

**PAYLESS SHOESOURCE, INC.
MEDICAL PLAN**

HIPAA NOTICE OF PRIVACY PRACTICES

**EFFECTIVE APRIL 14, 2003
Restated Effective January 1, 2007**

<p>THIS NOTICE DESCRIBES HOW MEDICAL INFORMATION ABOUT YOU MAY BE USED AND DISCLOSED AND HOW YOU CAN GET ACCESS TO THIS INFORMATION. PLEASE REVIEW IT CAREFULLY.</p>

I. INTRODUCTION

This Privacy Notice is being provided to you as a requirement of a federal law, the Health Insurance Portability and Accountability Act of 1996 (HIPAA). One of the primary purposes of HIPAA is to make sure that information about your health is handled with special respect for your privacy. HIPAA contains numerous safeguards designed to protect personal health information. Your health plan is required to maintain the privacy of your protected health information and to abide by the terms of this notice as currently in effect. However, the practices and policies described in this notice may be changed and the changes can apply to information already held by the health plan at the time of change. If this notice is materially revised, a current copy will be sent to your address on file with the plan. Revisions to this “notice” may also be posted on the Company’s website: www.mypayless.com. As used herein, the term “Company” refers to Payless ShoeSource, Inc. and its subsidiaries adopting the Plan.

II. PAYLESS PROGRAMS COVERED BY THIS NOTICE

This notice applies to the following plan options under the Payless ShoeSource, Inc. Medical Plan (collectively and individually referred to as the “Plan”):

- Cigna plan
- United Health Care plans
- Medco Prescription Drug Program
- Employee Assistance Program (Medical Services Only)
- Payless ShoeSource, Inc. Health Care Flexible Spending Account plan
- Any other self-insured health plan options offered under the Payless ShoeSource, Inc. Medical Plan or Dental Plan from time to time

If you participate in a fully-insured option or HMO offered under the Payless ShoeSource, Inc. Medical Plan or Dental Plan, the insurer or HMO will send you a notice of its privacy practices.

III. DEFINING PROTECTED HEALTH INFORMATION

Under HIPAA, protected health information is information:

- in any form, oral, written, electronic, etc.; and
- created or received by the Plan; and
- that relates to the past, present or future physical or mental health or condition of an individual or the provision of health care services to the individual, or payment for those health care services; and
- that identifies the individual or from which there is a reasonable basis to believe the information could be used to identify the individual.

Protected health information does not include employment records held by the Company, separately from the Plan.

IV. USES AND DISCLOSURES OF PROTECTED HEALTH INFORMATION BY THE PLAN

A. Standard Permitted Uses and Disclosures Not Requiring Your Authorization

The Plan may use and disclose your protected health information to carry out treatment, payment or health care operations and for other purposes that are permitted or required by law. Following is a brief description of the circumstances in which the Plan is permitted to use or disclose your protected health information without your authorization.

Payment: Your protected health information will be used, as needed, to obtain payment for your health care services. This may include certain activities that your Plan may undertake before it approves or pays for the health care services recommended for you. These activities include such activities as making a determination of eligibility or coverage for insurance benefits, undertaking utilization review activities, handling payment collection services and reviewing services provided to you for medical necessity. For example, obtaining approval for a hospital stay may require that your relevant protected health information be disclosed to the Plan to obtain approval for the hospital admission.

Treatment: The Plan may use and disclose your protected health information to provide, coordinate or manage your health care and any related services. This includes the coordination or management of your health care with a third party that has already obtained your permission to have access to your protected health information. For example, the Plan may disclose your protected health information, as necessary, to a home health agency that provides care to you. The Plan may also disclose protected health information to other physicians who may be treating you. For example, your protected health information may be provided to a physician to whom you have been referred to ensure that the physician has the necessary information to diagnose or treat you.

Healthcare Operations: The Plan may disclose, as needed, your protected health information in order to support certain healthcare operations of the Plan. For example, these activities include but are not limited to, quality assessment activities, claims auditing, provider reviews, and the conducting or arranging of other business activities related to the Plan. The Plan will share your protected health information, as necessary, with third party “business associates” that perform various healthcare operation activities for the Plan (e.g. billing, transcription services, claims administration, COBRA administration, network and payor services). Whenever an arrangement between the Plan and a business associate involves the use or disclosure of your protected health information, the Plan will have a written contract that contains terms that will protect the privacy of your protected health information.

B. Other Permitted Uses and Disclosures Not Requiring Your Authorization

Other circumstances in which the Plan may use or disclose protected health information about you without your authorization include the following:

Required by Law: The Plan may use or disclose your protected health information to the extent that the use or disclosure is required by law. The use or disclosure will be made in compliance with the law and will be limited to the relevant requirements of the law.

Required by the DHHS Secretary: Under the law, the Plan may be required to make disclosures to the Secretary of the Department of Health and Human Services to investigate or determine our compliance with the requirements of 45 C.F.R. Section 164.500 et. seq.

Legal Proceedings: The Plan may disclose your protected health information in the course of any judicial or administrative proceeding, in response to an order of a court or administrative tribunal (to the extent such disclosure is expressly authorized), and in certain conditions in response to a subpoena, discovery request or other lawful process.

To Avert a Serious Threat to Health or Safety: The Plan may use and disclose your protected health information when necessary to prevent or lessen a serious and imminent threat to a person’s health and safety or the health and safety of the public. Any disclosure, however, would only be to someone able to help prevent or lessen the threat.

Specialized Government Functions: The Plan may release protected health information about you to authorized federal officials so that they may perform intelligence, counterintelligence, medical suitability determinations, Presidential protection activities, and other national security activities authorized by law. If you are an inmate in a correctional institution or under the custody of a law enforcement official, the Plan may disclose your protected health information to those parties if disclosure is necessary for (1) the provision of your healthcare, (2) maintaining the health or safety of

yourself or other inmates, or (3) ensuring the safety and security of the correctional institution or its agents.

Health Oversight Activities: The Plan may disclose protected health information about you to a health oversight agency for activities authorized by law. These oversight activities include, for example, audits, investigations, inspections, and licensure. These activities are necessary for the government to monitor the health care system, government programs, and compliance with civil rights laws.

Military and Veterans: If you are a member of the armed forces, we may release protected health information about you as required by military command authorities.

Public Health Risks: The Plan may release protected health information about you for public health activities. These activities generally include the following: (1) to prevent or control disease, injury or disability; (2) to report births and deaths; (3) to report child abuse or neglect; (4) to report reactions to medications or problems with products; (5) to notify people of recalls of products they may be using that are regulated by the Food and Drug Administration; (6) to notify a person who may have been exposed to a communicable disease or may be at risk for contracting or spreading a disease or condition.

Workers' Compensation: Your protected health information may be disclosed by the Plan as authorized to comply with workers' compensation laws and other similar legally-established programs.

Law Enforcement: The Plan may release protected health information about you if asked to do so by a law enforcement official as a part of law enforcement activities; in investigations of criminal conduct or of victims of crime; in response to court orders; in emergency circumstances; or when required to do so by law.

Abuse, Neglect or Domestic Violence: The Plan may release protected health information about you to a social service, protective agency or other government authority if it is reasonably suspected that you are a victim of abuse, neglect or domestic violence. The Plan will inform you of its disclosure unless informing you will place you at risk of serious harm.

Decedents: The Plan may disclose protected health information about you to a coroner or medical examiner for the purpose of identifying a deceased person, determining a cause of death, or other duties as authorized by law. The Plan may also disclose protected health information to funeral directors, consistent with applicable law, as necessary to carry out their duties with respect to a decedent.

Cadaveric organ, eye or tissue donation: The Plan may use and disclose protected health information about you to organ procurement organizations or other entities engaged in the procurement, banking, or transplantation of cadaveric organs, eyes, or tissue for the purpose of facilitating organ, eye or tissue donation and transplantation.

Research: Under certain circumstances, the Plan may use and disclose protected health information about you for research purposes. Before the Plan uses or discloses protected health information about you for research purposes, the Plan will either remove information that personally identifies you or gain approval through a special approval process designed to protect the privacy of your protected health information. In some circumstances, the Plan may use your protected health information to generate aggregate data (summarized data that does not identify you) for particular research studies. These studies generate aggregate data that the Plan may disclose to other companies or organizations.

C. Other Permitted Uses and Disclosures Requiring Your Authorization

Some of the other circumstances in which the Plan may use or disclose your protected health information with your authorization are as follows:

Notification to Others Involved in Your Healthcare: Unless you object, the Plan may disclose to a member of your immediate family, other relative, a close friend or any other person you identify, your protected health information that directly relates to that person's involvement in your health care. The Plan may use or disclose protected health information to notify or assist in notifying a family member, personal representative or any other person that is responsible for your care of your location, general condition or death.

Use and Disclosure for Disaster Relief Purposes: Unless you object, the Plan may also disclose your protected health information to an authorized public or private entity to assist in disaster relief efforts and to coordinate uses and disclosures to family or other individuals involved in your health care.

Authorization will not be required under the circumstances described in this section if professional judgment reasonably dictates that due to your incapacity or in an emergency situation, authorization cannot be reasonably provided by you.

The Plan must obtain your specific written authorization to use or disclose your protected health information in any way not outlined in this notice. For example, the Plan will not sell lists of pregnant women to a baby clothing manufacturer without the individual authorization of you and other Plan participants who would be affected. To obtain a copy of the authorization form for your Plan, contact the Company's Privacy Officer at the address indicated in the contacts section of this notice. Please note that after your authorization is submitted, you may revoke it at any time if the Plan has not yet acted upon your authorization to disclose your protected health information.

D. Limitations on Uses and Disclosures

The Plan and designated Company Associates who help to administer the Plan will use and/or disclose only the minimum amount of information that is necessary to accomplish the activity at hand. For example, if you call for assistance in getting a bill paid for the surgeon who operated on your back and you happen to mention to the Associate taking your call that you are diabetic, your diabetes would not be necessary information relating to your back surgery and would not be mentioned to anyone in connection with working on getting the bill paid unless it became a relevant factor for some reason. This “minimum necessary” policy does not apply when you or a provider request information, when information disclosure is required by law, when you authorize disclosure, when disclosure is for treatment purposes, when disclosure is for compliance with standardized HIPAA transactions, and when disclosure is required to be made to the Department of Health and Human Services.

V. YOUR RIGHTS

You have the following rights regarding protected health information the Plan maintains about you:

Right to Inspect and Copy: You have the right to inspect and copy protected health information that may be used to make decisions about your care. Usually, this includes medical and billing records, but does not include psychotherapy notes, information compiled in reasonable anticipation of, or use in a civil, criminal, or administrative action or proceeding, and protected health information that is subject to a law that prohibits your access to such protected health information.

To inspect and copy protected health information that may be used to make decisions about you, you must submit your request in writing to the Company’s Benefits Resolution Group at the address indicated in the contacts section of this notice. If you request a copy of the information, you may be charged a fee for the costs of copying, mailing or other supplies associated with your request. You will receive a response to your request. If your response is denied, in most circumstances you have the right to have your request reviewed.

Right to Request to Receive Confidential Communications from the Plan by Alternative Means or at an Alternative Location: You have the right to request, in writing, that you receive confidential communications of protected health information from the Plan by a method other than methods normally used (phone, mail, fax, e-mail, etc.) or at another location if you affirm, in writing, that you believe you would be endangered if such other methods were not used. Please make this request in writing to the Company’s Benefits Resolution Group at the address indicated in the contact section of this notice.

Right to Seek Amendment of Your Protected Health Information: You have the right to ask, in writing, that the Plan amend your protected health information. Your

written request must contain the reason that you request the amendment. You will receive a response to your request. Your request may be denied if the information was not created by the Plan, would not be available for inspection as described above in this article, or if the Plan determines that the information is currently complete and correct.

Right to Receive an Accounting of Certain Disclosures Made by the Plan of Your Protected Health Information: You have the right to receive a list of how many times and to whom your protected health information has been disclosed by the Plan during the six years prior to the date of your request. There are significant exceptions to this right under federal regulations. This right does not apply to disclosures for purposes of treatment, payment or healthcare operations. This right further excludes disclosures the Plan was authorized to make to you, your family members or friends involved in your care, or for notification purposes. Your right to receive an accounting of disclosures is limited to disclosures that occurred after April 14, 2003. To request a list or accounting of disclosures, you must submit your request in writing to the Company's Benefits Resolution Group at the address indicated in the contacts section of this notice. You may be charged a fee for the costs of copying, mailing or other supplies associated with your request.

Right to Receive a Paper Copy of This Notice: If you have received this notice electronically, you have a right to receive a paper copy of this notice upon your request. To request a paper copy, please request one in writing from the Company's Privacy Officer or the Benefits Resolution Group at the address indicated in the contacts section of this notice.

VI. COMPLAINTS

If you believe your privacy rights have been violated, you may file a complaint with the Company.

Complaints against a "business associate" - If your complaint is against a "business associate" of the Company submit your complaint in writing to the Benefits Resolution Group at the address indicated in the contacts section of this notice.

Complaints against a Company Associate- If your complaint is against a Company Associate, other than the Privacy Officer, providing services for the Plan, submit your complaint, in writing, to the Privacy Officer at the address indicated in the contacts section of this notice.

Complaints against the Privacy Officer- If your complaint is against the Privacy Officer submit your complaint, in writing, to the HIPAA Steering Committee at the address indicated in the contacts section of this notice.

You may also file a complaint with the Secretary of Health and Human Services. No one at the Company will retaliate or take any action against you for filing a complaint.

VII. CONTACTS

Benefits Resolution Group

**Payless ShoeSource Worldwide, Inc.
Human Resources Department
Benefits Resolution Group
3231 SE Sixth Avenue
Topeka, KS 66607-2207
1-888-231-9426(Toll free #)
HIPAA@payless.com**

Privacy Officer

**Payless ShoeSource Worldwide, Inc.
Human Resources Department
Susan E. Tucker
Privacy Officer
3231 SE Sixth Avenue
Topeka, KS 66607
1-888-231-9426(Toll free #)
Privacy.Officer@payless.com**

HIPAA Steering Committee

**Payless ShoeSource Worldwide, Inc.
HIPAA Steering Committee
Attn: Law Department–Counsel-Employment
3231 SE Sixth Avenue
Topeka, KS 66607**