

**PAYLESS FILES FOR VOLUNTARY CHAPTER 11 PROTECTION IN THE U.S.  
AND INTENDS TO FILE FOR CCAA PROTECTION IN CANADA**

*All North American Payless Stores to Close by the End of May;  
E-Commerce Operations Have Been Wound Down*

*Latin American Stores and International Franchisee Stores  
Will Remain Open and Continue Business as Usual*

**TOPEKA, Kan., February 18, 2019** -- Payless ShoeSource ("Payless" or the "Company") today announced that the Company and its North American subsidiaries have voluntarily filed for relief under Chapter 11 of the Bankruptcy Code ("Chapter 11") in the U.S. Bankruptcy Court for the Eastern District of Missouri (the "U.S. Bankruptcy Court"). Certain Payless Canadian subsidiaries ("Payless Canada") will also be seeking protection pursuant to the Companies' Creditors Arrangement Act (the "CCAA") in the Ontario Superior Court of Justice (Commercial List) ("Canadian Court").

Payless intends to use these proceedings to facilitate a wind-down of its approximately 2,500 store locations in North America and its e-commerce operations. The Company expects that Payless store closings will begin at the end of March and many stores will remain open through the end of May, as it conducts liquidation sales in the U.S. and Canada. Payless has also wound down its e-commerce operations.

Payless' retail operations outside of North America, including its company-owned stores in Latin America, are separate legal entities and are not included in the Chapter 11 or CCAA filings. Payless' 420 stores across 20 countries in Latin America, its stores in the U.S. Virgin Islands, Guam and Saipan, and its 370 international franchisee stores in 16 countries across the Middle East, India, Indonesia, Indochina, Philippines and Africa, will continue operating business as usual in every respect.

Stephen Marotta, appointed in January 2019 to serve as Chief Restructuring Officer of Payless, said, "We have worked diligently with our suppliers and other partners to best position Payless for the future amidst significant structural, operational, and market challenges. Despite these efforts, we now must wind down our North American retail operations under Chapter 11 and the CCAA. However, Payless' profitable stores throughout Latin America, which are not part of today's filing, and our international franchisees' stores will continue to operate business as usual in every respect. As we move through the process, we will work to minimize the impact on our employees, customers, vendors and other stakeholders.

"The challenges facing retailers today are well documented, and unfortunately Payless emerged from its prior reorganization ill-equipped to survive in today's retail environment. The prior proceedings left the Company with too much remaining debt, too large a store footprint and a yet-to-be realized systems and corporate overhead structure consolidation. As a consequence, despite our substantial efforts, we were ultimately unable to operate the North American retail and e-commerce operations on a sustainable basis."

Mr. Marotta continued, "On behalf of the entire company, I'd like to express our deep appreciation for the hard work of our dedicated employees and their commitment to Payless customers, who have shown us tremendous loyalty for more than 60 years. We are also grateful for the many years of support

by our suppliers and vendors, and we look forward to continuing to work with them to support our remaining operations."

The Company will provide a more detailed update on plans for the orderly wind-down of its North American retail operations, including store closing sales, as the Court-supervised process progresses.

Payless is seeking customary initial relief from the U.S. Bankruptcy Court and Canadian Court, including authorization to support its operations during the process, authorization to continue payment of employee wages and maintain healthcare benefits and certain other relief customary in these circumstances. The Company is seeking authorization from the U.S. Bankruptcy Court to continue to honor customer gift cards and store credit until March 11, 2019, and to continue to allow returns and exchanges of applicable non-final sale purchases made prior to February 17, 2019, until March 1, 2019. A similar request will be made in the Canadian Court. Payless has discontinued its Rewards programs and any outstanding merchandise coupons in North America, effective immediately.

Additional information regarding Payless' Chapter 11 filing will be available at [www.payless.com/restructure](http://www.payless.com/restructure). Court filings and information about the claims process are available at <http://cases.primeclerk.com/pss>. Questions should be directed to the Company's claims agent, Prime Clerk, at +1 917-877-5967 (toll) or +1 844-339-4268 (U.S. / Canada toll-free) or by email to [pssinfo@primeclerk.com](mailto:pssinfo@primeclerk.com).

Additional information regarding the CCAA filing in Canada will be available on the website of the proposed Monitor, FTI Consulting Canada Inc., once the Monitor has been appointed: <http://cfcanada.fticonsulting.com/paylesscanada>. The proposed Monitor will establish, once appointed, an information hotline related to enquiries regarding the CCAA process at +1 855-718-5255.

Akin Gump Strauss Hauer & Feld LLP and Armstrong Teasdale LLP are serving as the Company's legal counsel and Cassels Brock & Blackwell LLP is serving as Payless Canada's counsel. Ankura Consulting Group is serving as the Company's restructuring advisor. PJ SOLOMON is serving as financial advisor to the Company. A&G Realty Partners is serving as real estate consultant to the Company.

### **About Payless**

Founded in 1956, today Payless serves millions of customers through its extensive global network spanning 36 countries worldwide. Payless has 420 stores in Latin America, the U.S. Virgin Islands, Guam and Saipan, and 370 international franchisee stores across the Middle East, India, Indonesia, Indochina, Philippines and Africa.

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