 weeks | |
| Nonexempt | N02 - N11 | 2 weeks | |
| Stores: | | | |
| Group Leader/Store Store Leader | -- | 8 weeks | |
| Full-Time Associate | -- | 2 weeks | |
| Part-Time Associate | -- | 1 week | |

| Payless ShoeSource, Inc. Table 2: Store Closings | | |
|---|-----------|---------------------------|
| Covered Position | Job Level | Minimum Severance Benefit |
| Stores: | | |
| Group Leader/Store Leader | -- | 6 weeks |
| Full-Time Associate | -- | 2 weeks |
| Part-Time Associate | -- | 1 week |

Collective Licensing International LLC
Table 1: Reduction in Force

| Covered Positions | Minimum Severance Benefit | |
|--------------------------|---|--|
| SVP | As specified in the employment agreement or other written arrangement | |
| VP | As specified in the employment agreement or other written arrangement | |
| All others | 2 weeks | |

Plan Definitions.

“Rebadged Employee” means an otherwise eligible employee whose employment with the Company or an adopting employer is terminated in connection with the outsourcing of work by the Company or an adopting employer in a transaction with a third-party vendor where the otherwise eligible employee is presented a Job Offer and:

- (i) accepts the Job Offer
- (ii) declines the Job Offer, provided the Job Offer requires a minimal relocation or
- (iii) fails to timely respond to the Job Offer

“Job Offer” for purposes of this Plan means an offer of employment with an outsource vendor of the Company or an adopting employer as a result of work outsourced by the Company or an adopting employer to the outsourced vendor, under terms and conditions which provide for a comparable weekly base pay rate.

Amount of Severance Benefits. In the event of your qualifying termination, a severance benefit may be made available by the Company, in its sole discretion, by continuing your weekly base pay for a number of weeks determined by the Company, or in the case of any employee of Collective Licensing International LLC, by paying the lump sum equivalent for such number of weeks determined by the Company. As a guideline, your weekly base pay will generally be continued for one (1) week for each full year of service with the Company or, if greater, the number of weeks designated as the minimum severance benefit in the applicable table above for the type of qualifying termination and your covered position. The Company may alter, reduce or eliminate severance benefits for any covered position or qualifying termination at any time, either in an individual case or more generally, based on any factors that the Company, in its sole discretion, considers appropriate. For this purpose:

(1) Your “weekly base pay” is your base salary or wages in effect upon your qualifying termination, determined on a weekly basis, but does not include overtime, incentive compensation, bonuses or any other payments.

(2) A “year of service” is a period of 12 months of continuous employment beginning on your date of hire with the Company and each anniversary of that date.

Payment of Severance Benefits. Effective July 11, 2014, severance benefits paid to eligible employees under this Plan will be paid as follows unless otherwise set forth in an employment agreement between the Company and the eligible employee:

1. **Eligible employees of Payless ShoeSource, Inc. and adopting Affiliate Employers other than Collective Licensing International LLC.** Severance benefits are generally paid in installments on a weekly or bi-weekly basis, on the Company’s normal payroll dates, beginning with the payroll date coinciding with or following your qualifying termination. However, the commencement of severance benefits may be delayed in certain cases. For example, if the release required by the Company (see the section headed “Release” below) has not become effective by the time payments would normally begin, then payments will not begin until the release does become effective.
2. **Eligible employees of Collective Licensing International LLC.** Severance benefits are paid in lump sum and will be made as soon as administratively feasible

within the 60 day period following execution and non-revocation, as applicable, of the Release.

Notwithstanding 1 and 2 above, in addition, if you are a “key employee” as defined in the Internal Revenue Code (which generally includes officers with annual compensation above a specified amount, which for 2014 is \$170,000), your payments will not begin until six (6) months after your qualifying termination if such delay is required by Internal Revenue Code Section 409A to avoid adverse tax consequences. Although this limitation is required to be communicated to you, this limitation does not apply to the Company in its status as a private rather than a public company. Additionally, for the avoidance of doubt, any Release hereunder becomes effective following the applicable “revocation period”, if any, set forth in the Release.

Payments after Death. In the event of your death after a qualifying termination but prior to the payment of your entire severance benefit as determined by the Company under the Plan, any remaining amounts payable to you shall be paid to your surviving spouse. If you have no surviving spouse at the time of your death, the amounts shall be paid to the legal representative of your estate.

Other Benefits. Effective July 11, 2014, no employee of Collective Licensing International LLC is eligible to receive “other benefits” in connection with a qualifying termination under this Plan unless otherwise set forth in an employment agreement between the Company and such eligible employee. Upon a qualifying termination, eligible employees of Collective Licensing International LLC can elect, outside of this Plan, and as applicable, to continue medical and dental coverage through COBRA at their own full expense. With respect to all other eligible employees under this Plan, if you are eligible to receive a severance benefit, you may also receive certain other benefits determined in the sole discretion of the Company. As a guideline, those benefits may include continued coverage for the period that your severance benefit is payable under the Company’s medical and dental plans, and any other welfare benefit plan designated by the Company, in which you are enrolled at the time of your qualifying termination. Continued coverage under those plans shall be on the same terms and conditions applicable to active associates, and any contribution required from you for that coverage shall be deducted from your severance benefit payments or remitted through such other payment arrangement as established by the Plan Administrator and permitted by law. Notwithstanding the above, for all non-Collective Licensing International LLC employees, if so specified in the release required to be signed for benefits under this severance Plan or otherwise communicated by the Employer, an election to continue coverage under the Company’s medical and dental plans through COBRA will be required and your continued coverage will be deemed to count towards your COBRA eligibility period.

Limitations on Severance Benefits. Under the circumstances described below, unless otherwise specified herein, you will not be eligible to receive a severance benefit (or any other benefits under the Plan), or your severance benefit may be limited, regardless of whether your employment is terminated in a qualifying termination.

(1) If you voluntarily terminate your employment with the Company before the date that your employment would otherwise terminate due to a qualifying termination, as determined by the Plan Administrator in its sole discretion, you will not be eligible to receive a severance benefit.

(2) If your employment is terminated as a result of the elimination of your position but you are offered another position with the Company at a comparable level of pay and benefits, as determined by the Plan Administrator in its sole discretion, you will not be eligible to receive a severance benefit.

(3) If your employment is terminated because you have refused to accept reassignment to a position which requires a “minimal relocation” at a comparable level of pay and benefits, as determined by the Plan Administrator in its sole discretion, you will not be eligible to receive a severance benefit. Effective May 1, 2012, for this purpose, a “minimal relocation” is defined as a change in an Associate’s principal work location which has the effect of causing the Associate’s commute to work to increase by up to 60 miles. Notwithstanding the above, following a Change of Control as defined in the Company’s 2006 Stock Incentive Plan, if within the 12 month period following the Change of Control either you or the Company terminates your employment because you have refused to accept reassignment to a position that requires you to relocate to an office location that is greater than 60 miles away from your office location prior to the Change of Control, then for purposes of this Plan your termination will be deemed a qualifying termination and you will be eligible for benefits under this Plan.

(4) If your qualifying termination is in connection with a business transaction, such as the sale of a business unit of the Company in which you were employed to another company, no severance benefit shall be paid for any period after you become employed by the other company. In addition, except as provided in (3) above if you are offered a position by the other company at a comparable level of pay and benefits, as determined by the Plan Administrator in its sole discretion, you will not be eligible to receive a severance benefit whether or not you accept the position.

(5) If your qualifying termination is as a result of you being a Rebadged Employee, no severance benefit shall be paid for any period after you become a Rebadged Employee.

(6) If your employment with the Company is terminated for cause, you will not be eligible to receive a severance benefit. "Termination for cause" means termination because of any dishonest act with respect to the Company or its property, excessive absenteeism, gross negligence or willful neglect in the performance of your duties, your failure to satisfactorily fulfill your obligations to the Company while an Associate, a violation of Company policy or insubordination and, if applicable, a “termination for cause” as defined under an Associate’s employment agreement or other arrangement.

(7) If you fail to sign the Release required by the Company (see the section headed “Release” below), or the Release does not become effective because you revoke it or for any other reason, you will not be eligible to receive a severance benefit.

(8) You, or your surviving spouse or estate, as applicable, must repay any severance benefit received under the Plan if the Company determines, in its sole discretion, that you have breached or otherwise not complied with the terms of the Plan, or that you have breached the terms of the Release required by the Company (see the section headed “Release” below). You shall

receive no other benefits and shall have no further rights under the Plan as of the date of that determination. In the event that you, your surviving spouse or your estate fail to promptly repay the severance benefit as required under this paragraph (8), the Company may, in its sole discretion, take any action it deems reasonable to recover the severance benefit.

(9) If you are rehired by the Company while receiving any severance benefits, you will no longer be eligible to receive any benefits as of the date you are re-employed.

(10) If you are hired by an outsourced vendor of the Company while receiving severance benefits under the Plan, you will no longer be eligible to receive any such benefits as of the date of your employment with the outsourced vendor.

Release. In order to receive a severance benefit, and any other benefits under this Plan, you must sign a Release in the form designated by the Company, and the Release must become effective. The Release shall include, without limitation, a release and waiver of any and all claims that you may have against the Company and certain non-compete conditions.

ADMINISTRATION

Plan Administrator. The Company shall be the Plan Administrator, and shall have authority to control and manage the operation and administration of the Plan. However, the Company may designate any Associate or group of Associates, or any other person, as the Plan Administrator.

Powers and Duties. The Plan Administrator shall have the absolute discretionary authority to construe and interpret the Plan and to determine and resolve all questions relating to eligibility to participate in the Plan or the right to any severance or other benefits under the Plan. The Plan Administrator shall also have the authority to take any actions it considers necessary to discharge its duties and responsibilities under the Plan, such as the following:

(1) Adopt such rules of procedure and regulations as are consistent with the provisions of the Plan and as it deems necessary and proper.

(2) Maintain and keep accurate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Plan Administrator may decide.

(3) Employ agents, attorneys, actuaries, accountants or other persons (who may also be employed by or represent the Company) for any purposes the Plan Administrator considers necessary or desirable.

(4) Delegate any of the Plan Administrator's powers or duties, including all or any part of its authority to manage and control the operation and administration of the Plan, to any Associate or group of Associates of the Company or to any other person.

(5) Determine the content and form of all documents required to carry out the terms of the Plan. However, even if the Company is not the Plan Administrator, the Company shall determine the content and form of the Release required to receive severance and other benefits.

CLAIMS

Claim. If you, your surviving spouse, your estate or any other person believes that he or she is being denied a benefit to which he or she is entitled (hereinafter referred to as “Claimant”), the Claimant or his or her duly authorized representative may file a written request for that benefit with the Plan’s Review Committee as designated by the Senior Vice of Human Resources setting forth his or her claim. The request must be filed with the Review Committee within sixty (60) days of the Associate’s qualifying termination and addressed to:

Review Committee
Payless ShoeSource, Inc. Severance Plan
3231 S.E. Sixth Street
Topeka, Kansas 66607-2207

Claim Decision. Upon receipt of a claim, the Review Committee shall advise the Claimant that a reply will be forthcoming within a reasonable period of time, but ordinarily not later than 90 days, and shall, in fact, deliver such reply within such period. However, the Review Committee may extend the reply period for an additional 90 days for reasonable cause. If the reply period will be extended, the Review Committee shall advise the Claimant in writing during the initial 90-day period indicating the special circumstances requiring an extension and the date by which the Review Committee expects to render the benefit determination. If the claim is denied in whole or in part, the Review Committee will render a written opinion, using language calculated to be understood by the Claimant, setting forth the following:

- (1) The specific reason or reasons for the denial.
- (2) The specific references to pertinent Plan provisions on which the denial is based.
- (3) A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation as to why such material or such information is necessary.
- (4) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, including a statement of the Claimant’s right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.
- (5) The time limits for requesting a review of the denial and for the actual review of the denial, as described below.

Request for Review. Within 60 days after the Claimant receives the written opinion denying his or her claim, the Claimant may file a written request with the Plan Administrator, at Payless Severance Plan Administrator, 3231 SE Sixth Avenue, Topeka, KS 66607 for review of the Review Committee’s prior determination. If the Claimant does not request a review of the Review Committee’s prior determination within this 60-day period, he or she shall be barred and estopped from challenging that determination. The Claimant or his or her duly authorized representative may submit written comments, documents, records or other information relating to the denied claim, which such information shall be considered in the review under this subsection without regard to whether such information was submitted or considered in the initial benefit determination. The

Claimant or his or her duly authorized representative shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information which (i) was relied upon by the Review Committee in making its initial claims decision, (ii) was submitted, considered or generated in the course of the Review Committee making its initial claims decision, without regard to whether such instrument was actually relied upon by the Review Committee in making its decision or (iii) demonstrates compliance by the Review Committee with its administrative processes and safeguards designed to ensure and to verify that benefit claims determinations are made in accordance with governing Plan documents and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated claimants.

Review of Decision. Within a reasonable period of time, ordinarily not later than 60 days, after the Plan Administrator's receipt of a request for review, the Plan Administrator will review the Review Committee's prior determination. If special circumstances require that the 60-day time period be extended, the Plan Administrator will notify the Claimant within the initial 60-day period, indicating the special circumstances requiring an extension and the date by which the Plan Administrator expects to render its decision on review, which shall be as soon as possible but not later than 120 days after receipt of the request for review. If the Plan Administrator makes an adverse benefit determination on review, the Plan Administrator will render a written opinion, using language calculated to be understood by the Claimant, setting forth the following:

- (1) The specific reason or reasons for the denial.
- (2) The specific references to pertinent Plan provisions on which the denial is based.
- (3) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information which (i) was relied upon by the Plan Administrator in making its decision, (ii) was submitted, considered or generated in the course of the Plan Administrator making its decision, without regard to whether such instrument was actually relied upon by the Plan Administrator in making its decision or (iii) demonstrates compliance by the Plan Administrator with its administrative processes and safeguards designed to ensure and to verify that benefit claims determinations are made in accordance with governing Plan documents and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated claimants.
- (4) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

Plan Administrator's Authority. The Plan Administrator shall have sole and absolute discretionary authority to determine a Claimant's eligibility for severance or other benefits under the Plan and to interpret the terms of the Plan. Benefits under the Plan will be provided only if the Plan Administrator decides in its discretion that the Claimant is entitled to those benefits. The decision of the Plan Administrator shall be final and non-reviewable, unless found to be arbitrary and capricious by a court of competent review. The Plan Administrator's decision will be binding upon the Company and the Claimant.

GENERAL PROVISIONS

Amendment or Termination. The Company shall have the right to amend or terminate the Plan, in whole or in part, at any time in its sole discretion.

No Assignment of Benefits. Any right to severance or other benefits that you may have under the Plan cannot be sold, assigned, transferred or pledged to any other person. Prior to payment, those benefits are not subject to garnishment, attachment or seizure by a creditor or any other person in any manner.

Unfunded Plan. Any payment made by the Company under the Plan shall be made from the general assets of the Company. No person shall have or acquire any interest in any assets of the Company by virtue of the provisions of the Plan. The Company's obligation to pay severance benefits under the Plan shall be an unfunded and unsecured promise to pay money. In no event shall a person's rights to receive those payments be greater than those of any other unsecured creditor of the Company.

No Trust Created. The Plan and any action taken pursuant to the Plan shall not be construed as creating any kind of trust between the Company, you or any other person.

Offset. If you have any debt, obligation or other liability owing to the Company of any nature whatsoever at the time that a severance benefit becomes payable to you, your surviving spouse or your estate, the Company may offset the amount that you owe against the amount of the severance benefit otherwise payable under the Plan.

Withholding of Taxes. The Company may withhold from any severance benefit payable under the Plan all federal, state, local or other taxes as may be required pursuant to any law, governmental regulation or ruling.

No Guarantee of Employment or Other Benefits. Unless you have a written employment agreement which states otherwise, employment with the Company is on an "at will" basis. This means that the employment relationship may be terminated at any time by either you or the Company for any reason not expressly prohibited by law. Any representation to the contrary is invalid and unenforceable and should not be relied upon, unless set forth in a written contract of employment, signed on behalf of the Company by an authorized officer. Participation in this Plan and the receipt of benefits under this Plan shall not automatically be deemed employment for purposes of any other employee benefit plan including, without limitation, participation in (i) any other benefit plan such as medical, dental, disability or other welfare benefit plan, (ii) any retirement plan, or (iii) any other type of benefit.

Applicability. Severance benefits made available under the Plan are neither an accrued nor vested entitlement of an Associate or in consideration for services rendered, and the payment of any severance benefit is conditioned upon the Associate meeting the requirements of the Plan.

Governing Law. The Plan shall be construed, governed and administered in accordance with the laws of the State of Kansas to the extent such laws are not preempted by ERISA.

Notices. Any notice required or permitted to be given under the provisions of the Plan shall be in writing. If a notice is mailed, it shall be sent by United States first class mail, postage prepaid, addressed to the recipient's last known address as shown on the Company's records. The date of mailing shall be deemed the date of notice.

ERISA PROVISIONS

Plan Name. The Plan is known as the Payless ShoeSource, Inc. Severance Plan.

Employer Whose Employees are Covered by the Plan.

Payless ShoeSource, Inc., and its subsidiaries adopting the Plan

Payless ShoeSource, Inc.
3231 S.E. Sixth Avenue
Topeka, Kansas 66607-2207

Employer Identification Number. Payless ShoeSource, Inc.'s Employer Identification Number is 48-0674097.

Plan Number. The three-digit number assigned to the Plan by the Company for identification purposes is 552.

Type of Plan and Plan Administration. The Plan is a severance pay plan, which is a welfare benefit plan under ERISA. Benefits are self-administered.

Plan Administrator. The Company is the Plan Administrator for purposes of ERISA, and its name, address and telephone number are as follows:

Payless ShoeSource, Inc.
Payless Severance Plan Administrator
3231 S.E. Sixth Avenue
Topeka, Kansas 66607-2207
(785) 233-5171

Agent for Service of Legal Process. The name and address of the designated agent for service of legal process under the Plan is:

Payless ShoeSource, Inc.
3231 S.E. Sixth Avenue
Topeka, Kansas 66607-2207

Service of legal process may also be made on the Plan Administrator.

Type of Funding and Contributions. The Plan is self-funded. Severance benefits will be paid from the Company's general assets. Contributions to the Plan are only made by the Company.

Plan Year. For purposes of maintaining the Plan's fiscal records, the Plan year begins on January 1 and ends on December 31 of each calendar year.

Statement of ERISA Rights. Participants in the Plan are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants are entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the Plan and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of all Plan participants and beneficiaries. No one, including the Company or any other person, may fire any participant or otherwise discriminate against any participant in any way to prevent him or her from obtaining benefits or exercising his or her rights under ERISA.

Enforce Your Rights

If a participant's claim for benefits is denied or ignored, in whole or in part, the participant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps a participant can take to enforce the above rights. For instance, if a participant requests a copy of Plan documents or the latest annual report from the Plan and does not receive them within thirty (30) days, he or she may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay the participant up to \$110 a day until he or she receives the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If a participant has a claim for benefits which is denied or ignored, in whole or in part, he or she may file suit in a federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if a participant is discriminated against for asserting his or her rights, he or she may seek assistance from the U.S. Department of Labor, or he or she may file suit in a federal court. The court will decide who should pay court costs and legal fees. If the participant is successful, the court may order the person the participant has sued to pay these costs and fees. If the participant loses, the court may order him or her to pay these costs and fees, for example, if it finds that the participant's claim is frivolous.

Assistance with Your Questions

Any participant who has questions about the Plan should contact the Plan Administrator. Any participant who has any questions about this statement or about his or her rights under ERISA, or

needs assistance in obtaining documents from the Plan Administrator, should contact the nearest Area Office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. A participant may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.