



FREQUENTLY ASKED QUESTIONS FOR VANITY 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?

A: The economy and changing industry conditions have presented major challenges. The Board of Directors has been exploring every strategic option 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, PTO, 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 the end of March or early April. A significant percentage of employees may have the opportunity to continue in their positions until their stores close.

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 anticipate that active employees will continue to be covered under the company's group health insurance plan until separation of employment. Employees who leave or are separated from employment may be eligible to continue their insurance for a limited time under COBRA provided that the company continues to maintain the health insurance plan for its employees, the employee (and all eligible dependents) timely elects COBRA coverage and is not covered by another plan. COBRA coverage will be discontinued once all health insurance plans are discontinued by the company. We currently expect that this will occur on or around April 30, 2017 and encourage employees to begin exploring other health insurance options.

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 **Bell Bank @ their toll free number 877-451-3150 or by accessing the website @ myplan.bellbanks.com**. 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 dependent care account?

A: Dependent care accounts will continue as is for all active employees for now. Participants, while they are still an active employee, 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.

Q: What will happen to my health savings account?

A: Health Savings Accounts will also continue through salary reduction contributions in accordance with participant elections. For employees who leave their jobs, participation in the health savings program will cease. An HSA is "portable." It is your account and it stays with you if you change employers or leave the work force.

Q: What will happen to my other insurance benefits?

A: All insurance benefits will end on the last day of the month in which your employment ends. Some of the benefits are portable. For more information on your insurance benefits, please contact:

- **Aflac – 701-478-0020 (accident ins; cancer ins; hospital indemnity ins)**
- **Unum – 800-421-0344 (term life ins)**
- **Avesis – 800-828-9341 (vision ins)**
- **Discovery Benefits – 866-451-3399 (Dependent Care Spending and Health Savings Account)**

Q: I am currently on leave and was told I would be able to return to my job. Will that still be the case?

A: Yes, provided all other requirements are met for you to return to work and your store location is still in operation. Contact the Benefits Administrator with any questions on the requirements to return.

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 Vanity. 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: Have your team direct customers to the store manager. Most customer questions will involve "When is your store closing?" and "When will the discounts change?" Always respond: "The store will close when all merchandise is sold." And "We don't know when the discounts will change." Customers may express great regret and sadness that your store is closing. That is a great compliment to you and your team.

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

A: Media is not allowed inside any of Vanity's 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 the press release which you may post in your store from the website @ www.kccllc.net/vanity.