

FREQUENTLY ASKED QUESTIONS FOR FILENE'S BASEMENT EMPLOYEES

Some employees have been with the company for many years. Our employees are the backbone of the business and we thank them for the dedication they have shown to their jobs and to our customers.

We will communicate directly with employees with specifics about how the bankruptcy filing will affect them, but the following will provide general answers to questions that may be on your mind.

Q: Why is the company liquidating? Filene's has been in bankruptcy before. Most employees kept their jobs and the company continued doing business, eventually under a new owner. Why can't that happen now?

A: The economy and changing industry conditions have presented major challenges. The board of directors has been exploring every strategic option available for several months and, as a result of that process, has come to the conclusion that this is the best option.

Q: Will I be paid for the time I worked immediately prior to the bankruptcy filing?

A: Payments for any work done prior to the bankruptcy filing require approval of the bankruptcy court. We have filed a motion seeking approval to pay wages and other compensation and benefits to our employees and expect it will be taken up by the court promptly. In most situations like this one, courts do approve these payments and we will provide you with an update as soon as we can.

Q: How can I be sure I'll receive my regular paychecks if I continue to work after the filing?

A: After the filing, we will continue to make payroll according to the same schedule as before. The law considers payroll to be an "administrative expense" that receives special priority.

Q: How long will my job last?

A: We will be communicating directly with each employee about that. We expect the going out of business sales at certain stores to run until approximately January 2012. A significant percentage of employees may have the opportunity to continue in their positions until their stores close. The company we retain to manage those sales will make decisions about how many employees are needed at various stages of the liquidation.

Q: Will I be working for Filene's or for the liquidator?

A: Everyone who continues working for Filene's Basement will continue on those payrolls, just as they are now, for as long as they remain employees. However, the management of the stores and the sales will be overseen by the liquidation company.



Q: What will happen to the store managers?

A: They will continue in their roles to assist with the liquidation.

Q: What will happen to my health insurance?

A: We expect that health insurance will continue as it is for all active employees, however, we may terminate the plan in the future. Employees who leave their jobs will be able to continue their insurance under COBRA for as long as the company maintains a health insurance plan for its employees. If we determine to terminate the health insurance plan, participants (including COBRA participants) will be notified.

Q: What will happen to my 401K?

A: Participant account balances under the 401K Savings Plan are held in trust for the benefit of participants. Employees who leave their jobs will be provided with a notice regarding distribution options, including a rollover option. Participants can learn more about the plan or how to effect a distribution of their account balances by contacting the 401K provider. In the event that we terminate the 401K Savings Plan in the future, participants will be notified and provided information regarding the distribution options under the plan. Prior to any distribution of plan benefits, participants will generally be required to repay any outstanding loans under the Plan.

Q: What will happen to my flexible spending or dependent care accounts?

A: Flexible spending and dependent care accounts will continue as is for all active employees for now and participants will continue to make salary reduction contributions in accordance with participant elections. For employees who leave their jobs: participation in the dependent care assistance program will cease and participants will be able to submit claims for the remainder of the year based on the level of the employee's dependent care assistance accounts; and participation in the health care reimbursement program will cease and participants will be able to submit claims for expenses incurred prior to the termination of employment.

Q: If I'm laid off, will I be able to collect unemployment?

A: Unemployment rules vary from state to state and decisions are made by the government entity, not by us. However, in most cases like this, the loss of a job is considered a permanent lay off and former employees are eligible for unemployment.

Q: What should I do if a customer asks me questions about what's going on?

A: Direct them to the store manager.

Q: What should I do if a member of the media approaches me?

A: Media is not allowed inside any of our stores without permission, but they do have the right to position themselves outside on a public street and approach customers and employees. You have the right to decline to talk to them and shouldn't feel pressured to respond to any questions. We suggest you please refer them to our

website, where they will be able to find the contact information for our communications firm, which will be able to answer their questions.