SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended January 30, 1999

Commission file number 1-10299

VENATOR GROUP, INC.
(Exact name of Registrant as specified in its charter)

New York	13-3513936
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
233 Broadway, New York, New York	10279-0003
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 553-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

See pages 11 through 14 for Index of Exhibits.

Number of shares of Common Stock outstanding at April 26, 1999: 137,223,806

Aggregate market value of voting stock held by non-affiliates at April 26, 1999: $*909,102,474

* For purposes of this calculation only (a) all directors plus one executive officer and owners of five percent or more of the Registrant are deemed to be affiliates of the Registrant and (b) shares deemed to be "held" by such persons at April 26, 1999, include only outstanding shares of the Registrant's voting stock with respect to which such persons had, on such date, voting or investment power.

DOCUMENTS INCORPORATED BY REFERENCE

1. The Registrant's Annual Report to Shareholders (the "Annual Report") for the fiscal year ended January 30, 1999: Parts I, II and III.

2. The Registrant's definitive Proxy Statement (the "Proxy Statement")to be filed in connection with the 1999 annual meeting of shareholders: Part III.

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PART I

Item 1. Business

General

Venator Group, Inc. (the "Registrant"), incorporated under the laws of the State of New York in 1989, is the leading global retailer operating 6,002 primarily mall-based stores in North America, Europe, Asia and Australia. Since the Registrant's establishment in 1879, the Registrant has evolved from a company with a strong heritage in general merchandise retailing into a specialty retailer, principally of athletic footwear and apparel. The Registrant operates in two business segments, the Global Athletic Group, which includes Foot Locker, Lady Foot Locker, Kids Foot Locker, Champs Sports, Colorado and Eastbay, and the Northern Group. The remaining businesses are grouped in the "All Other" category, which consists primarily of the Afterthoughts jewelry format and The San Francisco Music Box and Gift Company. The following table indicates the sales and percent of total sales generated by each of the businesses in 1998:

Business	Sales ($ in millions)	Percent of Total Sales
Athletic Group	$ 3,753	82%
Northern Group	415	9
All Other	387	9
Total	$ 4,555	100%

The financial information concerning industry segments required by Item 101(b) of Regulation S-K is set forth on page 36 of the Registrant's Annual Report to Shareholders ("Annual Report") for the fiscal year ended January 30, 1999 and is incorporated herein by reference.

Store Profile

Formats	At January 31, 1998	Opened	Closed	January 30, 1999
Foot Locker	2,008	249	125	2,132
Lady Foot Locker	649	59	14	694
Kids Foot Locker	274	101	6	369
Champs Sports	657	53	41	669
Colorado	37	24	-	61
Total Global Athletic Group	3,625	486	186	3,925
Northern Reflections	557	37	12	582
Northern Getaway	139	57	2	194
Northern Elements	80	25	3	102
Northern Traditions	51	13	2	62
Total Northern Group	827	132	19	940
Afterthoughts	791	27	45	773
The San Francisco Music Box and Gift Company	181	-	13	168
Weekend Edition	165	1	57	109
Randy River	96	2	31	67
Food Services	20	3	3	20
Other	3	-	3	-
Total All Other	1,256	33	152	1,137
Total continuing operations	5,708	651	357	6,002
Specialty Footwear	1,003	9	698	314
International General Merchandise	526	3	378	151
Total discontinued operations	1,529	12	1,076	465
Total	7,237	663	1,433	6,467

The service marks and trademarks appearing on this page and elsewhere in this report (except for Burger King) are owned by Venator Group, Inc. or its subsidiaries.

Global Athletic Group

The Global Athletic Group, the Registrant's largest and most profitable business, operates 3,925 stores in North America, Europe, Asia and Australia under the Foot Locker, Lady Foot Locker, Kids Foot Locker, Colorado and Champs Sports formats. In addition to retail stores, the Global Athletic Group includes Eastbay, the leading direct marketer of athletic footwear, apparel and sports equipment. The Registrant's portfolio strategy is unique in the athletic industry, with specialized retail formats targeted specifically to the men's, women's and children's segments of the market, allowing the Registrant to tailor their merchandise and service offerings more effectively to their target customers.

The following is a brief description of the Global Athletic Group's key operating businesses:

Foot Locker - Foot Locker is the leading global athletic footwear and apparel retailer. Its stores offer the latest in athletic-inspired technical and performance products, manufactured primarily by the leading athletic brands. Foot Locker offers products for a wide variety of activities including running, basketball, hiking, tennis, aerobics, fitness, baseball, football and soccer. Its 2,132 stores are located in 14 countries including 1,638 in the United States, 152 in Canada, 281 in Europe, 56 in Australia and 5 in Japan and range in size from 1,000 to 12,000 selling square feet.

Lady Foot Locker - Lady Foot Locker is a leading U.S. retailer of athletic footwear, apparel and accessories for women. Its stores carry all major athletic footwear and apparel brands, as well as casual wear and an assortment of proprietary merchandise designed for a variety of activities, including running, basketball, walking and fitness. Its 694 stores are located in the United States and Puerto Rico and range in size from 1,000 to 4,000 selling square feet.

Kids Foot Locker - Kids Foot Locker is a national children's athletic retailer that offers the largest selection of brand name athletic footwear, apparel and accessories for infants, boys and girls, primarily on an exclusive basis. Its stores feature an entertaining environment geared to both parents and children. Its 369 stores are located in the United States and Puerto Rico and range in size from 1,000 to 4,000 selling square feet.

Champs Sports - Champs Sports is, after Foot Locker, the second largest mall-based sporting goods retailer, selling both branded and private label sporting goods. Its product categories include athletic footwear, apparel and accessories, and a focused assortment of equipment. This combination allows Champs Sports to differentiate itself from other mall-based stores by presenting complete product assortments in a select number of sporting activities. Its 669 stores are located throughout the United States and Canada and range in size from 4,000 to 15,000 selling square feet.

Eastbay /eVenator - Acquired in 1997, Eastbay, Inc. ("Eastbay") is the largest direct marketer of athletic footwear, apparel, equipment and licensed private-label merchandise in the United States. Its distinctive catalog and 24-hour operations provide convenience, superior customer service and a broad selection of products. eVenator was formed in March 1999 to build on the core distribution competencies the Registrant acquired with Eastbay and to accelerate the development of its direct marketing efforts via the Internet. The Registrant has also reached an agreement in principle to become the National Football League's official catalog and e-commerce retailer, which includes managing the NFL catalog and e-commerce businesses. eVenator will design, merchandise and fulfill the NFL's official catalog, which will be renamed NFL Shop, and the new on-line e-commerce site linked to www.NFL.com.

Colorado - Colorado offers top quality brand name and proprietary merchandise designed for the active lifestyle and outdoor consumer through 61 stores in the United States and Australia that typically range in size from 1,400 to 4,000 selling square feet.

Northern Group

The Northern Group operates 940 stores in the United States and Canada that offer exclusively private label casual apparel for women (Northern Reflections), children (Northern Getaway), and men (Northern Elements), in addition to women's private label coordinates for dressy, non-formal occasions (Northern Traditions). The Northern Group's stores typically range in size from 1,500 to 5,000 selling square feet.

All Other

The Registrant's remaining businesses are in the "All Other" category, including Afterthoughts, The San Francisco Music Box and Gift Company, Weekend Edition, Randy River and Burger King formats.

The following is a brief description of the "All Other" businesses:

Afterthoughts - Afterthoughts operates 773 stores throughout the United States and Canada that provide pre-teen and teenage girls, as well as young women, with the latest in fashion jewelry, accessories, cosmetics and gifts in a fun and exciting shopping environment. Stores sizes range in size from 800 to 2,000 selling square feet.

The San Francisco Music Box and Gift Company - The San Francisco Music Box and Gift Company operates in the United States 168 year-round stores and approximately 200 temporary stores during the Christmas holiday season that sell exclusive and licensed musical and non-musical giftware. Stores range in size from 800 to 1,500 selling square feet.

Weekend Edition - The Weekend Edition format operates 109 stores in Canada and features women's casual wear. Stores range in size from 1,000 to 2,500.

Randy River - The Randy River format operates 67 stores in Canada and features trend setting teen casual wear and accessories. Stores range in size from 1,000 to 1,800.

Food Services - The Registrant operates 20 franchisees, which primarily include Burger King locations.

Information Regarding Business Segments and Geographic Areas

For information regarding sales, operating results and identifiable assets of the Registrant by business segment and by geographic area as required by Item 101(d) of Regulation S-K, refer to footnote 4 to the Consolidated Financial Statements on page 36 of the Annual Report. For additional information on format descriptions, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 24 and 25 of the Annual Report which is incorporated herein by reference.

Employees

The Registrant and its consolidated subsidiaries had 23,184 full-time and 51,934 part-time employees at January 30, 1999. The Registrant considers employee relations to be satisfactory.

Seasonality

The Registrant's retail businesses are seasonal in nature. Historically, the greatest proportion of sales and net income is generated in the fourth quarter and the lowest proportions of sales and net income are generated in the first and second quarters, reflecting seasonal buying patterns. As a result of these seasonal sales patterns, inventory generally increases in the third quarter in anticipation of increased fourth quarter sales.

Competition

The retailing business is highly competitive. Competition is based upon such factors as price, quality, selection of merchandise, reputation, store location, advertising and customer service.

Merchandise Purchases

The Registrant and its consolidated subsidiaries purchase merchandise and supplies from thousands of vendors worldwide. The Registrant purchased approximately 44 percent of its 1998 merchandise from one major vendor. The Registrant considers vendor relations to be satisfactory and maintains a minimal amount of backlog orders in its retailing operations.

The Registrant's policy is to maintain sufficient quantities of inventory on hand in its retail stores and distribution centers so that it can offer customers a full selection of current merchandise. The Registrant emphasizes turnover and takes markdowns where required to keep merchandise fresh and current with trends.

Item 2. Properties

The properties of the Registrant and its consolidated subsidiaries consist of land, leased and owned stores, factories and administrative and distribution facilities. Total selling area at the end of the year was approximately 11.07 million square feet, of which approximately 8.41 million square feet pertained to the Global Athletic Group segment and approximately 1.66 million square feet to the Northern Group segment. These properties are primarily located in the United States, Canada and Europe. The Registrant operated 7 distribution centers, of which 2 are owned and 5 are leased, occupying an aggregate of 2.64 million square feet. Each of the distribution centers serve major regions. The Registrant also has an additional 4 distribution centers occupying 0.72 million square feet, the majority of which is leased and sublet. Of the 11 distribution centers, 7 are located in the United States, 2 are located in Canada and 1 in both Europe and Australia. Refer to footnote 9 on page 38 of the Annual Report for additional information regarding the Registrant's and its consolidated subsidiaries' properties.

Item 3. Legal Proceedings

The only legal proceedings pending against the Registrant or its consolidated subsidiaries consist of ordinary, routine litigation, including administrative proceedings, incident to the businesses of the Registrant, as well as litigation incident to the sale and disposition of businesses that have occurred in the past several years. Management does not believe that the outcome of such proceedings will have a material effect on the Registrant's consolidated financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended January 30, 1999.

Executive Officers of the Registrant

Information with respect to Executive Officers of the Registrant, as of April 1, 1999, is set forth below:

Chairman of the Board and Chief Executive Officer	Roger N. Farah
President and Chief Operating Officer and Director	Dale W. Hilpert
Senior Vice President, General Counsel and Secretary	Gary M. Bahler
Senior Vice President--Corporate Development	M. Jeffrey Branman
Senior Vice President--Real Estate	John E. DeWolf III
Senior Vice President and Chief Information Officer	Samuel R. Gaston
Senior Vice President--Merchandise Operations	Maryann M. McGeorge
Senior Vice President--Human Resources	John F. Gillespie
Senior Vice President and Chief Financial Officer	Bruce. L. Hartman
Vice President and Treasurer	John H. Cannon
Vice President and Controller	Lauren B. Peters

Roger N. Farah, age 46, has served as Chairman of the Board and Chief Executive Officer since December 1994. Mr. Farah served as President and Chief Operating Officer of R. H. Macy & Co., Inc. from July 1994 to October 1994. He has also served as Chairman of the Board and Chief Executive Officer of Federated Merchandising Services, the central buying and product development arm of Federated Department Stores, Inc. from June 1991 to July 1994. He is currently a director of Liz Claiborne, Inc.

Dale W. Hilpert, age 56, has served as President and Chief Operating Officer since May 1995. Mr. Hilpert served as Chairman and Chief Executive Officer of Payless ShoeSource, a division of the May Department Stores Company from January 1985 to April 1995.

Gary M. Bahler, age 47, has served as Senior Vice President since August 1998, General Counsel since February 1993 and Secretary since February 1990. He served as Vice President from February 1993 to August 1998.

M. Jeffrey Branman, age 43, has served as Senior Vice President-Corporate Development since March 1996. Mr. Branman served as a Managing Director of Financo, Inc. from August 1989 to March 1996.

John E. DeWolf III, age 43, has served as Senior Vice President-Real Estate since March 1996. Mr. DeWolf served as Senior Vice President-Property Development for The Disney Store, Inc., a division of The Walt Disney Company from June 1993 to February 1996.

Samuel R. Gaston, age 57, has served as Senior Vice President and Chief Information Officer since November 1998. Mr. Gaston served as Executive Vice President and Chief Financial Officer of Fabric-Centers of America, Inc., a retail fabric chain, from August 1996 to October 1997. He previously served as Executive Vice President and Chief Financial Officer of the Woman's Apparel Group of The Limited, Inc.

Maryann M. McGeorge, age 46, has served as Senior Vice President-Merchandise Operations since August 1998, and as Vice President-Merchandise Operations from September 1995 to August 1998. She previously served as Senior Vice President-Planning/MIS of Federated Merchandising Services, a division of Federated Department Stores, from February 1992 to June 1995.

John F. Gillespie, age 51, has served as Senior Vice President-Human Resources since April 1996. Mr. Gillespie served as Senior Vice President Human Resources of Lever Brothers Company, a subsidiary of Unilever, from 1990 to April 1996.

Bruce L. Hartman, age 45, has served as Senior Vice President and Chief Financial Officer since February 1999. Mr. Hartman served as Vice President-Corporate Shared Services from September 1998 to February 1999 and as Vice President and Controller from November 1996 to September 1998. He served as the Chief Financial Officer of various divisions of the May Department Stores Company from March 1993 to October 1996.

John H. Cannon, age 57, has served as Vice President and Treasurer since October 1983.

Lauren B. Peters, age 37, has served as Vice President and Controller since September 1998. She served as Retail Controller from March 1997 to September 1998. She also served as Divisional Vice President, Assistant Controller at Robinson's-May, a division of the May Department Stores Company, from June 1994 to March 1997, and Director of Accounts Payable from February 1993 to June 1994.

There are no family relationships among the executive officers or directors of the Registrant.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Information related to the market for the Registrant's common stock on pages 43 to 46 of the Annual Report under the sections captioned "Shareholder Rights Plan," "Stock Plans," "Restricted Stock" and "Shareholder Information and Market Prices (Unaudited)" is incorporated herein by reference.

Item 6. Selected Financial Data

The Five Year Summary of Selected Financial Data on page 47 of the Annual Report is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 22 through 27 of the Annual Report is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Derivatives

Derivative financial instruments are used by the Registrant to manage its market risk exposure to interest rates and foreign currency exchange rate fluctuations. The Registrant, as a matter of policy, does not hold derivative financial instruments for trading or speculative purposes.

Interest Rates

The Registrant's major exposure to market risk is changes in interest rates, primarily in the U.S. There is no cash flow exposure to rate changes for long-term debt obligations, which are fixed interest rate liabilities, denominated in U.S. dollars. Short-term debt obligations reflect variable interest rate borrowings under the Registrant's revolving credit agreement. Interest rate swaps have been utilized by the Registrant to minimize its exposure to interest rate fluctuations. There were no swap agreements in effect at January 30, 1999 or January 31, 1998. The table below presents the fair value of principal cash flows and related weighted-average interest rates by maturity dates of the Registrant's debt obligations.

(in millions)	1999	2000	2001	2002	2003	Thereafter	January 31, Total	1998
Short-term debt	$ 250	-	-	-	-	-	$ 250	$ -
Variable rate								
Weighted-average interest rate	5.63%							
Long-term debt	$ -	199	48	38	-	169	$ 454	$539
Fixed rate								
Weighted-average interest rate	7.61%	7.84%	8.09%	8.31%	8.50%	8.50%		

Foreign Currency Exchange Rates

The Registrant's international operations purchase significant levels of inventory in U.S. dollars. In order to minimize the impact of foreign currency fluctuations on its results of operations, the Registrant hedges these purchases through forward foreign currency exchange contracts. The Registrant also enters into forward contracts to reduce its exposure to currency fluctuations on intercompany transactions. All instruments mature within twelve months. Foreign currency exchange gains and losses did not have a material impact on the Registrant's results of operations in 1998. The Registrant's exposure to foreign currency exchange rate fluctuations was mitigated by the disposal of its German general merchandise business during the year.

The table below presents the notional amounts and weighted-average exchange rates of foreign exchange forward contracts outstanding at January 30, 1999.

	Contract Value (US in millions)	Weighted-Average Exchange Rate
Inventory		
Receive $US/ Pay $Australian	$ 21	0.6323
Receive $US/ Pay $Canadian	34	0.6592
Receive $US/ Pay Netherlands guilder	4	0.5187
Receive $US/ Pay German mark	20	0.5651
	$ 79	
Intercompany		
Receive German mark/Pay $US	$ 29	0.6024
Receive $US/Pay German mark	$ 11	0.5894
Receive $US/Pay Netherlands guilder	$ 11	0.5240

Item 8. Consolidated Financial Statements and Supplementary Data

a) Consolidated Financial Statements

The following, included in the Annual Report, are incorporated herein by reference:

	Page (s) in Annual Report
Independent Auditors' Report	28
Consolidated Statements of Operations - Years ended January 30, 1999, January 31, 1998 and January 25, 1997	29
Consolidated Statements of Comprehensive Income (Loss) - Years ended January 30, 1999, January 31, 1998 and January 25, 1997	29
Consolidated Balance Sheets -As of January 30, 1999 and January 31, 1998	30
Consolidated Statements of Shareholders' Equity - Years ended January 30, 1999, January 31, 1998 and January 25, 1997	31
Consolidated Statements of Cash Flows - Years ended January 30, 1999, January 31, 1998 and January 25, 1997	32
Notes to Consolidated Financial Statements	33-46

b) Supplementary Data

Quarterly Results on page 46 of the Annual Report is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements between the Registrant and its independent accountants on matters of accounting principles or practices.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) Directors of the Registrant

Information relative to directors of the Registrant is set forth under the section captioned "Election of Directors" in the Proxy Statement and is incorporated herein by reference.

(b) Executive Officers of the Registrant

Information with respect to executive officers of the Registrant is set forth immediately following Item 4 in Part I hereof on pages 5 and 6.

(c) Information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth under the section captioned "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

Information set forth in the Proxy Statement, beginning with the section captioned "Director's Compensation and Benefits; Indemnification Arrangements" through and including the section captioned "Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information set forth in the Proxy Statement, under the section captioned "Beneficial Ownership of the Registrant's Stock" is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information set forth in the Proxy Statement, under the section captioned "Transactions with Management and Others" is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) Financial Statements

The list of financial statements required by this item is set forth in Item 8 "Consolidated Financial Statements and Supplementary Data" in this Annual Report on Form 10-K and is incorporated herein by reference.

(a)(2) and(d) Financial Statement Schedules

No financial statement schedules have been presented since the required information is shown in the financial statements or Notes to Consolidated Financial Statements sections of the Annual Report.

Separate financial statements of the parent company have not been presented since all consolidated subsidiaries of the Registrant are wholly owned and have indebtedness, not guaranteed by the parent company, in the aggregate of less than five percent of the Registrant's consolidated total assets.

(a)(3) and (c) Exhibits

An index of the exhibits which are required by this item and which are included or incorporated herein by reference in this report appears on pages 11 through 14. Those exhibits which are included in this Annual Report on Form 10-K immediately follow the index.

(b) Reports on Form 8-K

The Registrant filed a report on Form 8-K, and an amendment thereto on Form 8-K/A, dated October 22, 1998 (date of earliest event reported) reporting the completion of the disposition of its general merchandise operations in Germany and Austria and to provide the pro forma financial information required by Item 7 of Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VENATOR GROUP, INC.

By: /s/ Roger N. Farah
Roger N. Farah
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on April 14, 1999, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/Roger N. Farah
Roger N. Farah
Chairman of the Board and
Chief Executive Officer

/s/ Jarobin Gilbert Jr.
Jarobin Gilbert Jr.
Director

/s/ Dale W. Hilpert
Dale W. Hilpert
President and
Chief Operating Officer

/s/ Allan Z. Loren
Allan Z. Loren
Director

/s/ Bruce L. Hartman
Bruce L. Hartman
Senior Vice President and
Chief Financial Officer

/s/ Margaret P. MacKimm
Margaret P. MacKimm
Director

/s/ Lauren B. Peters
Lauren B. Peters
Vice President and Controller

/s/ John J. Mackowski
John J. Mackowski
Director

/s/ J. Carter Bacot
J. Carter Bacot
Director

/s/ James E. Preston
James E. Preston
Director

/s/ Purdy Crawford
Purdy Crawford
Director

/s/ Christopher A. Sinclair
Christopher A. Sinclair
Director

/s/ Philip H. Geier Jr
Philip H. Geier Jr
Director

VENATOR GROUP, INC
INDEX OF EXHIBITS REQUIRED
BY ITEM 14 OF FORM 10-K
AND FURNISHED IN ACCORDANCE
WITH ITEM 601 OF REGULATION S-K

Exhibit No. in item 601 of Regulation S-K	Description
1	*
2	*
3(i)(a)	Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on April 7, 1989 (incorporated herein by reference to Exhibit 3(i)(a) to the Quarterly Report on Form 10-Q for the quarterly period ended July 26, 1997, filed by the Registrant with the SEC on September 4, 1997 (the "July 26, 1997 Form 10-Q")). 3(i)(b) Certificates of Amendment of the Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on (a) July 20, 1989, (b) July 24, 1990, (c) July 9, 1997 (incorporated herein by reference to Exhibit 3(i)(b) to the July 26, 1997 Form 10-Q) and (d) June 11, 1998 (incorporated herein by reference to Exhibit 4.2(a) of the Registration Statement on Form S-8 (Registration No. 333-62425) previously filed with the SEC).
3(ii)	By-laws of the Registrant, as amended (incorporated herein by reference to Exhibit 4.2 of the Registration Statement on Form S-8 (Registration No. 333-62425) previously filed with the SEC).
4.1	The rights of holders of the Registrant's equity securities are defined in the Registrant's Certificate of Incorporation, as amended (incorporated herein by reference to (a) Exhibits 3(i)(a) and 3(i)(b) to the July 26, 1997 Form 10-Q and Exhibit 4.2(a) to the Registration Statement on Form S-8 (Registration No. 333-62425) previously filed with the SEC).
4.2	Rights Agreement dated as of March 11, 1998, between Venator Group, Inc. and First Chicago Trust Company of New York, as Rights Agent (incorporated herein by reference to Exhibit 4 to the Form 8-K dated March 11, 1998).
4.3	Indenture dated as of October 10, 1991 (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-3 (Registration No. 33-43334) previously filed with the SEC).
4.4	Forms of Medium-Term Notes (Fixed Rate and Floating Rate) (incorporated herein by reference to Exhibits 4.4 and 4.5 to the Registration Statement on Form S-3 (Registration No. 33-43334) previously filed with the SEC).
4.5	Form of 8 1/2% Debentures due 2022 (incorporated herein by reference to Exhibit 4 to the Registrant's Form 8-K dated January 16, 1992).
4.6	Purchase Agreement dated June 1, 1995 and Form of 7% Notes due 2000 (incorporated herein by reference to Exhibits 1 and 4, respectively, to the Registrant's Form 8-K dated June 7, 1995).
4.7	Distribution Agreement dated July 13, 1995 and Forms of Fixed Rate and Floating Rate Notes (incorporated herein by reference to Exhibits 1, 4.1 and 4.2, respectively, to the Registrant's Form 8-K dated July 13, 1995).

Exhibit No. in item 601 of Regulation S-K	Description
5	*
8	*
9	*
10.1	1986 Venator Group Stock Option Plan (incorporated herein by reference to Exhibit 10(b) to the Registrant's Annual Report on Form 10-K for the year ended January 28, 1995, filed by the Registrant with the SEC on April 24, 1995 (the "1994 10-K")).
10.2	Amendment to the 1986 Venator Group Stock Option Plan (incorporated herein by reference to Exhibit 10(a) to the Registrant's Annual Report on Form 10-K for the year ended January 27, 1996, filed by the Registrant on April 26, 1996 (the "1995 10-K")).
10.3	Venator Group 1995 Stock Option and Award Plan (incorporated herein by reference to Exhibit 10(p) to the 1994 10-K).
10.4	Venator Group 1998 Stock Option and Award Plan (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1998 (the "1997 10-K") adopted by the Board of Directors on April 8, 1998, subject to shareholder approval at the 1998 annual meeting of shareholders.
10.5	Executive Supplemental Retirement Plan (incorporated herein by reference to Exhibit 10(d) to the Registration Statement on Form 8-B filed by the Registrant with the SEC on August 7, 1989 (Registration No. 1-10299) (the "8-B Registration Statement")).
10.6	Amendments to the Executive Supplemental Retirement Plan (incorporated herein by reference to Exhibit 10(c)(i) to the 1994 10-K).
10.7	Amendment to the Executive Supplemental Retirement Plan (incorporated herein by reference to Exhibit 10(d)(ii) to the 1995 10-K).
10.8	Supplemental Executive Retirement Plan (incorporated herein by reference to Exhibit 10(e) to the 1995 10-K).
10.9	Long-Term Incentive Compensation Plan, as amended and restated (incorporated herein by reference to Exhibit 10(f) to the 1995 10-K).
10.10	Annual Incentive Compensation Plan, as amended and restated (incorporated herein by reference to Exhibit 10(g) to the 1995 10-K).
10.11	Form of indemnification agreement, as amended (incorporated herein by reference to Exhibit 10(g) to the 8-B Registration Statement).
10.12	Venator Group Voluntary Deferred Compensation Plan (incorporated herein by reference to Exhibit 10(i) to the 1995 10-K).

Exhibit No. in item 601 of Regulation S-K	Description
10.13	Trust Agreement dated as of November 12, 1987, between F.W. Woolworth Co. and The Bank of New York, as amended and assumed by the Registrant (incorporated herein by reference to Exhibit 10(j) to the 8-B Registration Statement).
10.14	Venator Group Directors' Retirement Plan, as amended (incorporated herein by reference to Exhibit 10(k) to the 8-B Registration Statement).
10.15	Amendments to the Venator Group Directors' Retirement Plan (incorporated herein by reference to Exhibit 10(c) to the Registrant's Quarterly Report on Form 10-Q for the period ended October 28, 1995, filed with the SEC on December 11, 1995 (the "October 28, 1995 10-Q")).
10.16	Employment Agreement with Roger N. Farah of dated as of April 14, 1991.
10.17	Restricted Stock Agreement with Roger N. Farah dated as of January 9, 1995 (incorporated herein by reference to Exhibit 10(m) to the 1994 10-K).
10.17(a)	Restricted Stock Agreement with Roger N. Farah dated as of April 26, 1999.
10.18	Employment Agreement with Dale W. Hilpert dated as of April 14, 1999.
10.19	Termination of Consulting Agreement with DBSS Group, Inc. dated December 21, 1998.
10.20	Supplemental Agreement with M. Jeffrey Branman dated April 24, 1997 (incorporated herein by reference to Exhibit 10(r)(i) to the 1996 10-K).
10.21	Amendment to Supplemental Agreement with M. Jeffrey Branman dated February 19, 1999.
10.22	Employment Term Sheet for M. Jeffrey Branman dated February 15, 1996 (incorporated herein by reference to Exhibit 10(r)(ii) to the 1996 10-K).
10.23	Employment Term Sheet for John E. DeWolf III dated February 8, 1996 (incorporated herein by reference to Exhibit 10(s)(i) to the 1996 10-K).
10.24	Employment Term Sheet for John F. Gillespie dated February 26, 1996 (incorporated herein by reference to Exhibit 10(t)(i) to the 1996 10-K).
10.25	Venator Group Executive Severance Pay Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended October 31, 1998 (the "October 31, 1998 10-Q").
10.26	Form of Senior Executive Severance Agreement (incorporated herein by reference to Exhibit 10.2 to the October 31, 1998 10-Q).
10.27	Venator Group, Inc. Directors' Stock Plan (incorporated herein by reference to Exhibit 10(b) to the Registrant's October 28, 1995 10-Q).
10.28	Venator Group, Inc. Excess Cash Balance Plan (incorporated herein by reference to Exhibit 10(c) to the 1995 10-K).
10.29	Agreement with S. Ronald Gaston dated November 10, 1998 (incorporated herein by reference to Exhibit 10.5 to the October 31, 1998 10-Q).

Exhibit No. in item 601 of Regulation S-K	Description
10.30	Form of Restricted Stock Agreement.
10.31	Amendment No. 3 dated as of March 19, 1999 to the Credit Agreement dated as of April 9, 1997.
10.32	Amendment No. 4 dated as of March 19, 1999 to the Credit Agreement dated as of April 9, 1997.
10.33	Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999.
10.34	Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999.
10.35	Letter of Credit Agreement dated as of March 19, 1999
11	*
12	Computation of Ratio of Earnings to Fixed Charges.
13	1998 Annual Report to Shareholders.
15	*
16	*
17	*
18	*
19	*
20	*
21	Subsidiaries of the Registrant.
22	*
23	Consent of Independent Auditors.
24	*
25	*
26	*
27.1	Financial Data Schedule, which is submitted electronically to the SEC for information only and not filed.
27.2	1997 Restated Financial Data Schedule, which is submitted electronically to the SEC for information only and not filed.
27.3	1996 Restated Financial Data Schedule, which is submitted electronically to the SEC for information only and not filed.
99	*

* Not applicable

Exhibits filed with Form 10-K:

Exhibits No.	
10.16	Employment Agreement with Roger N. Farah dated as of April 14, 1999 10.19 Termination of Consulting Agreement with DBSS Group, Inc. dated December 21, 1998.
10.17(a)	Restricted Stock Agreement with Roger N. Farah dated as of April 26, 1999.
10.18	Employment Agreement with Dale W. Hilpert dated as of April 14, 1999.
10.19	Termination of Consulting Agreement with DBSS Group, Inc. date December 21, 1998.
10.21	Amendment to Supplemental agreement with M. Jeffrey Branman dated February 19, 1999.
10.30	Form of Restricted Stock Agreement.
10.31	Amendment No. 3 dated as of March 19, 1999 to the Credit Agreement dated as of April 9, 1997.
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12	Computation of Ratio of Earnings to Fixed Charges.
13	1998 Annual Report to Shareholders.
21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors.
27.1	1998 Financial Data Schedule.
27.2	1997 Restated Financial Data Schedule.
27.3	1996 Restated Financial Data Schedule.

EXHIBIT - 10.16

EMPLOYMENT AGREEMENT

AGREEMENT made as of April 14, 1999, by and between Venator Group, Inc., a New York corporation having its principal place of business at 233 Broadway, New York, NY 10279 (the "Company"), and Roger N. Farah, (the "Executive").

W I T N E S S E T H :
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WHEREAS, the Executive is employed by the Company as its Chairman of the Board and Chief Executive Officer pursuant to the provisions of an employment agreement dated as of December 11, 1994 (the "1994 Agreement"), the term of which ends on January 31, 2000; and

WHEREAS, the Company desires the Executive to continue as its Chairman of the Board and Chief Executive Officer for a period extending beyond January 31, 2000, and the Executive is willing to serve in such capacity beyond such date; and

WHEREAS, the Company and the Executive desire to set forth the terms and conditions of such continued employment; and

WHEREAS, the Executive and the Company desire to terminate the 1994 Agreement as of April 14, 1999, so that, from and after April 15, 1999, the terms and conditions of the employment of the Executive with the Company shall be governed by the provisions of this agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the Company and the Executive agree as follows:

1. Employment. (a) The Company hereby agrees to continue the employment of the Executive as its Chairman of the Board and Chief Executive Officer and the Executive hereby agrees to accept such continued employment with the Company, on the terms and conditions herein contained.

(b) Except for earlier termination as provided pursuant to this Agreement, the Executive's employment under this Agreement shall be for a period commencing on April 15, 1999 and ending on January 31, 2003 (the "Employment Period").

2. Duties. (a) The Executive shall serve during the Employment Period as Chairman of the Board and Chief Executive Officer of the Company, reporting only to the Board of Directors (the "Board"). The Executive agrees that in such offices he shall perform such duties and functions as are commensurate with his status as Chairman of the Board and Chief Executive Officer of the Company as may from time to time be determined by the Board. The Executive shall devote substantially all of his working time, attention, skill and efforts to the performance of his duties hereunder; provided, however, that with the prior approval of the Board, which it may grant or deny in its sole discretion, the Executive may serve on the boards of directors of other for-profit corporations, if such service does not conflict with his duties hereunder or his fiduciary duty to the Company. It is further understood and agreed that nothing herein shall prevent the Executive from managing his passive personal investments (subject to applicable Company policies on permissible investments), and (subject to applicable Company policies) participating in charitable and civic endeavors, so long as such activities do not interfere in more than a de minimis manner with the Executive's performance of his duties hereunder. The services to be performed by the Executive pursuant to the terms of this Agreement shall be rendered principally at the Company's principal offices; provided, however, that the Executive agrees to travel for reasonable periods of time for business purposes whenever such travel is necessary or appropriate to the performance of his duties hereunder.

(b) Upon request of the Board, the Executive shall also serve as an officer and director of subsidiaries and affiliates of the Company.

3. Compensation and Benefits. As full compensation for his services hereunder, and subject to all the provisions hereof:

(a) During the Employment Period, the Company shall pay the Executive, in accordance with its normal payroll practices and subject to required withholding, a salary calculated at such rate per annum as may be fixed by the Compensation Committee of the Board from time to time, but in no event at a rate less than One Million Dollars ($l,000,000) per annum ("Base Salary").

(b) During the Employment Period, the Executive shall be eligible to participate in all bonus, incentive and equity plans that are maintained by the Company from time to time for its senior executive employees in accordance with the terms of such plans at the time of participation, provided (i) that the bonus payable to the Executive at target under the Company's Annual Incentive Compensation Plan shall be no less than 100 percent of Base Salary and (ii) that, subject to the provisions of the 1998 Stock Option and Award Plan (the "1998 Plan") or any other applicable plan, Executive shall, during the Employment Period, receive an annual stock option grant, at the same time and on the same terms and conditions as other senior executives of the Company, for a number of shares no less than the number calculated by dividing 5,000,000 by the "fair market value" of a share of the Common Stock of the Company on the date of such grant, as such term is defined in the 1998 Stock Option and Award Plan. The Company and the Executive recognize that under the provisions of Section 5(b) of the 1998 Plan, the total number of options and other stock-based grants that may be made to any individual may not exceed 10 percent of the total number of shares of Common Stock authorized for issuance under such plan, and that under the provisions of Section 5(c) of the 1998 Plan, awards of all types granted to any individual may not exceed 600,000 shares of Common Stock in any "Plan Year", as defined therein. In the event that, on any date during the term of the Agreement when stock options are issued to other senior executives of the Company, there are not sufficient shares available for issuance to the Executive under the 1998 Plan or under any other similar plans for the Company to grant to Executive the stock options provided for under clause (ii) of the first sentence in this paragraph (b), the Company shall seek shareholder approval, at the annual meeting of shareholders next following, for an amendment to the 1998 Plan or for a new plan, so that the Company may issue such options to Executive. In the event that the shareholders of the Company fail to approve such amendment or new plan, the Company and Executive shall negotiate in good faith to agree upon an arrangement that will afford Executive a compensation opportunity reasonably equivalent to both the Executive and the Company to that which would have been afforded by such stock options that cannot be granted because of the limitations contained in Section 5(b) or Section 5(c) of the 1998 Plan.

(c) During the Employment Period, the Executive shall be eligible to participate in all pension, welfare and fringe benefit plans, as well as perquisites, maintained by the Company from time to time for its senior executive employees in accordance with their respective terms as in effect from time to time (other than any special arrangement entered into by contract with an executive). In addition, during the Employment Period, the Company shall reimburse the Executive for his net premiums on his current term life insurance policy for coverage of three million six hundred thousand dollars ($3,600,000) with Aetna Life Insurance Company.

(d) During the Employment Period, the Executive shall be reimbursed for his out-of-pocket travel and entertainment expenses in accordance with the Company's normal policy for senior executive officers, including appropriate documentation.

(e) The Executive shall be entitled to four (4) weeks vacation for each fiscal year during the Employment Period to be taken at such time as mutually convenient to the Executive and the Company. Unused vacation shall be forfeited.

(f) Within 30 days of the date hereof, the Compensation Committee shall grant the Executive 275,000 shares of restricted stock under the 1998 Stock Option and Award Plan (the "Restricted Stock"), such shares to be subject to a restriction related to Executive's continued employment with the Company, with such restrictions to lapse in three equal installments on January 31, 2000, January 31, 2001 and January 31, 2002.

(g) The Executive shall be provided with a car and driver to be used for business purposes.

(h) The Company shall pay for personal financial planning services for Executive up to an amount of $15,000 per year.

4. Termination. The Employment Period shall terminate upon the earliest of the following: (a) the Executive's death;

(b) the Executive's disability in accordance with Section 6;

(c) the Executive's termination for cause in accordance with Section 7;

(d) the termination of the Executive by the Company without cause;

(e) the termination by the Executive in accordance with Section 8; or

(f) the termination by the Executive in accordance with Section 10.

5. Death. The death of the Executive shall serve to terminate the Employment Period, in which event the Company shall have no liability or further obligation except as follows:

(a) The Company shall pay the Executive's estate (or, if properly designated under an applicable plan or arrangement, his beneficiary) when otherwise due any unpaid Base Salary for the period prior to such termination of the Employment Period, any declared but unpaid bonuses, any declared but unpaid amounts due under any incentive plan and any other unpaid amounts due the Executive under employee benefit, fringe benefit or incentive plans ("Entitlements").

(b) The Executive shall have such rights under any employee benefit, fringe benefit or incentive plan, including any stock option plan, as provided in such plans and any grants thereunder ("Rights").

(c) The Executive's estate or his designated beneficiary shall be entitled to receive those benefits afforded by the Company under its then existing policies to employees who die while employed by the Company.

6. Disability. If the Board reasonably shall determine that the Executive has become physically or mentally incapable of performing his material duties as provided in Section 2 of this Agreement and such incapacity is likely to last for a period of at least one hundred eighty (180) days from the onset of such incapacity, the Company may, at its election at any time thereafter while the Executive remains incapable of performing his duties, terminate the Executive's employment hereunder effective immediately by giving the Executive written notice of such termination. In such event, the Company shall continue the Executive as an employee on payroll but not as an officer hereunder) at his same Base Salary until he qualifies for the Company's long term disability policy and the Company shall have no other obligation to the Executive or his dependents other than Entitlements, Rights, amounts due under the Company's long term disability plan, and any benefits offered by the Company under its then policy to employees who become disabled while employed by the Company.

7. Cause. (a) If the Board shall determine that there are grounds for terminating the Employment Period and discharging the Executive for "cause" (as hereinafter defined), the Company may, at its election at any time within six months after the Company shall obtain knowledge of the grounds for termination, give the Executive notice of its intention to terminate the Executive for cause, stating the grounds for termination and specifying a reasonable date (the "Meeting Date") on which the Executive shall be given an opportunity if he desires to discuss such grounds for termination at a meeting of the Board.

(b) If the grounds for termination are those specified in clause (ii)(X), (iv) or (vi) of paragraph (d) hereof, the Executive shall have a period of ten (10) days from the Meeting Date (the "Cure Period") to cure the neglect, refusal or breach, as the case may be, provided that if similar grounds arise again within one (1) year of such cure, no new notice need be given and the Company, at its option, may immediately terminate the Executive for cause.

(c) If the grounds for termination are those specified in clauses (i), (ii)(Y), (iii) or (v) of paragraph (d) hereof, it is understood and agreed that no satisfactory cure is available. If, following discussion with the Executive of the grounds for his termination at the Board meeting or, if the Executive does not appear, following the Board meeting, the Company shall continue intent on discharging the Executive for cause on the grounds specified in clause (i), (ii)(Y), (iii) or (v) of paragraph (d), the Company shall so notify the Executive, and such termination shall be effective immediately.

(d) For purposes of this Section 7 and Section 9 hereof, the term "cause" shall mean:

(i) the conviction (or plea of guilty or nolo contendere) of the Executive of any felony, or of any crime involving fraud, dishonesty or misappropriation, or moral turpitude or, if any of the foregoing involves the Company or any subsidiary or affiliate (collectively the "Control Group"), the commission of any of the foregoing (other than good faith disputes involving expense account items);

(ii) the Executive's (X) continued willful neglect of his duties and responsibilities under this Agreement or (Y) gross negligence;

(iii) the Executive's willful misconduct with regard to the Control Group;

(iv) the Executive's refusal to follow the written direction of the Board with regard to the Executive's responsibilities as set forth herein;

(v) the Executive's willful failure to comply with the covenants in Section 10 hereof; or

(vi) material breach of any of the provision of this Agreement by the Executive.

(e) if the Company shall terminate the Executive's employment pursuant to this Section 7, it shall have no further liability or obligation hereunder except as follows:

(i) The Company shall promptly pay the Executive his then current Base Salary through the effective date of such termination;

(ii) The Executive shall receive the benefits, if any, and have the rights afforded by the Company under its then existing policies to employees whose employment is terminated for cause or under the specific terms of any welfare, fringe benefit or incentive plan.

8. Good Reason. In the event that the Company shall (i) fail to continue the appointment of the Executive as Chairman of the Board and Chief Executive Officer of the Company, or (ii) reduce the Executive's annual salary below the Base Salary, or (iii) materially diminish the duties and responsibilities of the Executive as Chairman of the Board and Chief Executive Officer, assign to the Executive duties and responsibilities inconsistent with his positions or materially diminish his authority, or (iv) locate the Executive at other than at the Company's main executive office, or (v) breach any payment provision of this Agreement (to the extent not disputed in good faith) or any other material provision of this Agreement (each of the foregoing hereinafter referred to as a "Triggering Event"), then the Executive may give notice to the Company of his election to terminate the Employment Period pursuant to this Section 8, effective thirty (30) days from the date of such notice, unless the Company shall have cured prior thereto the default giving rise to his notice of election to terminate. Such notice from the Executive shall state the Triggering Event which provides the grounds for his termination, and such notice must be given, if at all, within ninety (90) days of the date the Executive obtains knowledge of the Triggering Event referred to as providing such grounds for termination. Within the thirty (30) day period specified in the Executive's notice to the Company (the "Cure Period"), the Company shall have the opportunity to cure the default involved in the Triggering Event specified by the Executive. If the Employment Period is terminated pursuant to this Section 8, the Company shall have no liability or further obligation hereunder except as provided in Section 9 hereof. If the Executive does not give notice to the Company of his election to terminate within ninety (90) days following the occurrence of a Triggering Event, then the Executive shall be deemed to have waived his right to terminate the Employment Period based on such Triggering Event, but such waiver shall not prejudice his right to terminate pursuant to this Section 8 based on the occurrence of another Triggering Event occurring subsequent in time, whether of the same or a different type.

9. Termination. In the event of a termination of the Employment Period pursuant to Section 8 hereof, or in the event the Company shall terminate the Employment Period without cause, then, except as provided in Section 10 hereof, the Company shall have no obligation to the Executive except as follows:

(a) The Executive shall receive his Entitlements and have his Rights. Thereafter, and during the period until the earliest of (i) the later of January 31, 2003 or two years from the date of termination, (ii) the Executive's death, or (iii) the Executive's violation of the post employment requirements of Section 13 hereof, and subject to paragraph (g) below, following the date of such termination (hereinafter referred to as the "Severance Period"), the Company shall make payments to the Executive, either bi-weekly or monthly as the Company shall elect, calculated at the annual rate of Base Salary which the Executive was receiving pursuant to Section 3(a) hereof immediately prior to such termination.

(b) In addition to any payments to which Executive may be entitled pursuant to the provisions of paragraph (a) of this section, if the sum of the payments that the Company would anticipate, as of the date of termination of employment, making to Executive under the provisions of the second sentence of paragraph (a), without adjustment for the time value of money, (the "Section 9(a) Payments") is less than the "Guaranteed Severance Amount", as defined below, then the Company shall make a lump sum cash payment of the difference between the Guaranteed Severance Amount and the Section 9(a) Payments within five business days of the date of the termination of the Employment Period. For purposes of this paragraph, if the date of the termination of the Employment Period (the "Termination Date") is earlier than January 31, 2000, the Guaranteed Severance Amount is $4,500,000; if the Termination Date is February 1, 2000 to and including January 31, 2001, the Guaranteed Severance Amount is $4,000,000; if the Termination Date is after January 31, 2001, the Guaranteed Severance Amount is $3,000,000.

(c) During the Severance Period the Executive shall not be an employee and shall not be entitled to receive any fringes, perquisites or benefits from the Company, except the Company shall pay the premiums for his and his dependents' health coverage under COBRA until the earliest of (i) such time as he commences other employment (ii) such time as he or a dependent, as the case may be, is no longer entitled to COBRA coverage or (iii) as provided in paragraph (h) below.

(d) The Company shall provide the Executive, at no cost to the Executive, with out-placement at a level commensurate with the Executive's position.

(e) To the extent any shares issued to Executive pursuant to a Restricted Stock Agreement between the Company and Executive dated January 9, 1995 have not vested, such shares shall immediately vest, as provided therein.

(f) The Executive shall not be required to mitigate the amount of any payment provided for in the second sentence of paragraph (a) by seeking other employment nor shall any amounts to be received by the Executive hereunder be reduced by any other compensation earned.

(g) The Company shall be entitled to withhold from any payments made to the Executive under paragraphs (a) and (c) of this Section 9 any amounts required to be withheld by applicable federal, state or local tax law.

(h) Any amounts being paid to or on behalf of the Executive under this Section 9 shall immediately cease if the Executive enters into Competition with the Control Group. For purposes of this Agreement, "Competition" shall mean the:

(i) participating, directly or indirectly, as an individual proprietor, stockholder, officer, employee, director, joint venturer, investor, lender, or in any capacity whatsoever (within the United States of America, or in any country where the Control Group does business) in any of the entities listed on Exhibit A hereto or any successor to any such entity, provided, however, that

such participation shall not include (x) the mere ownership of not more than one percent (1%) of the total outstanding stock of a publicly held company; or (y) any activity engaged in with the prior written approval of the Board; or

(ii) intentional recruiting, soliciting or inducing, of any employee or employees of the Control Group to terminate their employment with, or otherwise cease their relationship with, the Control Group where such employee or employees do in fact so terminate their employment.

If any restriction set forth with regard to Competition is found by any court of competent jurisdiction, or an arbitrator, to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

10. Change in Control. (A) In the event of a Change in Control, as defined in Exhibit B hereto, the Executive shall have the right to terminate the Employment Period by written notice given within the thirty (30) day period following three (3) months after such Change in Control. Such Employment Period shall cease upon the giving of such notice. In such event, or in the event the Company shall terminate the Executive's employment without cause or the Executive shall terminate his employment for Good Reason during the one year period after the Change in Control, the Company shall have no obligation to the Executive except as follows:

(a) The Executive shall receive all amounts and benefits under Section 9 hereof as if he had terminated his employment for Good Reason pursuant to Section 8 hereof except that subpart (ii) of paragraph (a), subpart (iii) of paragraph (c) and paragraph (h) of Section 9 shall not apply; provided, however, that all such amounts shall be payable as a lump sum, without adjustment for the time value of money, within five business days of the date of termination of the Employment Period.

(b) Upon a Change in Control the forfeiture period with regard to the Restricted Stock shall terminate and such Shares shall become immediately vested.

(c) In addition to any payments to which the Executive may be entitled pursuant to the provisions of paragraph (a) of this section, if the sum of the payments that the Company would anticipate making to the Executive under the provisions of the second sentence of Section 9(a) and Section 9(b) (the "Section 9 Payments"), is less than 3 multiplied by Executive's Base Salary (at the rate payable immediately prior to such Change in Control) plus bonus payable under the Annual Incentive Compensation Plan at target in the year of the termination of the Employment Period (the "Change-in-Control Amount"), then the Company shall make a lump sum cash payment of the difference between the Change-in-Control Amount and the Section 9 Payments to Executive within five business days of the date of termination of the Employment Period.

11. Gross-up. (a) In the event that the Executive shall become entitled to the payments and/or benefits provided by Section 10 or any other amounts (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change of ownership covered by Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") or any person affiliated with the Company or such person) (collectively the "Company Payments"), and such Company Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (and any similar tax that may hereafter be imposed), subject to paragraph (f) below, the Company shall pay to the Executive at the time specified in paragraph (d) below an additional amount (the "Gross-up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Company Payments and any federal, state and local income tax and Excise Tax upon the Gross-up Payment provided for by this paragraph (a), but before deduction for any federal, state or local income tax on the Company Payments, shall be equal to the Company Payments.

(b) For purposes of determining whether any of the Company Payments and Gross-up Payments (collectively the "Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (a) the Total Payments shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Code Section 280G(b)(3)) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the opinion of the Company's

independent certified public accountants appointed prior to any change in ownership (as defined under Code Section 280G(b)(2)) or tax counsel selected by such accountants (the "Accountants") such Total Payments (in whole or in part) either do not constitute "parachute payments," represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or are otherwise not subject to the Excise Tax, and (b) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(c) For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence for the calendar year in which the Company Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-up Payment attributable to such reduction net of any federal, state, or local income tax incurred on the original receipt of such portion of the prior Gross-up Payment (after taking into account the tax benefit, if any, that the Executive receives on such repayment) (plus the portion of the Gross-up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a federal and state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any federal, state or local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed the interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expense thereof) if the Executive's claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Accountant or the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Gross-up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-up Payment), the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest or penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(d) The Gross-up Payment or portion thereof provided for in paragraph (c) above shall be paid not later than the thirtieth day following an event occurring which subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Accountant, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), subject to further payments pursuant to paragraph (c) hereof, as soon as the amount thereof can reasonably be determined, but in no event later than the ninetieth day after the occurrence of the event subjecting the Executive to the Excise Tax. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(e) The Company shall be responsible for all charges of the Accountant.

12. Non-Renewal. In the event the Company does not offer to extend this agreement under the same terms and conditions then existing (other than with respect to the one-year extension provision of this Section 12) for an additional one year, then the Company shall, within five business days of the end of the Employment Period, make a lump sum cash payment to Executive in the amount of $1,500,000.

13. Confidential Information. Nondisparagement (a) In consideration of the covenants by the Company contained herein, the Executive undertakes and agrees that during the Employment Period and thereafter he shall hold in a fiduciary capacity for the benefit of the Control Group all secret or confidential information, knowledge or data relating to the Control Group or its business (which shall be defined as all such information, knowledge and data coming to the Executive's attention by virtue of his employment at the Company except that which is otherwise public knowledge or known within the Company's industry). During such period, the Executive shall not, without prior written consent of the Company, unless compelled pursuant to the order of a court or other body having jurisdiction over such matter or unless required by lawful process or subpoena, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. The foregoing shall not limit the disclosure by the Executive of such information in the course of the performance of his duties as Chairman of the Board and Chief Executive Officer so long as such disclosure is in good faith.

(b) During the Employment Period and thereafter while the Executive is receiving any amounts pursuant to Section 9(a) hereof or Section 10 hereof, the Executive shall not make any statements or comments (i) to any form of media or likely to come to the attention of any form of media of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Control Group, the Board or any senior officer of the Control Group, or (ii) to any employee of the Control Group or to any supplier or customer of the Control Group of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Control Group or, the Board or any senior officer of the Control Group, provided that in no event shall the foregoing limitation apply to (i) compliance with legal process or subpoena, (ii) statements in response to inquiry from a court or regulatory body, (iii) in rebuttal of media stories with regard to the Executive, (iv) to a possible future employer in connection with employment discussions, or (v) in response to inquiry from the Board.

(c) Furthermore, during the Employment Period, or, if fired for cause, prior to January 31, 2003, the Executive shall not enter into Competition with the Control Group, as defined in Section 9(h) hereof.

(d) Notwithstanding any other provision of this Agreement, in the event of a breach or threatened breach by the Executive of any provision of this Section, the Executive and the Company agree that the Company shall be entitled to injunctive and declaratory relief from a court of competent jurisdiction to restrain the Executive from committing such breach of the Agreement. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedy or remedies including, without limitation, the recovery of damages.

(e) The provisions of this Section 13 shall survive the expiration of this Agreement or the termination of the Agreement for any reason.

14. Indemnification. The Company agrees that the Executive shall be entitled to the benefits of the indemnity provisions set forth in the By-laws from time to time in accordance with their terms both during his employment and thereafter with regard to his actions as an officer or director of the Company and that the Company shall enter into an indemnification agreement with Executive in the form of its standard indemnification agreement with executive officers. In addition, the Company agrees to continue in effect for the benefit of the Executive during the Employment Period directors' and officers' liability insurance of the type and in the amount currently maintained by the Company to the extent such insurance is available at a premium cost which the Company considers reasonable and, thereafter, with regard to his prior activities as an officer or director, such insurance as is maintained for active directors and officers.

15. Assignment. This Employment Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs (in the case of the Executive) and permitted assigns. This Agreement is personal to the Executive and neither this Agreement or any rights hereunder may be assigned by the Executive. No rights or obligations of the Company under this Employment Agreement may be assigned or transferred by the Company except that such rights

or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or pursuant to a sale of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Employment Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale as described in the preceding sentence, it shall use its best efforts to cause such assignee or transferee to expressly assume the liabilities, obligations and duties of the Company hereunder.

16. Arbitration. Any controversy or claim arising out of or relating to this Employment Agreement, or the breach thereof, other than injunctive relief pursuant to Section 13(d) hereof, shall be settled by arbitration in the City of New York, in accordance with the rules of the American Arbitration Association (the "AAA") before three arbitrators. The decision of the arbitrators shall be final and binding on the parties hereto and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The costs assessed by the AAA for arbitration shall be borne equally by both parties.

17. Notice. Any notice to either party hereunder shall be in writing, and shall be deemed to be sufficiently given to or served on such party, for all purposes, if the same shall be personally delivered to such party, or sent to such party by registered mall, postage prepaid, at, in the case of the Company, the address of such party first given above and, in the case of the Executive, his principal residence address as shown in the records of the Company. Notice to the Company shall be addressed to the Chairman of the Compensation Committee with a copy similarly sent to the General Counsel. Either party hereto may change the address to which notices are to be sent to such party hereunder by written notice of such new address given to the other party hereto. Notices shall be deemed given when received if delivered personally or three days after mailing if mailed as aforesaid.

18. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York applicable to contracts to be performed therein.

19. 1994 Agreement. The 1994 Agreement is hereby terminated, effective as of April 14, 1999, without further obligation of either party to the other, and shall thereafter be of no force and effect.

20. Miscellaneous. (a) This Employment Agreement represents the entire understanding of the parties hereto, supersedes any prior understandings or agreements between the parties, and the terms and provisions of this Employment Agreement may not be modified or amended except in a writing signed by both parties.

(b) No waiver by either party of any breach by the other party of any condition or provision contained in this Employment Agreement to be fulfilled or performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Except to the extent otherwise specifically provided herein, any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

21. Beneficiary. The Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable under this Employment Agreement following his death by giving the Company written notice thereof in accordance with applicable Company policies. in the event of the Executive's death or a judicial determination of his incompetence, reference in this Employment Agreement to the Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Employment Agreement as of the day and year first above written.

VENATOR GROUP, INC.

By: /s/ Dale W. Hilpert

DALE W. HILPERT

/s/ Roger N. Farah

ROGER N. FARAH

Exhibit A

List of Competitive Companies

- - The Finish Line, Inc.

- - Footstar, Inc.

- - Hibbetts Sporting Goods, Inc.

- - Just For Feet, Inc.

- - The Sports Authority, Inc.

- - Any entity owning, operating, or franchising Athlete's Foot stores (not including a general merchandise or department store that solely operates Athlete's Foot departments as an incidental part of its stores)

Exhibit B
- ---------

Change in Control of the Company shall mean any of the following: (i) (A) the making of a tender or exchange offer by any person or entity or group of associated persons or entities (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (a "Person") (other than the Company or its subsidiaries) for shares of Common Stock pursuant to which purchases are made of securities representing at least twenty percent (20%) of the total combined voting power of the Company's then issued and outstanding voting securities; (B) the merger or consolidation of the Company with, or the sale or disposition of all or substantially all of the assets of the Company to, any Person other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty percent (50%) or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation; or (b) a merger or capitalization effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), of securities representing more than the amounts set forth in (C) below; (C) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), in the aggregate, of securities of the Company representing twenty percent (20%) or more of the total combined voting power of the Company's then issued and outstanding voting securities by any Person acting in concert as of the date of this Agreement; provided, however, that the Board of Directors of the Company (referred to herein as the "Board") may at any time and from time to time and in the sole discretion of the Board, as the case may be, increase the voting security ownership percentage threshold of this item (C) to an amount not exceeding forty percent (40%); or (D) the approval by the shareholders of the Company of any plan or proposal for the complete liquidation or dissolution of the Company or for the sale of all or substantially all of the assets of the Company; or (ii) during any period of not more than two (2) consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other

than a director designated by a person who has entered into agreement with the Company to effect a transaction described in clause (i)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

farahagmt

EXHIBIT 10.17(a)

RESTRICTED STOCK AWARD AGREEMENT
UNDER THE VENATOR GROUP
1998 STOCK OPTION AND AWARD PLAN

This Restricted Stock Award Agreement (the "Agreement") made under the Venator Group 1998 Stock Option and Award Plan (the "Plan") as of the 26th day of April 1999 by and between Venator Group, Inc., a New York corporation with its principal office located at 233 Broadway, New York, New York 10279 (the "Company") and Roger N. Farah (the "Executive").

The Compensation Committee of the Board of Directors of the Company granted the Executive an award of 275,000 shares of Restricted Stock under the Plan, subject to the terms of the Plan and the restrictions set forth in this Agreement, effective as of the date hereof (the "Date of Grant").

1. Grant of Shares

The Company is transferring to the Executive 275,000 shares of validly issued Common Stock of the Company, par value $.01 per share. Such shares are fully paid and nonassessable and upon transfer shall be validly issued and outstanding. The shares are subject to certain restrictions pursuant to Section 3 hereof, which restrictions shall expire as provided in Section 3.3 hereof.

2. Restrictions on Transfer

The Employee shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Restricted Stock, except as set forth in this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the shares in violation of this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

3. Restricted Stock

3.1 Deposit of Certificates. The Executive will deposit with and deliver to the Company the stock certificate or certificates representing the Restricted Stock, each duly endorsed in blank or accompanied by stock powers duly executed in blank. In the event the Executive receives a stock dividend on the Restricted Stock or the Restricted Stock is split or the Executive receives any other shares, securities, monies, or property representing a dividend on the Restricted Stock (other than regular cash dividends on and after the date of this Agreement) or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, and any warrants, rights or options issued to the Executive in respect of the Restricted Stock (collectively the "RS Property"), the Executive will also immediately deposit with and deliver to the

Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including that of this Section 3.1, as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock."

3.2 Rights with Regard to the Restricted Stock. The Restricted Stock has been transferred from either the Company's treasury or newly issued stock and, therefore, upon delivery to the Executive will constitute issued and outstanding shares of Common Stock for all corporate purposes. From and after the date of transfer, the Executive will have the right to vote the Restricted Stock, to receive and retain all regular cash dividends payable to record holders of Common Stock on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by law, as additional compensation for tax purposes if paid on Restricted Stock), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock, with the exceptions that (i) the Executive will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the restriction period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled, (ii) the Company will retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property during the restriction period, (iii) no RS Property shall bear interest or be segregated in separate accounts during the restriction period and (iv) the Executive may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the restriction period.

3.3 Vesting. The Restricted Stock shall become vested and cease to be Restricted Stock (but still subject to the other terms of the Plan and this Agreement) as follows if the Executive has been continuously employed by the Company or its subsidiaries within the meaning of Section 424 of the Internal Revenue Code of 1986, as amended (the "Control Group") until such date:

January 31, 2000	91,666 shares
January 31, 2001	91,667 shares
January 31, 2002	91,667 shares

Other than as may be provided for under Section 3.4 hereof, there shall be no proportionate or partial vesting in the periods prior to the appropriate vesting date and all vesting shall occur only on the appropriate vesting date.

When any Restricted Stock becomes vested, the Company shall promptly issue and deliver to the Executive a new stock certificate registered in the name of the Executive for such shares without the legend set forth in Section 4 hereof and deliver to the Executive any related other RS Property.

In addition, as provided under the terms of the Plan, all shares of Restricted Stock shall become immediately vested and cease to be Restricted Stock upon any Change in Control as defined in Appendix A hereto.

3.4 Forfeiture. In the event of the Executive's death, disability, or resignation, the Executive shall forfeit to the Company, without compensation, all unvested shares of Restricted Stock; provided that (i) in the event of the death or disability of the Executive, (ii) in the event that the Executive ceases to be employed by the Company or any subsidiary or affiliate of the Company as a result of the closing, sale, spin-off or other divestiture of any operation of the Company, or (iii) in the event of the Executive's resignation from the Company prior to the next applicable vesting date, the Compensation Committee of the Board of Directors of the Company may, in its sole discretion, but shall not be obligated to, fully vest and not forfeit all or any portion of the Executive's Restricted Stock.

3.5 Adjustments. In the event of any stock dividend, split up, split-off, spin-off, distribution, recapitalization, combination or exchange of shares, merger, consolidation, reorganization or liquidation or the like, the Restricted Stock shall, where appropriate in the sole discretion of the Compensation Committee of the Board of Directors of the Company, receive the same distributions as other shares of Common Stock or on some other basis as determined by the Compensation Committee of the Board of Directors. In any such event, the Compensation Committee of the Board of Directors may, in its sole discretion, determine to award additional Restricted Stock in lieu of the distribution or adjustment being made with respect to other shares of Common Stock. In any such event, the determination made by the Compensation Committee of the Board of Directors shall be conclusive. The Compensation Committee of the Board of Directors may, in its sole discretion, at any time fully vest and not forfeit all or any portion of the Executive's Restricted Stock.

3.6 Withholding. The Employee agrees that, subject to subsection 3.7 below,

(a) No later than the date on which any Restricted Stock shall have become vested, the Executive will pay to the Company, or make arrangements satisfactory to the Company regarding payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so vested;

(b) The Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Executive any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so vested; and

(c) In the event the Executive does not satisfy (a) above on a timely basis, the Company may, but shall not be required to, pay such required withholding and treat such amount as a demand loan to the Employee at the maximum rate permitted by law, with such loan, at the Company's sole discretion and provided the Company so notifies the Employee within thirty (30) days of the making of the loan, secured by the shares of Common Stock and any failure by the Executive to pay the loan upon demand shall entitle the Company to all of the rights at law of a creditor secured by the shares of Common Stock. The Company may hold as security any certificates representing any shares of Common Stock and, upon demand of the Company, the Executive shall deliver to the Company any certificates in his possession representing shares of Common Stock together with a stock power duly endorsed in blank.

3.7 Section 83(b). If the Executive properly elects (as required by Section 83(b) of the Internal Revenue Code of 1986, as amended) within thirty (30) days after the issuance of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of such Restricted Stock, the Executive shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to such Restricted Stock. If the Executive shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Executive any federal, state or local taxes of any kind required by law to be withheld with respect to such Restricted Stock, as well as the rights set forth in Section 3.6(c) hereof. The Executive acknowledges that it is his sole responsibility, and not the Company's, to file timely the election under Section 83(b) of the Internal Revenue Code of 1986, as amended, and any corresponding provisions of state tax laws if he elects to utilize such election.

3.8 Special Incentive Compensation. The Executive agrees that the award of the Restricted Stock hereunder is special incentive compensation and that it, any dividends paid thereon (even if treated as compensation for tax purposes) and any other RS Property will not be taken into account as "salary" or "compensation" or "bonus" in determining the amount of any payment under any pension, retirement or profit-sharing plan of the Company or any life insurance, disability or other benefit plan of the Company.

3.9 Delivery Delay. The delivery of any certificate representing Restricted Stock or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable federal or state securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or delivery any securities if, in the opinion of counsel for the Company, the issuance of such shares shall constitute a violation by the Executive or the Company of any provisions of any law or of any regulations of any governmental authority or any national securities exchange.

4. Legend. All certificates representing shares of Restricted Stock shall have endorsed thereon a legend referring to the terms conditions and restrictions applicable to such Restricted Stock, substantially in the following form:

"The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Venator Group (the "Company") 1998 Stock Option and Award Plan and an Agreement entered into between the registered owner and the Company dated , 1999. Copies of such Plan and Agreement are on file at the principal office of the Company."

5. Not an Employment Agreement. The issuance of the shares of Restricted Stock hereunder does not constitute an agreement by the Company to continue to employ the Executive during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock is outstanding.

6. Power of Attorney. The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Executive for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Executive, may, in the name and stead of the Executive, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Executive hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Executive shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for the purpose.

7. Miscellaneous.

7.1 This Agreement shall inure to the benefit of and be binding upon all parties hereto and their respective heirs, legal representatives, successors and assigns.

7.2 This Agreement constitutes the entire agreement between the parties and cannot be changed or terminated orally. No modification or waiver of any of the provisions hereof shall be effective unless in writing and signed by the party against whom it is sought to be enforced.

7.3 This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

7.4 The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

7.5 This Agreement is subject, in all respects, to the provisions of the Plan, and to the extent any provision of this Agreement contravenes or is inconsistent with any provision of the Plan, the provisions of the Plan shall govern.

7.6 The headings of the sections of this Agreement have been inserted for convenience of reference only and shall in no way restrict or modify any of the terms or provisions hereof.

7.7 All notices, consents, requests, approvals, instructions and other communications provided for herein shall be in writing and validly given or made when delivered, or on the second succeeding business day after being mailed by registered or certified mail, whichever is earlier, to the persons entitled or required to receive the same, at the address of the Company set forth at the heading of this Agreement and at the address shown on the records of the Company for the Executive or to such other address as either party may designate by like notice. Notices to the Company shall be addressed to the Chairman of the Compensation Committee with a copy similarly sent to the General Counsel.

7.8 This Agreement shall be governed and construed and the legal relationships of the parties determined in accordance with the internal laws of the State of New York.

7.9 To indicate your acceptance of the terms of this Restricted Stock Award Agreement, you must sign and deliver or mail not later than June 13, 1999, a copy of this Agreement to the General Counsel of the Company at the address provided in the heading of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

VENATOR GROUP, INC.

By:/s/ John F. Gillespie

JOHN F. GILLESPIE
Senior Vice President

/s/ Roger N. Farah

ROGHER N. FARAH
Chairman of the Board
and Chief Executive Officer

ACKNOWLEDGMENT

STATE OF NEW YORK)
- ----------) s.s.:
COUNTY OF NEW YORK)
- ----------

On this 26th day of April 1999, before me personally appeared Roger N. Farah, to me known to be the person described in and who executed the foregoing agreement, and acknowledged that he executed the same as his free act and deed.

/s/ Sheilagh M. Clarke

SHEILAGH M. CLARKE
Notary Public

SHEILAGH M. CLARKE
Notary Public, State of New York
No. 01CL4739218
Qualified in New York County
Commission Expires May 31, 2001

APPENDIX A

Change in Control

A Change in Control shall mean any of the following: (i) (A) the making of a tender or exchange offer by any person or entity or group of associated persons or entities (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (a "Person") (other than the Company or its Affiliates) for shares of Common Stock pursuant to which purchases are made of securities representing at least twenty percent (20%) of the total combined voting power of the Company's then issued and outstanding voting securities; (B) the merger or consolidation of the Company with, or the sale or disposition of all or substantially all of the assets of the Company to, any Person other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty percent (50%) or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation; or (b) a merger or capitalization effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), of securities representing more than the amounts set forth in (C) below; (C) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), in the aggregate, of securities of the Company representing twenty percent (20%) or more of the total combined voting power of the Company's then issued and outstanding voting securities by any Person acting in concert as of the date of this Agreement; provided, however, that the Board of Directors of the Company (referred to herein as the "Board") may at any time and from time to time and in the sole discretion of the Board, as the case may be, increase the voting security ownership percentage threshold of this item (C) to an amount not exceeding forty percent (40%); or (D) the approval by the shareholders of the Company of any plan or proposal for the complete liquidation or dissolution of the Company or for the sale of all or substantially all of the assets of the Company; or (ii) during any period of not more than two (2) consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into agreement with the Company to effect a transaction described in clause (i)) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

EXHIBIT 10.18

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of April 14, 1999, by and between Venator Group, Inc., a New York corporation, having its principal place of business at 233 Broadway, New York, New York 10279 (the "Company"), and Dale W. Hilpert (the "Executive").

W I T N E S S E T H :

WHEREAS, the Executive is employed by the Company as its President and Chief Operating Officer pursuant to the provisions of an employment agreement dated as of April 30, 1997 (the "1997 Agreement"), the term of which ends on April 30, 2000; and

WHEREAS, the Company desires the Executive to continue as its President and Chief Operating Officer for a period extending beyond April 30, 2000, and the Executive is willing to serve in such capacity beyond such date; and

WHEREAS, the Company and the Executive desire to set forth the terms and conditions of such continued employment; and

WHEREAS, the Executive and the Company desire to terminate the 1997 Agreement as of April 14, 1999, so that, from and after April 15, 1999, the terms and conditions of the employment of the Executive with the Company shall be governed by the provisions of this agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the Company and the Executive agree as follows:

1. Employment. (a) The Company hereby agrees to continue the employment of the Executive as its President and Chief Operating Officer, and the Executive hereby agrees to accept such continued employment with the Company, on the terms and conditions herein contained. The Executive shall continue to serve as President and Chief Operating Officer and as a member of the Board of Directors of the Company (the "Board").

(b) Except for earlier termination as provided pursuant to this Agreement, the Executive's employment under this Agreement shall be for a period commencing on April 15, 1999 (the "Commencement Date"), and ending on January 31, 2002 (the "Employment Period").

2. Duties. (a) The Executive shall serve during the Employment Period as President and Chief Operating Officer of the Company, reporting only to the Chairman of the Board and Chief Executive Officer of the Company (the "CEO"). The Executive agrees that in such offices he shall perform such duties and functions as are commensurate with his status as President and Chief Operating Officer of the Company as may from time to time be determined or directed by the Board or by the CEO. The Executive shall devote substantially all of his working time, attention, skill, and efforts to the performance of his duties hereunder; provided, however, that with the prior approval of the CEO, which he may grant or deny in his sole discretion, the Executive may serve on the boards of directors of other for-profit corporations, if such service does not conflict with his duties hereunder or his fiduciary duty to the Company. It is further understood and agreed that nothing herein shall prevent the Executive from managing his passive personal investments (subject to applicable Company policies on permissible investments), and (subject to applicable Company policies) participating in charitable and civic endeavors, so long as such activities do not interfere in more than a de minimis manner with the Executive's performance of his duties hereunder. The services to be performed by the Executive pursuant to the terms of this Agreement shall be rendered principally at the Company's principal offices; provided, however, that the Executive agrees to travel for reasonable periods of time for business purposes whenever such travel is necessary or appropriate to the performance of his duties hereunder.

(b) Upon request of the CEO, the Executive shall also serve as an officer and director of subsidiaries and affiliates of the Company without additional compensation.

3. Compensation and Benefits. As full compensation for his services hereunder, and subject to all the provisions hereof:

(a) During the Employment Period, the Company shall pay the Executive, in accordance with its normal payroll practices and subject to required withholding, a salary calculated at such rate per annum as may be fixed by the Compensation Committee of the Board from time to time, but in no event at a rate of less than $825,000 per annum ("Base Salary").

(b) During the Employment Period, the Executive shall be eligible to participate in all bonus, incentive and equity plans that are maintained by the Company from time to time for its senior executive employees in accordance with the terms of such plans at the time of participation. Executive shall be eligible to earn a bonus, at target, under the Annual Incentive Compensation Plan equal to no less than 75 percent of his Base Salary.

(c) During the Employment Period, the Executive shall be eligible to participate in all pension, welfare and fringe benefit plans, as well as perquisites, maintained by the Company from time to time for its senior executive employees in accordance with their respective terms as in effect from time to time (other than any special arrangement entered into by contract with an executive). In addition, during the Executive's active employment during the Employment Period, the Company shall provide the Executive with life insurance, with its group term life insurance plan or otherwise, on the life of the Executive for the benefit of his designated beneficiaries in amount equal to three times his annual earnings reported as "wages" for Form W-2 purposes (other than earnings attributable to the exercise of stock options or attributable to other equity-based incentive plans).

(d) During the Employment Period, the Executive shall be reimbursed for his out-of-pocket travel and entertainment expenses in accordance with the Company's normal policy for senior executive officers, including appropriate documentation.

(e) The Executive shall be entitled to four weeks vacation for each fiscal year during the Employment Period to be taken at such time as mutually convenient to the Executive and the Company. Unused vacation shall be forfeited.

(f) The Company shall provide to Executive a transportation allowance of $10,000 per year.

(g) The Company shall pay for personal financial planning services for Executive up to an amount of $15,000 per year.

4. Termination. The Employment Period shall terminate upon the earliest of the following:

(a) the Executive's death; (b) the Executive's disability in accordance with Section 6;

(c) the Executive's termination for cause in accordance with Section 7;

(d) the termination of the Executive by the Company without cause;

(e) the termination by the Executive in accordance with Section 8; or

(f) the termination of the Executive in accordance with Section 10.

5. Death. The death of the Executive shall serve to terminate the Employment Period, in which event the Company shall have no liability or further obligation except as follows:

(a) The Company shall pay the Executive's estate (or, if properly designated under an applicable plan or arrangement, his beneficiary) when otherwise due any unpaid Base Salary for the period prior to such termination of the Employment Period, any declared but unpaid bonuses, any declared but unpaid amounts due under any incentive plan, and any other unpaid amounts due the Executive under employee benefit, fringe benefit or incentive plans ("Entitlements").

(b) The Executive shall have such rights under any employee benefit, fringe benefit or incentive plan, including any stock option plan, as provided in such plans and any grants thereunder ("Rights").

(c) The Executive's estate or his designated beneficiary shall be entitled to receive those benefits afforded by the Company under its then existing policies to employees who die while employed by the Company.

6. Disability. If the Company reasonably shall determine that the Executive has become physically or mentally incapable of performing his material duties as provided in Section 2 of this Agreement and such incapacity is likely to last for a period of at least 180 days from the onset of such incapacity, the Company may, at its election at any time after the date of such onset while the Executive remains incapable of performing his duties, terminate the Executive's employment hereunder effective immediately by giving the Executive written notice of such termination. In such event, the Company shall continue the Executive as an employee on payroll (but not as an officer hereunder) at his same Base Salary until he qualifies for the Company's long term disability policy and the Company shall have no other obligation to the Executive or his dependents other than Entitlements, Rights, amounts due under the Company's long term disability plan, and any benefits offered by the Company under its then policy to employees who become disabled while employed by the Company.

7. Cause. (a) If the Company shall determine that there are grounds for terminating the Employment Period and discharging the Executive for "cause" (as hereinafter defined), the Company may, at its election at any time within six months after the Company shall obtain knowledge of the grounds for termination, give the Executive notice of its intention to terminate the Executive for cause and stating the grounds for termination. In the event of any arbitration in accordance with Section 17 hereof with regard to the Company's determination of cause, the determination by the Company shall be reviewed on a de novo basis by the arbitrator(s).

(b) If the grounds for termination are those specified in clause (ii)(X), (iv) or (vi) of paragraph (d) hereof, the Executive shall have a period of ten days from giving of the notice to cure the neglect, refusal, or breach, as the case may be, provided that if similar grounds arise again within one year of such cure, no new notice need be given and the Company, at its option, may immediately terminate the Executive for cause.

(c) If the grounds for termination are those specified in clauses (i), (ii)(Y), (ii)(Z), (iii) or (v) of paragraph (d) hereof, it is understood and agreed that no satisfactory cure is available and such termination shall be effective immediately upon notice by the Company.

(d) For purposes of this Section 7 and Section 9 hereof, the term "cause" shall mean:

(i) the conviction (or plea of guilty or nolo contendere) of the Executive of any felony, or of any crime involving fraud, dishonesty or misappropriation, or moral turpitude or, if any of the foregoing involves the Company or any subsidiary or affiliate (collectively the "Control Group"), the commission of any of the foregoing (other than good faith disputes involving expense account items);

(ii) the Executive's (X) continued willful neglect of his duties and responsibilities under this Agreement; (Y) grossly negligent conduct in connection with his duties and responsibilities under this Agreement; or (Z) gross negligence in connection with his handling of the assets of the Company or any other member of the Control Group;

(iii) the Executive's willful misconduct with regard to the Control Group;

(iv) the Executive's refusal to follow the written direction of the Board or the CEO with regard to the Executive's responsibilities as set forth herein;

(v) the Executive's willful failure to comply with the covenants in Section 13 hereof; or

(vi) material breach of any of the provision of this Agreement by the Executive.

(e) If the Company shall terminate the Executive's employment pursuant to this Section 7, it shall have no further liability or obligation hereunder except as follows:

(i) The Company shall promptly pay the Executive his then current Base Salary through the effective date of such termination;

(ii) The Executive shall receive the benefits, if any, and have the rights afforded by the Company under its then existing policies to employees whose employment is terminated for cause or under the specific terms of any welfare, pension, fringe benefit or incentive plan.

8. Good Reason. In the event that the Company shall (i) fail to continue the appointment of the Executive as President and Chief Operating Officer of the Company, or (ii) reduce the Executive's annual salary below the Base Salary, or (iii) materially diminish the duties and responsibilities of the Executive as President and Chief Operating Officer, assign to the Executive duties and responsibilities inconsistent with his positions, or materially diminish his authority, or (iv) locate the Executive at other than at the Company's main executive office, or (v) breach any payment provision of this Agreement (to the extent not disputed in good faith) or any other material provision of this Agreement (each of the foregoing hereinafter referred to as a "Triggering Event"), then the Executive may give notice to the Company of his election to terminate the Employment Period pursuant to this Section 8, effective thirty (30) days from the date of such notice, unless the Company shall have cured prior thereto the default giving rise to his notice of election to terminate.

Such notice from the Executive shall state the Triggering Event which provides the grounds for his termination, and such notice must be given, if at all, within 90 days of the date the Executive obtains knowledge of the Triggering Event referred to as providing such grounds for termination. Within the 30 day period specified in the Executive's notice to the Company, the Company shall have the opportunity to cure the default involved in the Triggering Event specified by the Executive. If the Employment Period is terminated pursuant to this Section 8, the Company shall have no liability or further obligation hereunder except as provided in Section 9 hereof. If the Executive does not give notice to the Company of his election to terminate within 90 days following the occurrence of a Triggering Event, then the Executive shall be deemed to have waived his right to terminate the Employment Period based on such Triggering Event, but such waiver shall not prejudice his right to terminate pursuant to this Section 8 based on the occurrence of another Triggering Event occurring subsequent in time, whether of the same or a different type.

9. Termination. In the event of a termination of the Employment Period pursuant to Section 8 hereof, or in the event the Company shall terminate the Employment Period without cause, or if as of January 31, 2002, the Company does not offer to extend this agreement under the same terms and conditions then existing (other than with respect to the one-year extension provision under this Section 9) for an additional one year, then, except as provided in Section 10 hereof, the Company shall have no obligation to the Executive except as follows:

(a) The Executive shall receive his Entitlements and have his Rights. Thereafter, and during the period until the earliest of (i) the later of January 31, 2002 or one year from the date of termination, (ii) the Executive's death, or (iii) the Executive's violation of the post employment requirements of Section 13 hereof, and subject to paragraph (f) below, following the date of such termination (hereinafter referred to as the "Severance Period"), the Company shall make payments to the Executive, either bi-weekly or monthly as the Company shall elect, calculated at the annual rate of Base Salary which the Executive was receiving pursuant to Section 3(a) hereof immediately prior to such termination.

(b) During the Severance Period the Executive shall not be an employee and shall not be entitled to receive any fringes, perquisites or benefits from the Company, except the Company shall pay the premiums for his and his dependents' health coverage under COBRA until the earliest of (i) such time as he commences other employment, (ii) such time as he or a dependent, as the case may be, is no longer entitled to COBRA coverage, or (iii) as provided in paragraph (f) below.

(c) The Company shall provide the Executive, at no cost to the Executive, with out-placement at a level commensurate with the Executive's position.

(d) The Executive shall not be required to mitigate the amount of any payment provided for in the second sentence of paragraph (a) or in paragraph (b) by seeking other employment nor shall any amounts to be received by the Executive hereunder be reduced by any other compensation earned.

(e) The Company shall be entitled to withhold from any payments made to the Executive under this Section 9 any amounts required to be withheld by applicable federal, state or local tax law.

(f) Any amounts being paid to or on behalf of the Executive under this Section 9 (other than vested benefits that are required to be paid under the Company's tax-qualified pension plans pursuant to the provisions of the Employee Retirement Income Security Act of 1974, as amended) shall immediately cease if the Executive enters into Competition with the Control Group. For purposes of this Agreement, "Competition" shall mean the:

(i) participating, directly or indirectly, as an individual proprietor, stockholder, officer, employee, director, consultant, joint venturer, investor, lender, or in any capacity whatsoever (within the United States of America, or in any country where the Control Group does business) in activities competitive with any business of the Control Group, provided, however, that such participation shall not include (x) the mere ownership of not more than one percent of the total outstanding stock of a publicly held company; or (y) any activity engaged in with the prior written approval of the Board; or

(ii) intentionally recruiting, soliciting or inducing, any employee or employees of the Control Group to terminate their employment with, or otherwise cease their relationship with, the Control Group where such employee or employees do in fact so terminate their employment.

If any restriction set forth with regard to Competition is found by any court of competent jurisdiction, or an arbitrator, to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend over the maximum period of time, range of activities, or geographic area as to which it may be enforceable.

10. Change in Control. In the event of the occurrence of a Change in Control, as defined in Exhibit A hereto, and (i) the Company shall terminate the Executive's employment without cause or the Executive shall terminate his employment for Good Reason (as defined in Section 8 hereof) within one year following such Change in Control, or (ii) within one year following such Change in Control the person who is CEO of the Company immediately prior to such Change in Control ceases to be CEO of the Company, and the Executive, within 90 days of the date such person shall cease to be CEO of the Company, gives written notice terminating the Employment Period (and such Employment Period shall cease upon the giving of such notice), then the Company shall have no obligation to the Executive except as follows:

(a) The Executive shall receive all amounts and benefits under Section 9 hereof as if he had terminated his employment for Good Reason pursuant to Section 8 hereof.

(b) In addition to any payments to which the Executive may be entitled pursuant to the provisions of paragraph (a) of this section, if the sum of the payments that the Company would anticipate making to the Executive under the provisions of the second sentence of Section 9(a) if such payments continued until the later of January 31, 2002 or one year from the date of termination, without adjustment for the time value of money (the "Section 9(a) Payments"), is less than 3 multiplied by Executive's Base Salary (at the rate payable immediately prior to such Change in Control) plus bonus payable under the Annual Incentive Compensation Plan at target in the year of the termination of the Employment Period (the "Change-in-Control Amount"), then the Company shall make a lump sum cash payment of the difference between the Change-in-Control Amount and the Section 9(a) Payments to Executive within five business days of the date of the termination of the Employment Period.

11. Gross-up. (a) In the event that the Executive shall become entitled to the payments and/or benefits provided by Section 10 or any other amounts (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change of ownership covered by Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") or any person affiliated with the Company or such person) (collectively the "Company Payments"), and such Company Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (and any similar tax that may hereafter be imposed), subject to paragraph (f) below, the Company shall pay to the Executive at the time specified in paragraph (d) below an additional amount (the "Gross-up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Company Payments and any federal, state and local income tax and Excise Tax upon the Gross-up Payment provided for by this paragraph (a), but before deduction for any federal, state or local income tax on the Company Payments, shall be equal to the Company Payments.

(b) For purposes of determining whether any of the Company Payments and Gross-up Payments (collectively the "Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (a) the Total Payments shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Code Section 280G(b)(3)) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the opinion of the Company's independent certified public accountants appointed prior to any change in ownership (as defined under Code Section 280G(b)(2)) or tax counsel selected by such accountants (the "Accountants") such Total Payments (in whole or in part) either do not constitute "parachute payments", represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or are otherwise not subject to the Excise Tax, and (b) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(c) For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence for the calendar year in which the Company Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-up Payment attributable to such reduction net of any federal, state, or local income tax incurred on the original receipt of such portion of the prior Gross-up Payment (after taking into account the tax benefit, if any, that the Executive receives on such repayment) (plus the portion of the Gross-up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a federal and state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any federal, state or local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed the interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expense thereof) if the Executive's claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Accountant or the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Gross-up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-up Payment), the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest or penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(d) The Gross-up Payment or portion thereof provided for in paragraph (c) above shall be paid not later than the thirtieth day following an event occurring which subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Accountant, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Code Section 1274(b)(2)(B) of the Code), subject to further payments pursuant to paragraph (c) hereof, as soon as the amount thereof can reasonably be determined, but in no event later than the ninetieth day after the occurrence of the event subjecting the Executive to the Excise Tax. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(e) The Company shall be responsible for all charges of the Accountant.

12. Supplemental Executive Retirement Plan. During the Employment Period, Executive shall participate in the Company's Supplemental Executive Retirement Plan (the "SERP"). If, at the time of a termination of the Employment Period (a) pursuant to Section 8 hereof, (b) without cause, (c) pursuant to Section 10 hereof, or (d) on January 31, 2002 (if the Company and Executive have not entered into an employment agreement extending Executive's employment with the Company beyond such date) (the "Retirement Events"), the Total Retirement Benefit, as hereinafter defined, is less than $1,300,000, the Company shall, effective as of the date of such termination of the Employment Period, increase the amount of Executive's Account in the SERP by the difference between the Total Retirement Benefit and $1,300,000. Further, if at any time during the Employment Period the Board freezes or terminates the SERP or terminates the participation of Executive thereunder, (i) Executive shall, as of the day preceding such action, if it is not the case, be deemed to be at least 55 years of age and have at least five "Years of Service" as defined in the SERP and, (ii) the Company shall, if the Total Retirement Benefit to which the Executive would be entitled, as of the day preceding such action, is less than $1,300,000, increase the amount of Executive's Account in the SERP by the difference between the Total Retirement Benefit, calculated as of such date, and $1,300,000. For purposes of this section, Total Retirement Benefit shall be the sum of (a) the lump sum benefit to which Executive is entitled under the provisions of Section 4.03 (C) (2) of the Venator Group Retirement Plan plus (b) the amount of the lump sum Excess Cash Balance Benefit payable under the provisions of the Excess Cash Balance Plan plus (c) the amount of Executive's Account under the SERP, prior to any adjustment provided for herein. In the event a Retirement Event occurs and either (i) such Retirement Event occurs before the Executive reaches age 55 or (ii) such Retirement Event occurs after the Executive has reached age 55 and the Compensation Committee of the Board does not provide the consent required by Section 2(v) of the SERP to permit Executive's "Retirement", as defined therein, to occur before he attains age 65, then the Company shall make a payment to Executive equal to the amount that would have been in Executive's Account in the SERP following the adjustment, if any, provided for in this section, such payment to be made to Executive in the same manner, and subject to the same restrictions, as provided for in the SERP.

13. Confidential Information, Nondisparagement. (a) In consideration of the covenants by the Company contained herein, the Executive undertakes and agrees that during the Employment Period and thereafter he shall hold in a fiduciary capacity for the benefit of the Control Group all secret or confidential information, knowledge, or data relating to the Control Group or its business (which shall be defined as all such information, knowledge, and data coming to the Executive's attention by virtue of his employment at the Company except that which is otherwise public knowledge or known within the Company's industry). During such period, the Executive shall not, without prior written consent of the Company, unless compelled pursuant to the order of a court or other body having jurisdiction over such matter or unless required by lawful process or subpoena, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. The foregoing shall not limit the disclosure by the Executive of such information in the course of the performance of his duties as President and Chief Operating Officer so long as such disclosure is in good faith.

(b) During the Employment Period and thereafter while the Executive is receiving any amounts pursuant to Section 9(a), Section 10, or Section 12 hereof, the Executive shall not make any statements or comments (i) to any form of media or likely to come to the attention of any form of media of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Control Group, the Board or any senior officer of the Control Group, or (ii) to any employee of the Control Group or to any supplier or customer of the Control Group of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Control Group or the Board or any senior officer of the Control Group, provided that in no event shall the foregoing limitation apply to (i) compliance with legal process or subpoena, (ii) statements in response to inquiry from a court or regulatory body, (iii) in rebuttal of media stories with regard to the Executive, (iv) to a possible future employer in connection with employment discussions, or (v) in response to inquiry from the Board or the CEO.

(c) Furthermore, (i) during the Employment Period, (ii) thereafter while the Executive is receiving any amounts pursuant to Section 9(a) hereof, or, (iii) if the employment of Executive hereunder is terminated for cause, prior to January 31, 2002, the Executive shall not enter into Competition with the Control Group, as defined in Section 9(f) hereof.

(d) Notwithstanding any other provision of this Agreement, in the event of a breach or threatened breach by the Executive of any provision of this Section, the Executive and the Company agree that the Company shall be entitled to injunctive and declaratory relief from a court of competent jurisdiction to restrain the Executive from committing such breach of the Agreement. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedy or remedies including, without limitation, the recovery of damages.

(e) The provisions of this section shall survive the expiration of this Agreement or the termination of the Agreement for any reason.

14. Indemnification. The Company agrees that the Executive shall be entitled to the benefits of the indemnity provisions set forth in the By-laws from time to time in accordance with their terms both during his employment and thereafter with regard to his actions as an officer or director of the Company. In addition, the Company agrees to continue in effect for the benefit of the Executive during the Employment Period directors' and officers' liability insurance of the type and in the amount currently maintained by the Company to the extent such insurance is available at a premium cost which the Company considers reasonable and, thereafter, with regard to his prior activities as an officer or director, such insurance as is maintained for active directors and officers.

15. Assignment. This Employment Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs (in the case of the Executive) and permitted assigns. This Agreement is personal to the Executive and neither this Agreement nor any rights hereunder may be assigned by the Executive. No rights or obligations of the Company under this Employment Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or pursuant to a sale of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Employment Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale as described in the preceding sentence, it shall use its best efforts to cause such assignee or transferee to expressly assume the liabilities, obligations, and duties of the Company hereunder.

16. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, other than injunctive relief pursuant to Section 13(d) hereof, shall be settled by arbitration in the City of New York, in accordance with the rules of the American Arbitration Association (the "AAA") before three arbitrators. The decision of the arbitrators shall be final and binding on the parties hereto and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The costs assessed by the AAA for arbitration shall be borne equally by both parties.

17. Notice. Any notice to either party hereunder shall be in writing, and shall be deemed to be sufficiently given to or served on such party, for all purposes, if the same shall be personally delivered to such party, or sent to such party by registered mail, postage prepaid, at, in the case of the Company, the address first given above and, in the case of the Executive, his principal residence address as shown in the records of the Company. Notices to the Company shall be addressed to the CEO with a copy similarly sent to the General Counsel. Either party hereto may change the address to which notices are to be sent to such party hereunder by written notice of such new address given to the other party hereto. Notices shall be deemed given when received if delivered personally or three days after mailing if mailed as aforesaid.

18. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to contracts to be performed therein.

19. 1997 Agreement. The 1997 Agreement is hereby terminated, effective as of the close of business on April 14, 1999, without further obligation of either party to the other, and shall thereafter be of no force or effect.

20. Miscellaneous. (a)This Agreement represents the entire understanding of the parties hereto, supersede any prior understandings or agreements between the parties, and the terms and provisions of this Agreement may not be modified or amended except in a writing signed by both parties.

(b) No waiver by either party of any breach by the other party of any condition or provision contained in this Agreement to be fulfilled or performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Except to the extent otherwise specifically provided herein, any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

21. Beneficiary. The Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable under this Agreement following his death by giving the Company written notice thereof in accordance with applicable Company policies. In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

VENATOR GROUP, INC.

By: /s/ Roger N. Farah

ROGER N. FARAH

/s/ Dale W. Hilpert

DALE W. HILPERT

Exhibit A

Change in Control of the Company shall mean any of the following: (i) (A) the making of a tender or exchange offer by any person or entity or group of associated persons or entities (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (a "Person") (other than the Company or its subsidiaries) for shares of Common Stock pursuant to which purchases are made of securities representing at least twenty percent (20%) of the total combined voting power of the Company's then issued and outstanding voting securities; (B) the merger or consolidation of the Company with, or the sale or disposition of all or substantially all of the assets of the Company to, any Person other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty percent (50%) or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation; or (b) a merger or capitalization effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), of securities representing more than the amounts set forth in (C) below; (C) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), in the aggregate, of securities of the Company representing twenty percent (20%) or more of the total combined voting power of the Company's then issued and outstanding voting securities by any Person acting in concert as of the date of this Agreement; provided, however, that the Board of Directors of the Company (referred to herein as the "Board") may at any time and from time to time and in the sole discretion of the Board, as the case may be, increase the voting security ownership percentage threshold of this item (C) to an amount not exceeding forty percent (40%); or (D) the approval by the shareholders of the Company of any plan or proposal for the complete liquidation or dissolution of the Company or for the sale of all or substantially all of the assets of the Company; or (ii) during any period of not more than two (2) consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into agreement with the Company to effect a transaction described in clause (i)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

Hilpert

EXHIBIT 10.19

Tel: 212-553-2452
Fax: 212-553-2152

December 21, 1998

Mr. Jarobin Gilbert
President and Chief Executive Officer
DBSS Group, Inc.
301 East 57th Street
New York, NY 10022

Re: Consulting Agreement Dated April 18, 1997

Dear Jarobin:

In reference to the Consulting Agreement between DBSS Group, Inc. and Venator Group, Inc. (formerly known as Woolworth Corporation) dated April 18, 1997 (the "Agreement"), the parties hereby mutually agree to terminate the Agreement effective as of December 31, 1998. The Agreement shall be of no further force or effect as of such date, with the exception of Section 9 concerning confidential information.

Please indicate your acknowledgment of and your agreement with the foregoing by executing a copy of this letter in the space provided below and returning it to me in the envelope provided.

Sincerely,

VENATOR GROUP, INC.

By:/s/ Gary M. Bahler
Gary M. Bahler
Senior Vice President,
General Counsel and Secretary

Acknowledged and Agreed:

DBSS GROUP, INC.

By:/s/ Jarobin Gilbert Jr.
Jarobin Gilbert Jr.
President and Chief Executive
Officer

EXHIBIT 10.21

February 19, 1999

Mr. M. Jeffrey Branman
229 South Mountain Avenue
Montclair, NJ 07047

Dear Mr. Branman:

This letter amends the supplemental agreement dated April 24, 1997 (the "Supplemental Agreement") between Venator Group, Inc. (formerly Woolworth Corporation), a New York corporation, and you, as follows.

1. The reference in the first paragraph of the Supplemental Agreement to the Senior Executive Severance Agreement dated April 24, 1997 is hereby amended to refer to the Senior Executive Severance Agreement dated as of February 19, 1999.

2. Paragraph 5 of the Supplemental Agreement is hereby amended to read in its entirety as follows: "Clause (iv) of Section 1(k) of the Agreement shall not apply to the discretionary bonus based on individual performance standards provided for under the terms of your employment."

All provisions of the Supplemental Agreement not expressly amended hereby shall remain unmodified and unamended and the entire Supplemental Agreement, as amended hereby, shall continue in full force and effect in accordance with the terms of the Supplemental Agreement.

VENATOR GROUP, INC.

By:/s/ John F. Gillespie

Senior Vice President-
Human Resources

ACCEPTED AND AGREED:

/s/ M. Jeffrey Branman
- ---
M. Jeffrey Branman

February 25, 1999
- ---
Date

EXHIBIT 10.30

ESTRICTED STOCK AWARD AGREEMENT
UNDER THE VENATOR GROUP
1998 STOCK OPTION AND AWARD PLAN

This Restricted Stock Award Agreement (the "Agreement") made under the Venator Group 1998 Stock Option and Award Plan (the "Plan") as of the _____ day of _____ ____ by and between Venator Group, Inc., a New York corporation with its principal office located at 233 Broadway, New York, New York 10279 (the "Company") and _____, residing at _____ (the "Executive").

Effective _____, _____ (the "Date of Grant"), the Compensation Committee of the Board of Directors of the Company granted the Executive an award of _____ shares of Restricted Stock under the Plan, subject to the terms of the Plan and the restrictions set forth in this Agreement.

1. Grant of Shares

The Company is transferring to the Executive _____ shares of validly issued Common Stock of the Company, par value $.01 per share. Such shares are fully paid and nonassessable and upon transfer shall be validly issued and outstanding. The shares are subject to certain restrictions pursuant to Section 3 hereof, which restrictions shall expire as provided in Section 3.3 hereof.

2. Restrictions on Transfer

The Employee shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Restricted Stock, except as set forth in this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the shares in violation of this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

3. Restricted Stock

3.1 Deposit of Certificates. The Executive will deposit with and deliver to the Company the stock certificate or certificates representing the Restricted Stock, each duly endorsed in blank or accompanied by stock powers duly executed in blank. In the event the Executive receives a stock dividend on the Restricted Stock or the Restricted Stock is split or the Executive receives any other shares, securities, monies, or property representing a dividend on the Restricted Stock (other than regular cash dividends on and after the date of this Agreement) or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, and any warrants, rights or options issued to the Executive in respect of the Restricted Stock (collectively the "RS Property"), the Executive will also immediately deposit with and deliver to the Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including that of this Section 3.1, as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock."

3.2 Rights with Regard to the Restricted Stock. The Restricted Stock has been transferred from either the Company's treasury or newly issued stock and, therefore, upon delivery to the Executive will constitute issued and outstanding shares of Common Stock for all corporate purposes. From and after the date of transfer, the Executive will have the right to vote the Restricted Stock, to receive and retain all regular cash dividends payable to record holders of Common Stock on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by law, as additional compensation for tax purposes if paid on Restricted Stock), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock, with the exceptions that (i) the Executive will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the restriction period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled, (ii) the Company will retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property during the restriction period, (iii) no RS Property shall bear interest or be segregated in separate accounts during the restriction period and (iv) the Executive may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the restriction period.

3.3 Vesting.

(a) The Restricted Stock shall become 100% vested and cease to be Restricted Stock (but still subject to the other terms of the Plan and this Agreement) on February 1, 2004 if the Executive has been continuously employed by the Company or its subsidiaries within the meaning of Section 424 of the Internal Revenue Code of 1986, as amended (the "Control Group") until such date.

(b) The vesting of the Restricted Stock shall be accelerated, so that it will become 100% vested on March 15, 2002 for individuals who have been continuously employed by the Control Group from February 1, 1999 to March 15, 2002, provided that the sum of the actual earnings per share of the Company as reported for the years 1999, 2000 and 2001 equal or exceed the sum of (i) the earnings per share for 1999 shown in the 1999 operating budget of the Company approved by the Board of Directors for 1999, (ii) the earnings per share for 2000 shown in the 2000 operating budget of the Company approved by the Board of Directors for 2000, and (iii) the earnings per share for 2001 shown in the 2001 operating budget of the Company approved by the Board of Directors for 2001.

Other than as may be provided for under Section 3.4 hereof, there shall be no proportionate or partial vesting in the periods prior to the appropriate vesting date and all vesting shall occur only on the appropriate vesting date.

When any Restricted Stock becomes vested, the Company shall promptly issue and deliver to the Executive a new stock certificate registered in the name of the Executive for such shares without the legend set forth in Section 4 hereof and deliver to the Executive any related other RS Property.

In addition, all shares of Restricted Stock shall become immediately vested and cease to be Restricted Stock upon any Change in Control as defined in Appendix A hereto.

3.4 Forfeiture. In the event of the Executive's death, disability, or resignation, the Executive shall forfeit to the Company, without compensation, all unvested shares of Restricted Stock; provided that (i) in the event of the death or disability of the Executive or (ii) in the event that the Executive ceases to be employed by the Company or any subsidiary or affiliate of the Company as a result of the closing, sale, spin-off or other divestiture of any operation of the Company, the Compensation Committee of the Board of Directors of the Company may, in its sole discretion, but shall not be obligated to, fully vest and not forfeit all or any portion of the Executive's Restricted Stock.

3.5 Adjustments. In the event of any stock dividend, split up, split-off, spin-off, distribution, recapitalization, combination or exchange of shares, merger, consolidation, reorganization or liquidation or the like, the Restricted Stock shall, where appropriate in the sole discretion of the Compensation Committee of the Board of Directors of the Company, receive the same distributions as other shares of Common Stock or on some other basis as determined by the Compensation Committee of the Board of Directors. In any such event, the Compensation Committee of the Board of Directors may, in its sole discretion, determine to award additional Restricted Stock in lieu of the distribution or adjustment being made with respect to other shares of Common Stock. In any such event, the determination made by the Compensation Committee of the Board of Directors shall be conclusive. The Compensation Committee of the Board of Directors may, in its sole discretion, at any time fully vest and not forfeit all or any portion of the Executive's Restricted Stock.

3.6 Withholding. The Employee agrees that, subject to subsection 3.7 below,

(a) No later than the date on which any Restricted Stock shall have become vested, the Executive will pay to the Company, or make arrangements satisfactory to the Company regarding payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so vested;

(b) The Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Executive any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so vested; and

(c) In the event the Executive does not satisfy (a) above on a timely basis, the Company may, but shall not be required to, pay such required withholding and treat such amount as a demand loan to the Employee at the maximum rate permitted by law, with such loan, at the Company's sole discretion and provided the Company so notifies the Employee within thirty (30) days of the making of the loan, secured by the shares of Common Stock and any failure by the Executive to pay the loan upon demand shall entitle the Company to all of the rights at law of a creditor secured by the shares of Common Stock. The Company may hold as security any certificates representing any shares of Common Stock and, upon demand of the Company, the Executive shall deliver to the Company any certificates in his possession representing shares of Common Stock together with a stock power duly endorsed in blank.

3.7 Section 83(b). If the Executive properly elects (as required by Section 83(b) of the Internal Revenue Code of 1986, as amended) within thirty (30) days after the issuance of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of such Restricted Stock, the Executive shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to such Restricted Stock. If the Executive shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Executive any federal, state or local taxes of any kind required by law to be withheld with respect to such Restricted Stock, as well as the rights set forth in Section 3.6(c) hereof. The Executive acknowledges that it is his sole responsibility, and not the Company's, to file timely the election under Section 83(b) of the Internal Revenue Code of 1986, as amended, and any corresponding provisions of state tax laws if he elects to utilize such election.

3.8 Special Incentive Compensation. The Executive agrees that the award of the Restricted Stock hereunder is special incentive compensation and that it, any dividends paid thereon (even if treated as compensation for tax purposes) and any other RS Property will not be taken into account as "salary" or "compensation" or "bonus" in determining the amount of any payment under any pension, retirement or profit-sharing plan of the Company or any life insurance, disability or other benefit plan of the Company.

3.9 Delivery Delay. The delivery of any certificate representing Restricted Stock or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable federal or state securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or delivery any securities if, in the opinion of counsel for the Company, the issuance of such shares shall constitute a violation by the Executive or the Company of any provisions of any law or of any regulations of any governmental authority or any national securities exchange.

4. Legend. All certificates representing shares of Restricted Stock shall have endorsed thereon a legend referring to the terms conditions and restrictions applicable to such Restricted Stock, substantially in the following form:

"The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Venator Group (the "Company") 1998 Stock Option and Award Plan and an Agreement entered into between the registered owner and the Company dated _____ , 1999. Copies of such Plan and Agreement are on file at the principal office of the Company."

5. Not an Employment Agreement. The issuance of the shares of Restricted Stock hereunder does not constitute an agreement by the Company to continue to employ the Executive during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock is outstanding.

6. Power of Attorney. The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Executive for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Executive, may, in the name and stead of the Executive, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Executive hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Executive shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for the purpose.

7. Miscellaneous.

7.1 This Agreement shall inure to the benefit of and be binding upon all parties hereto and their respective heirs, legal representatives, successors and assigns.

7.2 This Agreement constitutes the entire agreement between the parties and cannot be changed or terminated orally. No modification or waiver of any of the provisions hereof shall be effective unless in writing and signed by the party against whom it is sought to be enforced.

7.3 This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

7.4 The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement. 7.5 This Agreement is subject, in all respects, to the provisions of the Plan, and to the extent any provision of this Agreement contravenes or is inconsistent with any provision of the Plan, the provisions of the Plan shall govern.

7.6 The headings of the sections of this Agreement have been inserted for convenience of reference only and shall in no way restrict or modify any of the terms or provisions hereof.

7.7 All notices, consents, requests, approvals, instructions and other communications provided for herein shall be in writing and validly given or made when delivered, or on the second succeeding business day after being mailed by registered or certified mail, whichever is earlier, to the persons entitled or required to receive the same, at the addresses set forth at the heading of this Agreement or to such other address as either party may designate by like notice. Notices to the Company shall be addressed to the Chairman of the Compensation Committee with a copy similarly sent to the General Counsel.

7.8 This Agreement shall be governed and construed and the legal relationships of the parties determined in accordance with the internal laws of the State of New York.

7.9 To indicate your acceptance of the terms of this Restricted Stock Award Agreement, you must sign and deliver or mail not later than _____, a copy of this Agreement to the General Counsel of the Company at the address provided in the heading of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

VENATOR GROUP, INC.

By:

Executive

ACKNOWLEDGMENT

STATE OF _____)
) s.s.:
COUNTY OF_____)

On this _____ day of _____ _____, before me personally appeared _____, to me known to be the person described in and who executed the foregoing agreement, and acknowledged that he executed the same as his free act and deed.

Notary Public

APPENDIX A

Change in Control

A Change in Control shall mean any of the following: (i) (A) the making of a tender or exchange offer by any person or entity or group of associated persons or entities (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (a "Person") (other than the Company or its Affiliates) for shares of Common Stock pursuant to which purchases are made of securities representing at least twenty percent (20%) of the total combined voting power of the Company's then issued and outstanding voting securities; (B) the merger or consolidation of the Company with, or the sale or disposition of all or substantially all of the assets of the Company to, any Person other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty percent (50%) or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation; or (b) a merger or capitalization effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), of securities representing more than the amounts set forth in (C) below; (C) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), in the aggregate, of securities of the Company representing twenty percent (20%) or more of the total combined voting power of the Company's then issued and outstanding voting securities by any Person acting in concert as of the date of this Agreement; provided, however, that the Board of Directors of the Company (referred to herein as the "Board") may at any time and from time to time and in the sole discretion of the Board, as the case may be, increase the voting security ownership percentage threshold of this item (C) to an amount not exceeding forty percent (40%); or (D) the approval by the shareholders of the Company of any plan or proposal for the complete liquidation or dissolution of the Company or for the sale of all or substantially all of the assets of the Company; or (ii) during any period of not more than two (2) consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into agreement with the Company to effect a transaction described in clause (i)) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds ( ) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

EXHIBIT 10.31

AMENDMENT NO. 3 TO CREDIT AGREEMENT

AMENDMENT No. 3 dated as of March 19, 1999 to the Credit Agreement dated as of April 9, 1997 (as in effect immediately prior to the effectiveness of this Amendment, the "Existing Credit Agreement") among VENATOR GROUP, INC. (formerly known as Woolworth Corporation), the BANKS party thereto, the CO-AGENTS party thereto, BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, as Documentation Agent, THE BANK OF NEW YORK, as LC Agent, Administrative Agent and Swingline Bank and the LEAD ARRANGERS party hereto.

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend the Existing Credit Agreement as set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Existing Credit Agreement has the meaning assigned to such term in the Existing Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Existing Credit Agreement shall, on and as of the date hereof, refer to the Existing Credit Agreement as amended hereby.

Section 2. Required Banks Amendment. On and as of the date hereof, upon satisfaction of the conditions set forth in Section 3 below, the Existing Credit Agreement is hereby amended and restated in its entirety as set forth in Exhibit A hereto. The amendment and restatement of the Existing Credit Agreement effected pursuant to this Section 2 is referred to herein as the "Required Banks Amendment", and the Existing Credit Agreement as amended and restated pursuant to the Required Banks Amendment is referred to herein as the "First Restated Credit Agreement". Upon the effectiveness of the Required Bank Amendment, the Commitment of each Bank shall be the amount set forth opposite the name of such Bank on the Commitment Schedule to the First Restated Credit Agreement.

Section 3. Effectiveness of Required Banks Amendment. The Required Banks Amendment shall become effective on and as of the date hereof upon satisfaction of each of the following conditions:

(a) receipt by the Administrative Agent of a counterpart hereof signed by the Borrower and the Required Banks (or facsimile or other written confirmation satisfactory to the Administrative Agent that each such party has signed a counterpart hereof);

(b) receipt by the Administrative Agent of a duly executed Note for the account of each Bank complying with the provisions of Section 2.05 of the First Restated Credit Agreement and a duly executed Swingline Note (as defined in the First Restated Credit Agreement) for the account of the Swingline Bank, each dated the date hereof;

(c) receipt by the Administrative Agent of a counterpart of the Subsidiary Guarantee substantially in the form of Exhibit H to the First Restated Credit Agreement (the "Subsidiary Guarantee") signed by each party listed on the signature pages thereof (or facsimile or other written confirmation satisfactory to the Administrative Agent that each such party has signed a counterpart thereof);

(d) receipt by the Administrative Agent of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel for the Borrower, in form and substance reasonably satisfactory to the Required Banks;

(e) receipt by the Administrative Agent of an opinion of Gary Bahler, General Counsel of the Borrower, in form and substance reasonably satisfactory to the Required Banks;

(f) receipt by the Administrative Agent of an opinion of Davis Polk & Wardwell substantially in the form of Exhibit B hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(g) receipt by the Administrative Agent, for the account of each Bank from which the Administrative Agent has received the executed counterpart (or other written confirmation) described in clause (a) above on or prior to the date hereof, of an amendment fee in an amount equal to 0.375% of such Bank's Commitment as in effect under the First Restated Credit Agreement upon the effectiveness of the Required Banks Amendment;

(h) the fact that the Borrower shall have paid all expenses (including without limitation all expenses payable by it pursuant to Sections 9.03(a)(i) and 9.03(b) of the Credit Agreement) with respect to which the Borrower shall have received an invoice at least one Domestic Business Day prior to the date of effectiveness of the Required Banks Amendment;

(i) (i) the fact that the representations and warranties set forth in the First Restated Credit Agreement and in the Subsidiary Guarantee shall be true and correct on and as of the date hereof and (ii) receipt by the Administrative Agent of a certificate of a Responsible Officer of the Borrower and each Subsidiary of the Borrower party to the Subsidiary Guarantee (each, a "Subsidiary Guarantor") so certifying;

(j) (i) the fact that, immediately after giving effect to the Required Banks Amendment, no Default (as defined in the First Restated Credit Agreement) shall have occurred and be continuing and (ii) receipt by the Administrative Agent of a certificate of a Responsible Officer of the Borrower so certifying;

(k) receipt by each Bank of a schedule identifying certain ownership interests in real property held by the Borrower and its Subsidiaries and the date constituting the "Final Disposition Date" referred to in the First Restated Credit Agreement with respect to each such ownership interest (which shall be the last date on which the Borrower or any of its Subsidiaries intends to consummate the sale or other disposition of such ownership interest), which schedule shall be satisfactory to the Lead Arrangers; and

(l) receipt by the Administrative Agent of all documents that the Administrative Agent may reasonably request relating to the existence of the Borrower and each Subsidiary Guarantor, the corporate authority for and the validity of this Amendment, the First Restated Credit Agreement, the Subsidiary Guarantee, the Notes and the Swingline Note, and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent.

Section 4. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

VENATOR GROUP, INC.

By /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer
233 Broadway
New York, New York 10279-0003
Facsimile number: 212-553-2094

J.P. MORGAN SECURITIES INC.,
as Lead Arranger

By /s/ Jenny Y. Lee

Name: JENNY Y. LEE.
Title: Vice President

BNY CAPITAL MARKETS, INC.,
as Lead Arranger

By /s/ Jeffrey D. Landau

Name: JEFFREY D. LANDAU
Title: Managing Director

NATIONSBANK MONTGOMERY LLC,
as Lead Arranger

By /s/ Bill Manley

Name: BILL MANLEY
Title: Managing Director

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By /s/ Unn Boucher

Name: UNN BOUCHER
Title: Vice President

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION,
as Documentation Agent and a Bank

By /s/ Bill Manley

Name: BILL MANLEY
Title: Managing Director

NATIONSBANK, N.A.

By /s/ Bill Manley

Name: BILL MANLEY
Title: Managing Director

THE BANK OF NEW YORK

By /s/ Howard F. Bascom, Jr.

Name: HOWARD F. BASCOM, JR.
Title: Vice President

THE BANK OF NOVA SCOTIA,
as Co-Agent and a Bank

By /s/ J. Alan Edwards

Name: J. ALAN EDWARDS
Title: Authorized Signatory

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY, as Co-Agent and a Bank

By /s/ Jim Brown

Name:JIM BROWN
Title: Vice President

TORONTO DOMINION (NEW YORK), INC.,
as Co-Agent and a Bank

By /s/ David G. Parker

Name: DAVID G. PARKER
Title: Vice President

COMMERZBANK AG, NEW YORK BRANCH

By /s/ David T. Whitworth

Name: DAVID T. WHITWORTH
Title: Senior Vice President

By /s/ Robert J. Donohue

Name: ROBERT J. DONOHUE
Title: Senior Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By /s/ Vladimir Labun

Name: VLADIMIR LABUN
Title: First Vice President-Manager

DEUTSCHE BANK AG, NEW YORK BRANCH
AND/OR CAYMAN ISLANDS BRANCH

By /s/ Susan M. O'Connor

Name: SUSAN M. O'CONNOR
Title: Director

By /s/ Sheryl L.Paynter

Name: SHERYL L. PAYNTER
Title: Associate

KEYBANK NATIONAL ASSOCIATION

By /s/ Daniel W. Lally

Name: DANIEL W. LALLY
Title: Assistant Vice President

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By /s/ Razia Damji

Name: RAZIA DAMJI
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By /s/ Corinne Heyning

Name: CORINNE HEYNING
Title: Vice President

THE BANK OF NEW YORK, as Administrative
Agent, LC Agent and Swingline Bank

By /s/ Howard F. Bascom, Jr.

Name: HOWARD F. BASCOM, JR.
Title: Vice President

EXHIBIT 10.32

[EXECUTION COPY]

AMENDMENT NO. 4 TO CREDIT AGREEMENT

AMENDMENT No. 4 dated as of March 19, 1999 to the Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as in effect immediately prior to the effectiveness of this Amendment, the "Existing Credit Agreement") among VENATOR GROUP, INC. (formerly known as Woolworth Corporation) (the "Company"), the Subsidiary Borrowers listed on the signature pages hereof (the "Subsidiary Borrowers"), the BANKS party thereto, the CO-AGENTS party thereto, BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, as Documentation Agent, THE BANK OF NEW YORK, as Administrative Agent, LC Agent and Swingline Bank, and the LEAD ARRANGERS party thereto.

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend the Existing Credit Agreement by making each Subsidiary Borrower a party to the Existing Credit Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Existing Credit Agreement has the meaning assigned to such term in the Existing Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Existing Credit Agreement shall, on and as of the date hereof, refer to the Existing Credit Agreement as amended hereby.

Section 2. 100% Vote Amendment. On and as of the date hereof, immediately after (and subject to) the effectiveness of the Required Banks Amendment (as defined in Amendment No. 3 to the Existing Credit Agreement dated as of March 19, 1999 among the parties to the Existing Credit Agreement) and upon satisfaction of the conditions set forth in Section 3 below, the Existing Credit Agreement is hereby amended and restated in its entirety as set forth in Exhibit A hereto. The amendment and restatement of the Existing Credit Agreement effected pursuant to this Section 2 is referred to herein as the "100% Vote Amendment", and the Existing Credit Agreement as amended and restated pursuant to the 100% Vote Amendment is referred to herein as the "Second Restated Credit Agreement".

Section 3. Effectiveness of 100% Vote Amendment. The 100% Vote Amendment shall become effective as of the date hereof upon satisfaction of each of the following conditions:

(a) receipt by the Administrative Agent of a counterpart hereof signed by the Company, each Subsidiary Borrower and all the Banks (or facsimile or other written confirmation satisfactory to the Administrative Agent that each such party has signed a counterpart hereof);

(b) receipt by the Administrative Agent of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel for the Company, in form and substance reasonably satisfactory to the Required Banks;

(c) receipt by the Administrative Agent of an opinion of Gary Bahler, General Counsel of the Borrower, in form and substance reasonably satisfactory to the Required Banks;

(d) (i) the fact that the representations and warranties set forth in the Second Restated Credit Agreement and the other Loan Documents shall be true and correct on and as of the date hereof and (ii) receipt by the Administrative Agent of a certificate of a Responsible Officer of the Company and each Subsidiary Borrower so certifying;

(e) (i) the fact that, immediately after giving effect to the 100% Vote Amendment, no Default (as defined in the Second Restated Credit Agreement) shall have occurred and be continuing and (ii) receipt by the Administrative Agent of a certificate of a Responsible Officer of the Company so certifying; and

(f) receipt by the Administrative Agent of all documents that the Administrative Agent may reasonably request relating to the existence of the Company and each Subsidiary Borrower, the corporate authority for and the validity of this Amendment, the Second Restated Credit Agreement and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent.

Section 4. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

VENATOR GROUP, INC.

By /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer

Each of the Subsidiary Borrowers listed below hereby consents to this Amendment and agrees to be a party to, and be bound by, the Existing Credit Agreement as amended and restated by the 100% Vote Amendment.

eVENATOR, INC.

By /s/ Bruce Hartman

Name: BRUCE HARTMAN
Title: Senior Vice President and
Chief Financial/Officer

VENATOR GROUP RETAIL, INC.

By /s/ Bruce Hartman

Name: BRUCE HARTMAN
Title: Senior Vice President and
Chief Financial/Officer

TEAM EDITION APPAREL, INC.

By /s/ Bruce Hartman

Name: BRUCE HARTMAN
Title: Senior Vice President and
Chief Financial/Officer

NORTHERN REFLECTIONS INC.

By /s/ Bruce Hartman

Name: BRUCE HARTMAN
Title: Senior Vice President and
Chief Financial/Officer

VENATOR GROUP SPECIALTY, INC.

By /s/ Bruce Hartman

Name: BRUCE HARTMAN
Title: Senior Vice President and
Chief Financial/Officer

THE SAN FRANCISCO MUSIC BOX COMPANY

By /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer

FOOT LOCKER EUROPE B.V.

By /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice Pesident and Treasurer

FOOT LOCKER JAPAN K.K.

By /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer

VENATOR GROUP AUSTRALIA LIMITED

By /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer

VENATOR GROUP CANADA INC.

By /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer

J.P. MORGAN SECURITIES INC.,
as Lead Arranger

By /s/ Jenny Y. Lee

Name: JENNY Y. LEE
Title: Vice President

BNY CAPITAL MARKETS, INC.,
as Lead Arranger

By /s/ Jeffrey D. Landau

Name: JEFFREY D. LANDAU
Title: Managing Director

NATIONSBANK MONTGOMERY LLC,
as Lead Arranger

By /s/ Bill Manley

Name: BILL MANLEY
Title: Managing Director

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By /s/ Unn Boucher

Name: UNN BOUCHER
Title: Vice President

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION,
as Documentation Agent and a Bank

By /s/ Bill Manley

Name: BILL MANLEY
Title: Managing Director

NATIONSBANK, N.A.

By /s/ Bill Manley

Name: BILL MANLEY
Title: Managing Director

THE BANK OF NEW YORK

By /s/ Howard F. Bascom, Jr.

Name: HOWARD F. BASCOM, JR.
Title: Vice President

THE BANK OF NOVA SCOTIA,
as Co-Agent and a Bank

By /s/ J. Alan Edwards

Name: J. ALAN EDWARDS
Title: Authorized Signatory

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY, as Co-Agent and a Bank

By /s/ Jim Brown

Name: JIM BROWN
Title: Vice President

TORONTO DOMINION (NEW YORK), INC.,
as Co-Agent and a Bank

By /s/ David G. Parker

Name: DAVID G. PARKER
Title: Vice President

COMMERZBANK AG, NEW YORK BRANCH

By /s/ David T. Whitworth

Name: DAVID T. WHITWORTH
Title: Senior Vice President

By /s/ Robert J. Donohue

Name: ROBERT J. DONOHUE
Title: Senior Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By /s/ Vladimir Labun

Name: VLADIMIR LABUN
Title: First Vice President-Manager

DEUTSCHE BANK AG, NEW YORK BRANCH
AND/OR CAYMAN ISLANDS BRANCH

By /s/ Susan M. O'Connor

Name: SUSAN M. O'CONNOR
Title: Director

By /s/ Sheryl L. Paynter

Name: SHERYL L. PAYNTER
Title: Associate

KEYBANK NATIONAL ASSOCIATION

By /s/ Daniel W. Lally

Name: DANIEL W. LALLY
Title: Assistant Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By /s/ Razia Damji

Name: RAZIA DAMJI
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By /s/ Corinne Heyning

Name: CORINNE HEYNING
Title: Vice President

THE BANK OF NEW YORK, as Administrative
Agent, LC Agent and Swingline Bank

By /s/ Howard F. Bascom, Jr.

Name: HOWARD F. BASCOM, JR.
Title: Vice President

Acknowledged and consented to by:

EASTBAY, INC.
eVENATOR, INC.
FOOT LOCKER JAPAN, INC.
NORTHERN REFLECTIONS INC.
RICHMAN BROTHERS COMPANY
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
THE SAN FRANCISCO MUSIC BOX COMPANY
VENATOR GROUP CORPORATE SERVICES, INC.
VENATOR GROUP HOLDINGS, INC.
VENATOR GROUP RETAIL, INC.
VENATOR GROUP SOURCING, INC.
VENATOR GROUP SPECIALITY, INC.

By: /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer

RETAIL COMPANY OF GERMANY, INC.

By: /s/ Bruce Hartman

Name: BRUCE HARTMAN
Title: Senior Vice President and Chief Operating Officer

EXHIBIT 10.33

[EXHIBIT A TO
AMENDMENT NO. 3]

$400,000,000

AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of April 9, 1997

and

amended and restated as of

March 19, 1999

among

Venator Group, Inc.
(formerly known as Woolworth Corporation)

The Banks Party Hereto

The Co-Agents Party Hereto

Bank of America National Trust & Savings Association,
as Documentation Agent

The Bank of New York,
as Administrative Agent, LC Agent
and Swingline Bank

and

J.P. Morgan Securities Inc.
BNY Capital Markets, Inc.
NationsBank Montgomery Securities LLC,
as Lead Arrangers

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AMENDED AND RESTATED CREDIT AGREEMENT dated as of April 9, 1997 and amended and restated as of March 19, 1999 among VENATOR GROUP, INC. (formerly known as Woolworth Corporation), the BANKS party hereto, the CO-AGENTS party hereto, BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, as Documentation Agent, THE BANK OF NEW YORK, as Administrative Agent, LC Agent and Swingline Bank, and the LEAD ARRANGERS party hereto.

WHEREAS, the Borrower, the banks party thereto (the "Existing Banks"), the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent and The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank, and the Lead Arrangers party thereto are parties to a Credit Agreement dated as of April 9, 1997 (as in effect immediately prior to the effectiveness of this Amended Agreement (as defined in Section 1.01 below), the "Existing Credit Agreement");

WHEREAS, the parties to the Existing Credit Agreement desire to amend and restate the Existing Credit Agreement as provided in this Amended Agreement subject to the terms and conditions set forth in Amendment No. 3 to the Existing Credit Agreement dated as of March 19, 1999 ("Amendment No. 3") among the Borrower, the Existing Banks, Bank of America National Trust & Savings Association, as Documentation Agent and The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank;

WHEREAS, all the conditions to effectiveness to Amendment No. 3 have been satisfied;

NOW, THEREFORE, the Existing Credit Agreement is amended and restated in its entirety as follows:

ARTICLE 1

Definitions

Section 1.01. Definitions. The following terms, as used herein, have the following meanings:

"Absolute Rate Auction" means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

"Adjusted CD Rate" has the meaning set forth in Section 2.07(b).

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.07(c).

"Administrative Agent" means The Bank of New York, in its capacity as administrative agent for the Banks under the Loan Documents, and its successors in such capacity.

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Bank.

"Affiliate" means, (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "Controlling Person") or (ii) any Person (other than the Borrower or a Subsidiary) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to vote 10% or more of any class of voting securities of a Person or to direct or cause the direction of the management or policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agents" means the LC Agent, the Documentation Agent and the Administrative Agent.

"Aggregate LC Exposure" means, at any time, the sum, without duplication, of (i) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (ii) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time.

"Agreement", when used in reference to this Agreement, means the Amended Agreement, as it may be further amended or amended and restated from time to time.

"Amended Agreement" means this Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999.

"Amendment No. 3 " has the meaning set forth in the second WHEREAS clause.

"Annual Rent Expense" means, as of the end of each Fiscal Year (the "Relevant Fiscal Year") and the end of each of the first three Fiscal Quarters of the next Fiscal Year, the total rent expense (net of sublease income) of the Borrower and its Consolidated Subsidiaries for the Relevant Fiscal Year, calculated in the same manner as the $693,000,000 amount shown as such total rent expense (net of sublease income) for Fiscal Year 1995 under the heading "Leases" on page 29 of the Borrower's 1995 Annual Report to its shareholders, subject to the provisions of Section 1.02(b).

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office and (iii) in the case of its Money Market Loans, its Money Market Lending Office.

"Assessment Rate" has the meaning set forth in Section 2.07(b).

"Asset Sale" means any sale, lease or other disposition (including any such transaction effected by way of merger or consolidation) of any asset by the Borrower or any of its Subsidiaries, including without limitation any sale-leaseback transaction, whether or not involving a capital lease, and any sale of any interest in real estate (including without limitation a leasehold interest), including without limitation any disposition of a leasehold interest to the relevant landlord by way of early termination thereof, but excluding (i) dispositions of inventory, cash, cash equivalents and other cash management investments and obsolete, unused or unnecessary equipment, in each case in the ordinary course of business, (ii) dispositions of assets to the Borrower or a Subsidiary; provided that any such dispositions by an Obligor to a Subsidiary that is not a Subsidiary Guarantor shall be excluded pursuant to this clause (ii) only if consummated in the ordinary course of business, (iii) dispositions of any Real Property Held For Sale, but only if disposed of on or prior to its Final Disposition Date, and (iv) any disposition of assets not described in clauses (i) through (iii) hereof consummated in any Fiscal Year, but only to the extent that the Net Cash Proceeds therefrom, together with the Net Cash Proceeds of all other dispositions consummated in such Fiscal Year and not constituting an "Asset Sale" by reliance on this clause (iv), do not exceed $5,000,000 (or, in the case of Fiscal Year 2002, $2,500,000).

"Assignee" has the meaning set forth in Section 9.06.

"Bank" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.06(c), and their respective successors. The term "Bank" does not include the Swingline Bank in its capacity as such.

"Bank of America" means Bank of America National Trust & Savings Association.

"Bank Parties" means the Banks, the Swingline Bank, the Agents and the Lead Arrangers.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

"Base Rate Loan' means a Committed Loan which bears interest at the Base Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or the provisions of Article 8.

"Base Rate Margin" has the meaning set forth in Section 2.07(a).

"Borrower" means Venator Group, Inc. (formerly known as Woolworth Corporation), a New York corporation, and its successors.

"Borrower's 1997 Form 10-K" means the Borrower's annual report on Form 10-K for the1997 Fiscal Year, as filed with the SEC pursuant to the Exchange Act.

"Borrower's Latest 10-Q" means the Borrower's quarterly report on Form 10-Q for the Fiscal Quarter ended October 31, 1998, as filed with the SEC pursuant to the Exchange Act.

"Borrowing" has the meaning set forth in Section 1.03.

"Business Acquisition" means (i) an Investment by the Borrower or any of its Subsidiaries in any other Person (including an Investment by way of acquisition of securities of any other Person) pursuant to which such Person shall become a Subsidiary or shall be merged into or consolidated with the Borrower or any of its Subsidiaries or (ii) an acquisition by the Borrower or any of its Subsidiaries of the property and assets of any Person (other than the Borrower or any of its Subsidiaries) that constitute substantially all the assets of such Person or any division or other business unit of such Person. The description of any transaction as falling within the above definition does not affect any limitation on such transaction imposed by Article 5 of this Agreement.

"CD Base Rate" has the meaning set forth in Section 2.07(b).

"CD Loan" means a Committed Loan which bears interest at a CD Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election.

"CD Margin" has the meaning set forth in Section 2.07(b).

"CD Rate" means a rate of interest determined pursuant to Section 2.07(b) on the basis of an Adjusted CD Rate.

"CD Reference Banks" means The Bank of New York, Bank of America and Morgan.

"Co-Agents" means the Banks designated as Co-Agents on the signature pages hereof, in their respective capacities as Co-Agents in connection with the credit facility provided hereunder.

"Collateral" means the collateral purported to be subject to the Liens of all the Collateral Documents.

"Collateral Documents" means the Security Agreement, the Pledge Agreement, each mortgage entered into pursuant to Section 5.20(b) and any additional security agreements, pledge agreements, mortgages or other agreements required to be delivered pursuant to the Loan Documents to secure the obligations of the Obligors under the Loan Documents (including without limitation any additional pledge agreements delivered by any Obligor pursuant to the provisions of the Pledge Agreement), and any instruments of assignment or other instruments or agreements executed pursuant to the foregoing.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the Commitment Schedule (or, in the case of an Assignee, the portion of the transferor Bank's Commitment assigned to such Assignee pursuant to Section 9.06(c)), in each case as such amount may be reduced from time to time pursuant to Sections 2.10 and 2.11 or changed as a result of an assignment pursuant to Section 8.06 or 9.06(c). The term "Commitment" does not include the Swingline Commitment.

"Commitment Schedule" means the Commitment Schedule attached hereto.

"Committed Loan" means a loan made or to be made by a Bank pursuant to Section 2.01 or Section 2.18(f); provided that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Committed Loan" shall refer to the combined principal

amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"Consolidated Capital Expenditures" means, for any period, the gross additions to property, plant and equipment and other capital expenditures of the Borrower and its Consolidated Subsidiaries for such period, as the same are or would be set forth in the cash flow statement of the Borrower and its Consolidated Subsidiaries for such period (if such statement were prepared for such period), but excluding any such expenditures constituting a Business Acquisition permitted pursuant to Section 5.14 to the extent that the consideration paid by the Borrower and its Subsidiaries with respect thereto consists solely of common stock of the Borrower.

"Consolidated Debt" means at any date the Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the Borrower in its consolidated financial statements if such statements were prepared as of such date in accordance with generally accepted accounting principles.

"Consolidated Tangible Net Worth" means at any date the consolidated shareholders' equity of the Borrower and its Consolidated Subsidiaries as of such date less their consolidated goodwill as of such date, adjusted to exclude the effect of any changes in the cumulative foreign currency translation adjustments.

"Continuing Director" means at any date a member of the Borrower's board of directors who was either (i) a member of such board twelve months prior to such date or (ii) nominated for election to such board by at least two-thirds of the Continuing Directors then in office.

"Credit Exposure" means, as to any Bank at any time:

(i) the amount of its Commitment (whether used or unused) at such time; or

(ii) if the Commitments have terminated in their entirety, the sum of (x) its Outstanding Committed Amount and (y) the aggregate outstanding principal amount of its Money Market Loans,

all determined at such time after giving effect to any prior assignments by or to such Bank pursuant to Section 8.06 or 9.06.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all non-contingent obligations (and, for purposes of Section 5.06 and the definition of Material Debt, all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (vii) all Guarantees by such Person of Debt of another Person (each such Guarantee to constitute Debt in an amount equal to the maximum amount of such other Person's Debt Guaranteed thereby).

"Debt Incurrence" means the incurrence or issuance of any Debt by the Borrower or any of its Subsidiaries other than (i) the Loans, the Swingline Loans and the Reimbursement Obligations, (ii) other Debt of the Borrower incurred under bank loan facilities and letter of credit facilities for the purpose of financing working capital and capital expenditures, (iii) Debt secured by a Lien permitted by Section 5.06(a)(ii), (iv) Debt owed to the Borrower or any Subsidiary, (v) Debt of any Subsidiary permitted by Section 5.09 and (vi) Debt of the Borrower not described in any of the foregoing clauses but only to the extent the Net Cash Proceeds from the incurrence or issuance thereof, in the aggregate, do not exceed $5,000,000.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Documentation Agent" means Bank of America National Trust & Savings Association in its capacity as documentation agent for the credit facility provided hereunder.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided that, when used in Section 2.17 with respect to any action to be taken by or with respect to the LC Agent, the term "Domestic Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the LC Office of the LC Agent is located.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent; provided that any Bank may so designate separate Domestic Lending Offices for its Base Rate Loans, on the one hand, and its CD Loans, on the other hand, in which case all references herein to the Domestic Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Domestic Loans" means CD Loans or Base Rate Loans or both.

"Domestic Reserve Percentage" has the meaning set forth in Section 2.07(b).

"EBIT" means, for any period, the sum of (i) the consolidated net income of the Borrower and its Consolidated Subsidiaries for such period plus (ii) to the extent deducted in determining such consolidated net income, the sum of (A) Interest Expense, (B) income taxes, (C) the after-tax effect of any extraordinary non-cash losses (or minus the after-tax effect of any extraordinary non-cash gains), (D) the before-tax effect of any non-recurring non-cash losses that are not classified as extraordinary losses (or minus the before-tax effect of any non- recurring non-cash gains that are not classified as extraordinary gains) and (E) any pre-tax loss (or minus any pre-tax gain) on the sale of any ownership or leasehold interest in real property, subject to the provisions of Section 1.02(b).

"EBITDA" means, for any period, (i) EBIT for such period plus (ii) to the extent deducted in determining consolidated net income for such period, depreciation and amortization.

"Effective Date" has the meaning set forth in Section 3.01.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, injunctions, permits, licenses and agreements relating to the protection of the environment, to the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, hazardous or toxic substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances or wastes or the clean-up or other remediation thereof.

"Equity Issuance" means any issuance of equity securities, or any sale or other transfer of treasury stock, by the Borrower or any of its Subsidiaries, other than (i) equity securities issued to, or treasury stock sold or transferred to, the Borrower or any of its Subsidiaries, (ii) common stock of the Borrower issued as consideration for a Business Acquisition permitted pursuant to Section 5.14 and (iii) equity securities of the Borrower issued pursuant to employee stock plans in an aggregate amount not to exceed $5,000,000.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under subsection (b), (c), (m) or (o) of Section 414 of the Internal Revenue Code.

"Escrow Account" has the meaning set forth in Section 5.17(b).

"Escrow Agent" has the meaning set forth in Section 5.17(b).

"Escrow Agreement" has the meaning set forth in Section 5.17(b).

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

"Euro-Dollar Loan" means a Committed Loan which bears interest at a Euro-Dollar Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election.

"Euro-Dollar Margin" has the meaning set forth in Section 2.07(c).

"Euro-Dollar Rate" means a rate of interest determined pursuant to Section 2.07(c) on the basis of an Adjusted London Interbank Offered Rate.

"Euro-Dollar Reference Banks" means the principal London offices of The Bank of New York, Bank of America and Morgan.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.07(c).

"Event of Default" has the meaning set forth in Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

'Existing Standby Letters of Credit" means the standby letters of credit listed on Schedule 1.01(c).

"Extension of Credit" means the making of a Loan or a Swingline Loan or the issuance or extension of a Letter of Credit.

"Facility Fee Rate" has the meaning set forth in Section 2.09.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to The Bank of New York on such day on such transactions as determined by the Administrative Agent.

"Final Disposition Date" means, with respect to any Real Property Held For Sale, the date identified as such by the Borrower to the Banks prior to the Effective Date with respect to such Real Property Held For Sale.

"Fiscal Quarter" means a fiscal quarter of the Borrower.

"Fiscal Year" means a fiscal year of the Borrower. A Fiscal Year is identified by the calendar year which includes approximately eleven months of such Fiscal Year (e.g., Fiscal Year 1998 refers to the Fiscal Year that ended on January 30, 1999).

"Fixed Charge Coverage Ratio" means, at the last day of any Fiscal Quarter, the ratio of (i) the sum of EBIT plus 1/3 of Annual Rent Expense, in each case for the four consecutive Fiscal Quarters then ended to (ii) the sum of Interest Expense plus 1/3 of Annual Rent Expense, in each case for the same four consecutive Fiscal Quarters.

"Fixed Rate Loan" means any loan except a Loan that bears interest at the Base Rate.

"Foreign Subsidiary" means any Subsidiary organized under the laws of a jurisdiction, and conducting substantially all its operations, outside the United States.

"Group of Loans" or "Group" means at any time a group of Committed Loans consisting of (i) all Committed Loans which are Base Rate Loans at such time, (ii) all Euro-Dollar Loans having the same Interest Period at such time or (iii) all CD Loans having the same Interest Period at such time; provided that if a Committed Loan of any particular Bank is converted to or made as a Base Rate Loan pursuant to Section 8.02 or 8.05, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantee Agreement" means the Guarantee Agreement dated as of the Effective Date among the initial Subsidiary Guarantors and the Administrative Agent, substantially in the form of Exhibit H, as amended from time to time.

"Immaterial Subsidiary" means at any time any Subsidiary that (i) does not hold any material patents, trademarks or other intellectual property, (ii) on a

consolidated basis, together with its Subsidiaries, holds assets with an aggregate fair market value of less than $2,000,000, (iii) on a consolidated basis, together with its Subsidiaries, does not account for more than 1% of the consolidated revenues of the Borrower and its Consolidated Subsidiaries and (iv) on a consolidated basis, together with its Subsidiaries, does not have consolidated net income in excess of $500,000. The determinations in clauses (ii), (iii) and (iv) shall be made on the basis of the financial statements most recently delivered by the Borrower to the Banks pursuant to Sections 5.01(a) or 5.01(b), as the case may be. The parties hereto acknowledge and agree that each of the trademarks listed on Schedule 1.01(a) is a material trademark.

"Indemnitee" has the meaning set forth in Section 9.03(b).

"Indenture" means the Indenture dated as of October 10, 1991 between the Borrower and The Bank of New York, as Trustee, as in effect on the Effective Date.

"Interest Expense" means, for any period, the consolidated interest expense (net of interest income) of the Borrower and its Consolidated Subsidiaries for such period, calculated in the same manner as the amounts shown as "interest expense, net" under the heading "Interest expense" on page F-4 of the Borrower's 1997 Form 10-K, subject to the provisions of Section 1.02(b).

"Interest Period" means: (1) with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Committed Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

2) with respect to each CD Loan, a period commencing on the date of borrowing specified in the applicable Notice of Committed Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending 30, 60, 90 or 180 days thereafter, as the Borrower may elect in the applicable notice; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and (b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

(3) with respect to each Money Market LIBOR Loan, the period commencing on the date such Loan is made and ending such whole number of months thereafter as the Borrower may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

(4) with respect to each Money Market Absolute Rate Loan, the period commencing on the date such Loan is made and ending such number of days thereafter (but not less than 14 days) as the Borrower may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

"Investment" means any investment in any Person, whether by means of share purchase, capital contribution, loan, time deposit, Guarantee or otherwise.

"Invitation for Money Market Quotes" means an Invitation for Money Market Quotes substantially in the form of Exhibit D hereto.

"LC Agent" means The Bank of New York in its capacities as letter of credit agent in connection with the letter of credit facility provided hereunder and as the issuer of the letters of credit issued or to be issued hereunder, and its successors in such capacities; provided that, for purposes of Section 2.17 only, when used to refer to the issuer of the Existing Standby Letter of Credit in the face amount of $250,000 issued by KeyBank National Association, and its successors in such capacity.

"LC Collateral Account" has the meaning set forth in the Security Agreement; provided that, at any time prior to the execution of the Security Agreement, "LC Collateral Account" shall mean a collateral account established pursuant to arrangements satisfactory to the LC Agent and the Administrative Agent.

"LC Exposure" means, with respect to any Bank at any time, an amount equal to its Pro Rata Share of the Aggregate LC Exposure at such time.

"LC Fee Rate" has the meaning set forth in the Pricing Schedule.

"LC Indemnitees" has the meaning set forth in Section 2.17(m).

"LC Office" means, with respect to the LC Agent, for any Letter of Credit, the office at which the LC Agent books such Letter of Credit.

"Lead Arrangers" means J.P. Morgan Securities Inc., BNY Capital Markets, Inc. and NationsBank Montgomery Securities LLC in their respective capacities as lead arrangers for the credit facility provided hereunder.

"Letter of Credit" means a letter of credit issued or to be issued hereunder by the LC Agent, and any Existing Standby Letter of Credit.

"LIBOR Auction" means a solicitation of Money Market Quotes setting forth Money Market Margins based on the London Interbank Offered Rate pursuant to Section 2.03.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of the Loan Documents, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset. The issuance of trade letters of credit for the account of the Borrower or any of its Subsidiaries to finance the purchase of inventory whereby title documents to the related goods are consigned to the order of the letter of credit issuer shall not be considered to create a "Lien" on inventory for the purposes of the Loan Documents. In addition, the parties hereto acknowledge and agree that precautionary UCC-1 filings made with respect to obligations of the Borrower or any of its Subsidiaries under operating leases do not constitute a "Lien".

"Loan" means a Committed Loan or a Money Market Loan and "Loans" means Committed Loans or Money Market Loans or any combination of the foregoing. The term "Loan" does not include a Swingline Loan.

"Loan Documents" means this Agreement, the Guarantee Agreement, the Collateral Documents, the Notes and the Swingline Note.

"London Interbank Offered Rate" has the meaning set forth in Section 2.07(c).

"Major Casualty Proceeds" means (i) the aggregate insurance proceeds received in connection with one or more related events by the Borrower or any of its Subsidiaries under any Property Insurance Policy or (ii) any award or other cash compensation with respect to any one or more related condemnations of property (or any transfer or disposition of property in lieu of condemnation) received by the Borrower or any of its Subsidiaries if, in the case of either clause (i) or (ii), the amount of such aggregate insurance proceeds or award or other cash compensation exceeds $500,000.

"Material Adverse Effect" means a material adverse effect on (i) the business, operations or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of any Obligor to perform any payment obligation of such Obligor under the Loan Documents or (iii) the ability of any Bank Party to enforce any rights or remedies under the Loan Documents with respect to the Collateral or any payment obligation of any Obligor under the Loan Documents.

"Material Debt" means Debt (other than the Loans, Swingline Loans and Reimbursement Obligations) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $5,000,000.

"Material Plan" means at any time a Plan (or any two or more Plans, each of which has Unfunded Liabilities) having aggregate Unfunded Liabilities in excess of $5,000,000.

"Money Market Absolute Rate" has the meaning set forth in Section 2.03(d).

"Money Market Absolute Rate Loan" means a loan made or to be made by a Bank pursuant to an Absolute Rate Auction.

"Money Market Lending Office" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Money Market Lending Office by notice to the Borrower and the Administrative Agent; provided that any Bank may from time to time by notice to the Borrower and the Administrative Agent designate separate Money Market Lending Offices for its Money Market LIBOR Loans, on the one hand, and its Money Market Absolute Rate Loans, on the other hand, in which case all references herein to the Money Market Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Money Market LIBOR Loan" means a loan made or to be made by a Bank pursuant to a LIBOR Auction (including such a loan bearing interest at the rate applicable to Base Rate Loans by reason of clause (a) of Section 8.01).

"Money Market Loan" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"Money Market Margin" has the meaning set forth in Section 2.03(d).

"Money Market Quote" means an offer by a Bank to make a Money Market Loan in accordance with Section 2.03 substantially in the form of Exhibit E hereto.

"Money Market Quote Request" means a Money Market Quote Request substantially in the form of Exhibit C hereto.

"Moody's" means Moody's Investors Service, Inc., and its successors.

"Morgan" means Morgan Guaranty Trust Company of New York.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Net Cash Proceeds" means:

(i) with respect to any Asset Sale (including for this purpose any disposition that would be an Asset Sale but for clause (iv) of the definition of Asset Sale), an amount equal to the cash proceeds received by the Borrower or any of its Subsidiaries from or in respect of such Asset Sale (including any cash proceeds received as income or other proceeds of any noncash proceeds of such Asset Sale or any amounts described in clause (z) in excess of amounts actually paid pursuant to post-closing purchase price adjustments), less (w) any expenses reasonably incurred by such Person in respect of such Asset Sale, (x) the amount of any Debt secured by a Lien on any asset disposed of in such Asset Sale and discharged from the proceeds thereof (and required to be so discharged by the terms of such Debt), (y) any taxes actually paid or to be payable by such Person (as estimated by a senior financial or accounting officer of the Borrower, giving effect to the overall tax position of the Borrower and its Subsidiaries) in respect of such Asset Sale and (z) any amounts constituting post-closing purchase price adjustments in respect of such Asset Sale, to the extent a reserve has been established with respect thereto in accordance with GAAP,

(ii) with respect to any Debt Incurrence (including for this purpose any incurrence or issuance of Debt that would be a Debt Incurrence but for clause (vi) of the definition of Debt Incurrence), an amount equal to the cash proceeds received by the Borrower or any of its Subsidiaries in respect thereof less any customary fees and commissions and expenses reasonably incurred by them in respect thereof,

(iii) with respect to any Equity Issuance, an amount equal to the cash proceeds received by the Borrower or any of its Subsidiaries in respect thereof less any customary fees and commissions and expenses reasonably incurred by them in respect thereof; and

(iv) with respect to the occurrence of the Refinancing Date, an amount equal to the amount on deposit in the Escrow Account on such Date (after giving effect to any withdrawals made therefrom on such Date the proceeds of which have been applied to repay or repurchase any 7% Debentures then outstanding).

"New Subordinated Debt" means any Debt of the Borrower described in clauses (i) or (ii) of the definition of Debt and incurred after the Effective Date which (i) has a final maturity no earlier than December 31, 2002, (ii) requires no scheduled principal payments thereof prior to December 31, 2002, (iii) is not Guaranteed by any Person other than a Subsidiary Guarantor, (iv) is subordinated (and the Guarantees of which are subordinated) to the obligations of the Borrower (and any applicable Subsidiary Guarantor) under the Loan Documents on customary capital market terms approved by the bank affiliate of each Lead Arranger and (v) permits (and the Guarantees of which permit) the Borrower (and any applicable Subsidiary Guarantor) to create, incur, assume or suffer to exist Liens securing the obligations of the Obligors under the Loan Documents upon any of its property, assets or revenues, whether now owned or hereafter acquired, without any restrictions (including without limitation any requirement to equally and ratably secure any such Debt (or Guarantee thereof)).

"Notes" means promissory notes of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Loans, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" means a Notice of Committed Borrowing or a Notice of Money Market Borrowing.

"Notice of Committed Borrowing" has the meaning set forth in Section 2.02.

"Notice of Interest Rate Election" has the meaning set forth in Section 2.08.

"Notice of Money Market Borrowing" has the meaning set forth in Section 2.03(f).

"Notice of Swingline Borrowing" has the meaning set forth in Section 2.18(b).

"Obligor" means the Borrower or any Subsidiary Guarantor, and "Obligors" means all of them.

"Other Refinancing" means any issuance for cash proceeds by the Borrower of Other Refinancing Debt or New Subordinated Debt, but solely to the extent the cash proceeds thereof are applied contemporaneously by the Borrower to refinance the Debt set forth on Schedule 1.01(b).

"Other Refinancing Debt" means any Debt of the Borrower described in clauses (i) or (ii) of the definition of Debt and incurred after the Effective Date which (i) has a final maturity no earlier than December 31, 2002, (ii) requires no scheduled principal payments thereof prior to December 31, 2002, (iii) is not Guaranteed by any Person and (iv) permits the Borrower to create, incur, assume or suffer to exist Liens securing the obligations of the Obligors under the Loan Documents upon any of its property, assets or revenues, whether now owned or hereafter acquired, without any restrictions (including without limitation any requirement to equally and ratably secure any such Debt).

"Outstanding Committed Amount" means, with respect to any Bank at any time, the sum of (i) the aggregate outstanding principal amount of its Committed Loans, (ii) its Pro Rata Share of the aggregate outstanding principal amount of the Swingline Loans (if any) and (iii) its LC Exposure, all determined at such time after giving effect to any prior assignments by or to such Bank pursuant to Section 8.06 or 9.06(c).

"Parent" means, with respect to any Bank Party, any Person controlling such Bank Party.

"Participant" has the meaning set forth in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Pledge Agreement" means the Pledge Agreement to be entered into among the Obligors and the Administrative Agent, substantially in the form of Exhibit G, as amended from time to time, pursuant to which (and to additional foreign pledge agreements referred to therein) each Obligor party thereto shall pledge the capital stock of each Subsidiary held by such Obligor, subject to the exceptions and limitations set forth therein.

"Pricing Schedule" means the Pricing Schedule attached hereto.

"Prime Rate" means a rate of interest per annum equal to the rate of interest publicly announced from time to time in New York City by The Bank of New York as its prime commercial lending rate, such rate to be adjusted automatically (without notice) on the effective date of any change in such publicly announced rate.

"Pro Rata Share" means, with respect to any Bank at any time, a fraction the numerator of which is the amount of such Bank's Commitment at such time (or, if the Commitments have terminated in their entirety, such Bank's Commitment as in effect immediately prior to such termination) and the denominator of which is the Total Commitments at such time (or, if the Commitments have terminated in their entirety, Total Commitments as in effect immediately prior to such termination).

"Property Insurance Policy" means any insurance policy maintained by the Borrower or any of its Subsidiaries covering losses with respect to tangible real or personal property or improvements, but excluding coverage for losses from business interruption.

"Real Property Held For Sale" means each ownership interest in real property held by the Borrower or any Subsidiary and identified by the Borrower to the Banks prior to the Effective Date.

"Reduction Event" means (i) any Asset Sale, (ii) any Debt Incurrence (other than a 7% Debentures Refinancing or an Other Refinancing), (iii) any Equity Issuance, (iv) the receipt by the Borrower or any Subsidiary of Major Casualty Proceeds or (v) the occurrence of the Refinancing Date; provided that an event described in clause (iv) hereof shall not give rise to a Reduction Event (x) so long as at the time of receipt of the relevant Major Casualty Proceeds, no Default has occurred and is continuing and (y) to the extent that (1) within ten

Domestic Business Days after receipt of such Major Casualty Proceeds, the Borrower shall have delivered to the Administrative Agent the certificate referred to in Section 5.01(g)(x) with respect thereto, (2) within 90 days after receipt of such Major Casualty Proceeds, the Borrower shall have delivered to the Administrative Agent the certificate referred to in Section 5.01(g)(y) with respect thereto and (3) within 270 days after receipt of such Major Casualty Proceeds, the Borrower shall have actually expended such Major Casualty Proceeds to purchase or repair property, plant and equipment so that the Reduction Event, if any, occurring pursuant to clause (iv) hereof by reason of the receipt of such Major Casualty Proceeds shall be deemed to occur on (A) the tenth Domestic Business Day following receipt thereof, as to the amount thereof, if no certificate with respect thereto has been delivered by the Borrower to the Administrative Agent pursuant to Section 5.01(g)(x), (B) the 90th day following receipt thereof, as to the amount thereof not committed to be expended for the purchase or repair of property, plant and equipment in the certificate with respect thereto delivered by the Borrower to the Administrative Agent pursuant to Section 5.01(g)(y), or if no such certificate has been so delivered by such time and (C) the 270th day following receipt thereof, as to the amount thereof not so expended on or prior to such day. The description of any transaction as falling within the above definition does not affect any limitation on such transaction imposed by Article 5 of this Agreement.

"Reference Banks" means the CD Reference Banks or the Euro-Dollar Reference Banks, as the context may require, and "Reference Bank" means any one of such Reference Banks.

"Refinancing Date" means the first date on which no 7% Debentures are outstanding.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Reimbursement Obligation" means any obligation of the Borrower to reimburse the LC Agent pursuant to Section 2.17 for amounts paid by the LC Agent in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Bank has become subrogated pursuant to paragraph (1) of Section 2.17(j).

"Requesting Banks" means at any time one or more Banks having at least 15% of the aggregate amount of the Commitments.

"Required Banks" means at any time Banks having at least 66 2/3% of the aggregate amount of the Credit Exposures at such time.

"Required Escrow Amount" has the meaning set forth in Section 5.17(b).

"Responsible Officer" means, with respect to the Borrower, its chief operating officer, its chief financial officer, its general counsel, its treasurer, any assistant treasurer or any other officer whose duties include the administration of this Agreement.

"Restricted Payment" means (i) any dividend or other distribution on any shares of the Borrower's capital stock (except dividends payable solely in shares of its capital stock of the same class) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Borrower's capital stock or (b) any option, warrant or other rights to acquire shares of the Borrower's capital stock (but not including payments of principal, premium (if any) or interest made pursuant to the terms of convertible debt securities prior to conversion).

"S&P" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., and its successors.

"SEC" means the Securities and Exchange Commission.

"Security Agreement" means the Security Agreement to be entered into among the Obligors and the Administrative Agent, substantially in the form of Exhibit F, as amended from time to time.

"7% Debentures" means the 7% Notes due June 1, 2000 in the aggregate principal amount of $200,000,000 issued by the Borrower pursuant to the Indenture.

"7% Debentures Refinancing" means any issuance for cash proceeds by the Borrower of any New Subordinated Debt, but only to the extent that the Net Cash Proceeds thereof (i) together with the Net Cash Proceeds of any prior issuances of New Subordinated Debt that constitute a 7% Debentures Refinancing, do not exceed $200,000,000 and (ii) are applied by the Borrower to repay or repurchase the 7% Debentures or are deposited in the Escrow Account in accordance with the provisions of Section 5.17(b).

"Subsidiary" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Borrower.

"Subsidiary Guarantor" means each Subsidiary that from time to time is a party to the Guarantee Agreement.

"Swingline Bank" means The Bank of New York, in its capacity as the Swingline Bank under the swingline facility described in Section 2.18, and its successors in such capacity.

"Swingline Commitment means the obligation of the Swingline Bank to make Swingline Loans to the Borrower in an aggregate principal amount at any one time outstanding not to exceed the lesser of (i) $40,000,000 and (y) 10% of the Total Commitments at such time.

"Swingline Loan" means a loan made by the Swingline Bank pursuant to Section 2.18(a).

"Swingline Loan Availability Period" means the period from and including the Effective Date to but excluding the Swingline Maturity Date.

"Swingline Maturity Date" means the day that is 30 days before the Termination Date.

"Swingline Note" means a promissory note of the Borrower, substantially in the form of Exhibit B hereto, evidencing the obligation of the Borrower to repay the Swingline Loans.

"Target Date" means the first date on which (i) the Loans to the Borrower are expressly rated at least BBB- by S&P and at least Baa3 by Moody's and (ii) the Total Commitments do not exceed $350,000,000.

"Temporary Cash Investment" means any Investment in (i) direct obligations of the United States or any agency thereof or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated at least A- 1 by S&P and at least P-1 by Moody's, (iii) time deposits with, including certificates of deposit issued by, any office located in the United States of any Bank or any bank or trust company which is organized or licensed under the laws of the United States or any State thereof and has capital, surplus and undivided profits aggregating at least $1,000,000,000, (iv) repurchase agreements with respect to securities described in clause (i) above entered into

with an office of a bank or trust company meeting the criteria specified in clause (iii) above or (v) in the case of Investments made by a Foreign Subsidiary, Investments substantially similar to those described in clauses (i) through (iv) and denominated in the local currency of the jurisdiction in which such Foreign Subsidiary conducts its operations; provided in each case that such Investment matures within one year after it is acquired by the Borrower or a Subsidiary.

"Termination Date" means April 9, 2002, or, if such day is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day.

"Total Commitments" means, at any time, the aggregate amount of the Commitments (whether used or unused) at such time.

"Total Usage" means, at any time, the sum of (i) the aggregate outstanding principal amount of all Loans and Swingline Loans and (ii) the Aggregate LC Exposure, all determined at such time.

"UCP" means the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States thereof and the District of Columbia, but excluding its territories and possessions.

Section 1.02. Accounting Terms and Determinations. (a) Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Banks; provided that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any provision hereof to eliminate the effect of any change in generally accepted accounting principles on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Banks wish to amend any provision hereof for such purpose), then such

provision shall be applied on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such provision is amended in a manner satisfactory to the Borrower and the Required Banks.

(b) For purposes of determining compliance with the provisions of Sections 5.08 on any date prior to January 29, 2000, "EBIT" for the relevant period shall be "EBIT" for the period from and including January 31, 1999 to and including the then most recently ended Fiscal Quarter, annualized on a simple arithmetic basis. For purposes of determining compliance with the provisions of Sections 5.10 on the last day of any Fiscal Quarter ended prior to January 29, 2000, "EBIT" and "Interest Expense" for the relevant period shall be "EBIT" or "Interest Expense", as the case may be, for the period from and including January 31, 1999 to and including the last day of such Fiscal Quarter, and "Annual Rent Expense" shall be $136,250,000 (for purposes of determining compliance on the last day of the first Fiscal Quarter 1999), $272,500,000 (for purposes of determining compliance on the last day of the second Fiscal Quarter 1999) and $408,750,000 (for purposes of determining compliance on the last day of the third Fiscal Quarter 1999), which amounts constitute the total rent expense (net of sublease income) of the Borrower and its Consolidated Subsidiaries for the Fiscal Year 1998 included in the projections of financial performance of the Borrower set forth in the $500,000,000 Senior Credit Facility Amendment Confidential Information Memorandum dated February, 1999 multiplied by 1/4, 1/2 and 3/4, respectively.

Section 1.03. Types of Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article 2 on the same date, all of which Loans are of the same type (subject to Article 8) and, except in the case of Base Rate Loans, have the same Interest Period or initial Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of Article 2 under which participation therein is determined (i.e., a "Committed Borrowing" is a Borrowing under Section 2.01 in which all Banks participate in proportion to their Commitments, while a "Money Market Borrowing" is a Borrowing under Section 2.03 in which the Bank participants are determined on the basis of their bids).

ARTICLE 2

The Credits

Section 2.01. Commitments to Lend. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section from time to time on and after the Effective Date and prior to the Termination Date; provided that, immediately after each such loan is made (and after giving effect to any substantially concurrent application of the proceeds thereof to repay outstanding Loans and Swingline Loans):

(i) such Bank's Outstanding Committed Amount shall not exceed its Commitment; and

(ii) the Total Usage shall not exceed the Total Commitments.

Each Borrowing under this Section shall be in an aggregate principal amount of $15,000,000 or any larger multiple of $1,000,000; provided that (x) any such Borrowing may be in an aggregate amount equal to the aggregate unused amount of the Commitments and (y) if such Borrowing is made on the Swingline Maturity Date, such Borrowing may be in the aggregate amount of the Swingline Loans outstanding on such date. Each such Borrowing shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits and subject to Section 2.11, the Borrower may borrow under this Section, prepay Loans to the extent permitted by Section 2.13, and reborrow under this Section at any time prior to the Termination Date.

Section 2.02. Notice of Committed Borrowing. (a) The Borrower shall give the Administrative Agent a notice substantially in the form of Exhibit J (a "Notice of Committed Borrowing") not later than 11:00 A.M. (New York City time) on (x) the date of each Base Rate Borrowing, (y) the second Domestic Business Day before each CD Borrowing and (z) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(ii) the aggregate amount of such Borrowing,

(iii) whether the Loans comprising such Borrowing are to bear interest initially at the Base Rate, a CD Rate or a Euro-Dollar Rate, and

(iv) if such Borrowing is a CD Borrowing or EuroDollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Section 2.03. Money Market Borrowings. (a) The Money Market Option. In addition to Committed Borrowings pursuant to Section 2.01, the Borrower may, as set forth in this Section, request the Banks to make offers to make Money Market Loans to the Borrower from time to time on or after the Target Date and prior to the Termination Date. The Banks may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section.

(b) Money Market Quote Request. When the Borrower wishes to request offers to make Money Market Loans under this Section, it shall transmit to the Administrative Agent by telex or facsimile transmission a Money Market Quote Request so as to be received no later than 11:00 A.M. (New York City time) on (x) the fifth Euro-Dollar Business Day prior to the date of Borrowing proposed therein, in the case of a LIBOR Auction or (y) the Domestic Business Day next preceding the date of Borrowing proposed therein, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective) specifying:

(i) the proposed date of Borrowing, which shall be a Euro-Dollar Business Day in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction,

(ii) the aggregate amount of such Borrowing, which shall be $15,000,000 or a larger multiple of $1,000,000,

(iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(iv) whether the Money Market Quotes requested are to set forth a Money Market Margin or a Money Market Absolute Rate.

The Borrower may request offers to make Money Market Loans for more than one Interest Period in a single Money Market Quote Request. No Money Market Quote Request shall be given within five Euro-Dollar Business Days (or such other number of days as the Borrower and the Administrative Agent may agree) of any other Money Market Quote Request.

(c) Invitation for Money Market Quotes. Promptly upon receipt of a Money Market Quote Request, the Administrative Agent shall send to the Banks by telex or facsimile transmission an Invitation for Money Market Quotes, which shall constitute an invitation by the Borrower to each Bank to submit Money Market Quotes offering to make the Money Market Loans to which such Money Market Quote Request relates in accordance with this Section.

(d) Submission and Contents of Money Market Quotes. (i) Each Bank may submit a Money Market Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Money Market Quotes. Each Money Market Quote must comply with the requirements of this subsection (d) and must be submitted to the Administrative Agent by telex or facsimile transmission at its offices specified in or pursuant to Section 9.01 not later than (x) 2:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) 9:30 A.M. (New York City time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective); provided that Money Market Quotes submitted by the Administrative Agent (or any affiliate of the Administrative Agent) in the capacity of a Bank may be submitted, and may only be submitted, if the Administrative Agent or such affiliate notifies the Borrower of the terms of the offer or offers contained therein not later than (x) one hour prior to the deadline for the other Banks, in the case of a LIBOR Auction or (y) 15 minutes prior to the deadline for the other Banks, in the case of an Absolute Rate Auction. Subject to Article 3 and 6, any Money Market Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Borrower.

(ii) Each Money Market Quote shall be in substantially the form of Exhibit E hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Bank, (x) must be $5,000,000 or a larger multiple of $1,000,000, (y) may not exceed the principal amount of Money Market Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Money Market Loans for which offers being made by such quoting Bank may be accepted,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "Money Market Margin") offered for each such Money Market Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such base rate,

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "Money Market Absolute Rate") offered for each such Money Market Loan, and

(E) the identity of the quoting Bank.

A Money Market Quote may set forth up to five separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Money Market Quotes.

(iii) Any Money Market Quote shall be disregarded if it:

(A) is not substantially in conformity with Exhibit E hereto or does not specify all of the information required by subsection (d)(ii);

(B) contains qualifying, conditional or similar language, except an aggregate limitation permitted by subsection (d)(ii)(B)(z);

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Money Market Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(e) Notice to Borrower. The Administrative Agent shall promptly notify the Borrower of the terms (x) of any Money Market Quote

submitted by a Bank that is in accordance with subsection (d) and (y) of any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Bank with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Administrative Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Administrative Agent's notice to the Borrower shall specify (A) the aggregate principal amount of Money Market Loans for which offers have been received for each Interest Period specified in the related Money Market Quote Request, (B) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case may be, so offered and (C) if applicable, limitations on the aggregate principal amount of Money Market Loans for which offers in any single Money Market Quote may be accepted.

(f) Acceptance and Notice by Borrower. Not later than 10:30 A.M. (New York City time) on (x) the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the Borrower shall notify the Administrative Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "Notice of Money Market Borrowing") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept any Money Market Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request,

(ii) the principal amount of each Money Market Borrowing must be $15,000,000 or a larger multiple of $1,000,000,

(iii) acceptance of offers may only be made on the basis of ascending Money Market Margins or Money Market Absolute Rates, as the case may be,

(iv) the Borrower may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement, and

(v) immediately after such Money Market Borrowing is made (and after giving effect to any substantially concurrent application of the proceeds thereof to repay outstanding Loans and Swingline Loans), the Total Usage shall not exceed the Total Commitments.

(g) Allocation by Administrative Agent. If offers are made by two or more Banks with the same Money Market Margins or Money Market Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Money Market Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Banks as nearly as possible (in multiples of $1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Administrative Agent of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

Section 2.04. Notice to Banks; Funding of Loans. (a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 1:00 P.M. (New York City time) on the date of each Borrowing, each Bank participating therein shall make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article 3 has not been satisfied (which determination may, in the case of Section 3.03(c), be based in part on information supplied by the LC Agent on the date of such Borrowing as to the Aggregate LC Exposure on such date), the Administrative Agent shall (i) apply the funds so received from the Banks to repay all Swingline Loans (if any) then outstanding, together with interest accrued thereon and any other associated expenses, and (ii) make the remainder of such funds available to the Borrower not later than 2:00 P.M. (New York City time) at the Administrative Agent's aforesaid address.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.04 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the

Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

Section 2.05. Notes. (a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans at any time.

(b) Each Bank may, by notice to the Borrower and the Administrative Agent, request that its Loans of a particular type be evidenced by a separate Note in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to the "Note" of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Note, the Administrative Agent shall forward such Note to such Bank. Each Bank shall record the date and amount of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that neither the failure by any Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

Section 2.06. Maturity of Loans; Mandatory Prepayments of Loans. (a) Each Committed Loan shall mature, and the principal amount thereof shall be due and payable, on the Termination Date.

(b) Each Money Market Loan included in any Money Market Borrowing shall mature and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

(c) On each date on which the Commitments are permanently reduced pursuant to subsection (a), (b) or (c) of Section 2.11, the Borrower shall prepay outstanding Loans, and shall cash collateralize Letters of Credit (without duplication, in the case of any reduction of the Commitments pursuant to Section 2.11(c), of any prepayment or cash collateralization made by the Borrower pursuant to subsection (d)) in such amounts so that, after giving effect to such prepayments and such cash collateralization, the Total Usage shall not exceed the Total Commitments as then reduced. In determining Total Usage on any date for purposes of this subsection (c), Aggregate LC Exposure shall be reduced by an amount equal to the amount on deposit in the LC Collateral Account on such day (immediately prior to giving effect to any deposits made therein on such day pursuant to the immediately preceding sentence).

(d) To the extent the terms of any Debt issued by the Borrower or any of its Subsidiaries after the Effective Date (including without limitation any New Subordinated Debt) would otherwise require the prepayment or repurchase (or offer to repurchase) of such Debt upon receipt by the Borrower or any of its Subsidiaries of cash proceeds of any Asset Sales (or any disposition of assets excluded from the definition of Asset Sale pursuant to clauses (i) through (iv) thereof) or any Major Casualty Proceeds (or any proceeds excluded from the definition of Major Casualty Proceeds pursuant to clauses (i) or (ii) thereof) but for the provisions of this subsection (d), upon receipt by the Borrower or any of its Subsidiaries of such cash proceeds, the Borrower will prepay Loans and cash collateralize Letters of Credit in an amount equal to the amount that is necessary in order to excuse the Borrower or any of its Subsidiaries from prepaying or repurchasing (or offering to repurchase) such Debt.

(e) During each Clean-Down Period there shall be at least fifteen consecutive days on which the sum of (i) the aggregate outstanding principal amount of all Committed Loans plus (ii) the aggregate outstanding principal amount of all Swingline Loans plus (iii) the aggregate amount of Reimbursement Obligations (excluding, for this purpose, any Reimbursement Obligation that is not yet overdue pursuant to Section 2.17(i)) does not exceed $50,000,000. The Borrower will prepay Loans to the extent necessary to comply with the immediately preceding sentence. For purposes of this subsection (e), "Clean-Down Period" means each period from and including the first day of the fourth Fiscal Quarter of each Fiscal Year to and including the last day of such Fiscal Quarter.

(f) The prepayments and the cash collateralization (if applicable) to be made pursuant to subsections (c), (d) and (e) shall be effected as follows: first, the Borrower shall prepay any Swingline Loans then outstanding, until all Swingline Loans have been paid in full, second, the Borrower shall prepay any Committed Loans then outstanding, until all Committed Loans have been paid in full, third, the Borrower shall deposit immediately available funds in the LC Collateral Account, until an amount equal to the then Aggregate LC Exposure has been deposited in the LC Collateral Account and fourth, the Borrower shall prepay any Money Market Loans then outstanding (in the order in which they were made), until all Money Market Loans have been paid in full. The Borrower shall give the Agent at least three Euro-Dollar Business Days' notice of each prepayment required to be made pursuant to this subsection (f).

Section 2.07. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due or is converted, at a rate per annum equal to the Base Rate plus the Base Rate Margin, in each case for such day. Subject to Section 2.06, such interest shall be payable for each calendar month in arrears on the last Domestic Business Day thereof and, with respect to the principal amount of any Base Rate Loan converted to a CD Loan or a Euro-Dollar Loan, on the date such principal amount is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to such Base Rate Loan for such day.

"Base Rate Margin" means a rate per annum determined in accordance with the Pricing Schedule.

(b) Each CD Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the CD Margin for such day plus the Adjusted CD Rate applicable to such Interest Period; provided that if any CD Loan or any portion thereof shall, as a result of clause (2)(b) of the definition of Interest Period, have an Interest Period of less than 30 days, such portion shall bear interest for each day during such Interest Period at the rate applicable to Base Rate Loans for such day. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 90 days, 90 days after the first day thereof. Any overdue principal of or interest on any CD Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the higher of (i) the sum of the CD Margin for such day plus the Adjusted CD Rate applicable to such Loan immediately before such payment became due and (ii) the rate applicable to Base Rate Loans for such day.

The "CD Margin" means a rate per annum determined in accordance with the Pricing Schedule.

The "Adjusted CD Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

ACDR	=	Adjusted CD Rate
CDBR	=	CD Base Rate
DRP	=	Domestic Reserve Percentage
AR	=	Assessment Rate

* The amount in brackets being rounded upward, if necessary, to the next higher 1/100 of 1%

The "CD Base Rate" applicable to any Interest Period is the rate of interest determined by the Administrative Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the prevailing rates per annum bid at 10:00 A.M. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period by two or more New York certificate of deposit dealers of recognized standing for the purchase at face value from each CD Reference Bank of its certificates of deposit in an amount comparable to the principal amount of the CD Loan of such CD Reference Bank to which such Interest Period applies and having a maturity comparable to such Interest Period.

"Domestic Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in New York City having a maturity comparable to the related Interest Period and in an amount of $100,000 or more. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"Assessment Rate" means for any day the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. 327.4(a) (or any successor provision) to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin for such day plus the Adjusted London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, three months after the first day thereof.

"Euro-Dollar Margin" means a rate per annum determined in accordance with the Pricing Schedule.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(d) Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% plus the Euro-Dollar Margin for such day plus the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (x) the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than three months as the Administrative Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to each of the Euro-Dollar Reference Banks are offered to such Euro-Dollar Reference Bank in the London interbank market for the applicable period determined as provided above by (y) 1.00 minus the Euro-Dollar Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 2% plus the Base Rate for such day) and (ii) the sum of 2% plus the Euro-Dollar Margin for such day plus the Adjusted London Interbank Offered Rate applicable to such Loan immediately before such payment became due.

(e) Subject to Section 8.01, each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07(c) as if the related Money Market LIBOR Borrowing were a Committed Euro-Dollar Borrowing) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.03. Each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day.

(f) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) Each Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Administrative Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01 shall apply.

Section 2.08. Method of Electing Interest Rates. (a) The Loans included in each Committed Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Committed Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of subsection (d) below and Article 8), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to CD Loans as of any Domestic Business Day or to Euro-Dollar Loans as of any Euro-Dollar Business Day;

(ii) if such Loans are CD Loans, the Borrower may elect to convert such Loans to Base Rate Loans or Euro-Dollar Loans or elect to continue such Loans as CD Loans for an additional Interest Period, in each case effective on the last day of the then current Interest Period applicable to such Loans; or

(iii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or CD Loans or elect to continue such Loans as Euro-Dollar Loans for an additional Interest Period, in each case effective on the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "Notice of Interest Rate Election") to the Administrative Agent at least three Euro-Dollar Business Days before the conversion or continuation selected in such notice is to be effective (unless the relevant Loans are to be converted from Domestic Loans to Domestic Loans of the other type or continued as Domestic Loans of the same

type for an additional Interest Period, in which case such notice shall be delivered to the Administrative Agent at least three Domestic Business Days before such conversion or continuation is to be effective). A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each $15,000,000 or any larger multiple of $1,000,000.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Group are to be converted, the new type of Loans and, if such new Loans are CD Loans or Euro-Dollar Loans, the duration of the initial Interest Period applicable thereto; and

(iv) if such Loans are to be continued as CD Loans or Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of Interest Period.

(c) Upon receipt of a Notice of Interest Rate Election from the Borrower pursuant to subsection (a) above, the Administrative Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If the Borrower fails to deliver a timely Notice of Interest Rate Election to the Administrative Agent for any Group of CD Loans or Euro-Dollar Loans, such Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto.

(d) The Borrower shall not be entitled to elect to convert any Committed Loans to, or continue any Committed Loans for an additional Interest Period as, CD Loans or Euro-Dollar Loans if a Default shall have occurred and be continuing when the Borrower delivers notice of such election to the Administrative Agent or when such conversion or continuation would otherwise be effective.

Section 2.09. Facility Fees. The Borrower shall pay to the Administrative Agent for the account of each Bank a facility fee, calculated for each day at the Facility Fee Rate for such day, on the amount of such Bank's Credit Exposure on such day. Such facility fees shall accrue for each day from and including the Effective Date to but excluding the day on which the Credit Exposures are reduced to zero and shall be payable quarterly in arrears on each September 19, December 19, March 19 and June 19 and on the day on which the Credit Exposures are reduced to zero.

"Facility Fee Rate" means a rate per annum determined daily in accordance with the Pricing Schedule.

Section 2.10. Optional Termination or Reduction of Commitments. (a) The Borrower may, without premium or penalty, upon at least three Domestic Business Days' notice to the Administrative Agent, (i) terminate the Commitments at any time, if no Bank has an Outstanding Committed Amount at such time or (ii) ratably reduce the Commitments from time to time, in each case by an aggregate amount of at least $15,000,000; provided that immediately after such reduction:

(x) no Bank's Outstanding Committed Amount shall exceed its Commitment as so reduced;

(y) the Total Usage shall not exceed the Total Commitments; and;

(y) the aggregate outstanding principal amount of the Swingline Loans shall not exceed the Swingline Commitment (after giving effect to any reduction thereof pursuant to Section 2.11(d)).

Upon any such termination or reduction of the Commitments, the Administrative Agent shall promptly notify each Bank of such termination or reduction.

(b) The Borrower may, upon at least three Domestic Business Day' notice to the Administrative Agent, terminate the Swingline Commitment at any time, if no Swingline Loans are outstanding at such time.

(c) If the Borrower wishes to replace this Agreement with another credit agreement at any time, the Borrower may, on the date when such other credit agreement becomes effective, terminate the Commitments hereunder and prepay any and all Committed Loans and Swingline Loans then outstanding hereunder; provided that:

(i) the Borrower notifies each Bank as to the possibility of such termination and such prepayment (if any) at least three Euro-Dollar Business Days prior thereto;

(ii) the Borrower gives definitive notice of such termination and such prepayment (if any) to the Administrative Agent before 10:00 A.M. (New York City time) on the date of such termination;

(iii) all Committed Loans, Swingline Loans and Reimbursement Obligations outstanding on the date of such termination (together with accrued interest thereon) are paid in full on such date;

(iv) in connection with any prepayment of Committed Loans or Swingline Loans on such date, the Borrower complies with the requirements of subsections (a) and (b) of Section 2.13, Section 2.15 and subsection (d) of Section 2.18 in all respects except the timing of definitive notice of such prepayment; and

(v) no Letter of Credit issued hereunder remains outstanding after the date of such termination unless the LC Agent shall have agreed to allow such Letter of Credit to remain outstanding after the Commitments (and the Banks' participations in such Letter of Credit) terminate.

Section 2.11. Mandatory Reduction of Commitments. (a) On February 15, 2000, the Commitments will be reduced to $300,000,000.

(b) On the fifth Euro-Dollar Business Day after the date on which the Borrower or any of its Subsidiaries receives any Net Cash Proceeds in respect of any Reduction Event, the Total Commitments shall be permanently reduced by an amount equal to such Net Cash Proceeds, until the Total Commitments do not exceed $350,000,000; provided that if the Net Cash Proceeds in respect of any Reduction Event is less than $5,000,000, no such permanent reduction shall be required until the Net Cash Proceeds with respect to such Reduction Event, together with the Net Cash Proceeds with respect to all other Reduction Events in respect of which no permanent reduction under this subsection (b) shall have theretofore been made, is equal to at least $5,000,000.

(c) To the extent the terms of any Debt issued by the Borrower or any of its Subsidiaries after the Effective Date (including without limitation any New Subordinated Debt) would otherwise require the prepayment or repurchase (or offer to repurchase) of such Debt upon receipt by the Borrower or any of its Subsidiaries of cash proceeds of any Asset Sale (or any disposition of assets excluded from the definition of Asset Sale pursuant to clauses (i) through (iv) thereof) or any Major Casualty Proceeds (or any proceeds excluded from the definition of Major Casualty Proceeds pursuant to clauses (i) or (ii) thereof) but for the provisions of this subsection (c), upon receipt by the Borrower or any of its Subsidiaries of such cash proceeds, the Commitments shall be permanently reduced by an amount equal to the amount that is necessary in order to excuse the Borrower or any of its Subsidiaries from prepaying or repurchasing (or offering to repurchase) such Debt.

(d) On any date on which the Commitments are reduced pursuant to Section 2.11, the Swingline Commitment will be reduced by such amount as shall be necessary so that, after giving effect to such reduction, the Swingline Commitment shall not exceed 10% of the Total Commitments as so reduced.

Section 2.12. Mandatory Termination of Commitments. (a) The Commitments shall terminate on the Termination Date and any Committed Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

(b) The Swingline Commitment shall terminate on the Swingline Maturity Date and any Swingline Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

Section 2.13. Optional and Mandatory Prepayments. (a) The Borrower may upon at least one Domestic Business Day's notice to the Administrative Agent, prepay the Base Rate Loans (or any Money Market Borrowing bearing interest at the Base Rate by reason of clause (a) of Section 8.01) in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Base Rate Loans of the several Banks (or the Money Market Loans included in such Money Market Borrowing).

(b) Subject to Section 2.15, the Borrower may, upon at least two Domestic Business Days' notice to the Administrative Agent, in the case of a Group of CD Loans or upon at least three Euro-Dollar Business Days' notice to the Administrative Agent, in the case of a Group of Euro-Dollar Loans, prepay the Loans comprising such a Group, in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Group.

(c) In connection with any substitution of Banks pursuant to Section 8.06, the Borrower may prepay the Loans of the Bank being replaced, as provided in clause (ii) of Section 8.06.

(d) Except as provided in Sections 2.06 and 2.13(a), the Borrower may not prepay all or any portion of the principal amount of any Money Market Loan prior to the maturity thereof.

(e) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

Section 2.14. General Provisions as to Payments. (a) The Borrower shall make (i) each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01 and (ii) each payment of Reimbursement Obligations and any other amounts payable in connection with the Letters of Credit in accordance with the provisions of Section 2.17. The Administrative Agent will promptly distribute to each Bank its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or Swingline Loans or of fees or of Reimbursement Obligations shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, any Euro-Dollar Loans or Money Market LIBOR Loan shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, any Money Market Absolute Rate Loan shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day. If the date for any payment of principal or any Reimbursement Obligation is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.15. Funding Losses. If the Borrower makes any payment of principal with respect to any Fixed Rate Loan or any such Loan is converted to a Base Rate Loan (pursuant to Article 2, 6 or 8 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.07(d), or if the Borrower fails to borrow or prepay any Fixed Rate Loans or fails to continue any CD Loan or Euro- Dollar Loans for an additional Interest Period or fails to convert any outstanding Loans to CD Loans or Euro-Dollar Loans, in each case after notice of such borrowing, prepayment, continuation or conversion has been given to any Bank in accordance with Section 2.04(a), 2.06(f), 2.08(c) or 2.13(e), the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, continue or convert, provided that such Bank shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.16. Computation of Interest and Fees. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and facility fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.17. Letters of Credit.

(a) Issuance of Letters of Credit. The LC Agent agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit for the account of the Borrower from time to time during the period from and including the Effective Date to but excluding the date that is 30 days before the Termination Date; provided that, immediately after each such Letter of Credit is issued:

(i) the Aggregate LC Exposure shall not exceed $160,000,000 (of which the aggregate amount attributable to standby Letters of Credit will not exceed $60,000,000);

(ii) in the case of each Bank, its Outstanding Committed Amount shall not exceed its Commitment; and

(iii) the Total Usage shall not exceed the Total Commitments.

Upon the issuance by the LC Agent of each Letter of Credit pursuant to this subsection (a), the LC Agent shall be deemed, without further action by any party hereto, to have sold to each Bank and each Bank shall be deemed, without further action by any party hereto, to have purchased from the LC Agent, a participation in such Letter of Credit, on the terms set forth in this Section, equal to such Bank's Pro Rata Share thereof. In addition, on the Effective Date, the LC Agent shall be deemed, without further action by any party hereto, to have sold to each Bank, and each Bank shall be deemed, without further action by any party hereto, to have purchased from the LC Agent, a participation in each Existing Standby Letter of Credit, on the terms set forth in this Section, equal to such Bank's Pro Rata Share thereof.

(b) Expiry Dates. No Letter of Credit shall have an expiry date later than the fifth Domestic Business Day prior to the Termination Date. Subject to the preceding sentence:

(i) each Letter of Credit shall, when issued, have an expiry date on or before the first anniversary of the date on which it is issued; and

(ii) the expiry date of any Letter of Credit may, at the request of the Borrower, be extended from time to time for a period not exceeding one year so long as the LC Agent agrees to so extend such Letter of Credit (or, in the case of an "evergreen" Letter of Credit, its right to give a notice to prevent the extension thereof expires) no earlier than three months before the then existing expiry date thereof.

(c) Notice of Proposed Issuance. The Borrower shall give the LC Agent and the Administrative Agent at least one Domestic Business Day's prior notice specifying the date each Letter of Credit is to be issued and describing the proposed terms of such Letter of Credit and the nature of the transactions proposed to be supported thereby.

(d) Conditions to Issuance. The LC Agent shall not issue any Letter of Credit unless: (i) such Letter of Credit shall be satisfactory in form and reasonably satisfactory in substance to the LC Agent,

(ii) the Borrower shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the LC Agent shall have reasonably requested,

(iii) the LC Agent shall have determined (based on information supplied by the Administrative Agent on the date of such issuance as to the amounts specified in subsection (a) of this Section other than the Aggregate LC Exposure) that the limitations specified in subsection (a) of this Section will not be exceeded immediately after such Letter of Credit is issued, and

(iv) the LC Agent shall not have been notified in writing by the Borrower, the Administrative Agent or the Required Banks that any condition specified in clause (c), (d) or (e) of Section-3.03 is not satisfied on the date such Letter of Credit is to be issued.

(e) Notice of Proposed Extensions of Expiry Dates. The LC Agent shall give the Administrative Agent at least one Domestic Business Day's notice prior to extending the expiry date of any Letter of Credit (or, in the case of an "evergreen" Letter of Credit, allowing it to be extended), specifying (i) the date on which such extension is to be made and (ii) the date to which such expiry date is to be so extended. The LC Agent shall not extend (or allow the extension of) the expiry date of such Letter of Credit if it shall have been notified by the Borrower or the Administrative Agent (at the request of the Required Banks) that any condition specified in clause (d) or (e) of Section 3.03 is not satisfied on the date of such extension (or, in the case of an "evergreen" Letter of Credit, the day when the LC Agent's right to give a notice preventing such extension expires).

(f) Notice of Actual Issuances, Extensions and Amounts Available for Drawing. Promptly upon issuing any Letter of Credit or extending the expiry date of any Letter of Credit (or allowing the expiry date of any "evergreen" Letter of Credit to be extended), the LC Agent will notify the Administrative Agent of the date of such Letter of Credit, the amount thereof, the beneficiary or beneficiaries thereof and the expiry date or extended expiry date thereof. Within three Domestic Business Days after the end of each calendar month, the LC Agent shall notify the Administrative Agent and each Bank of (i) the daily average aggregate amount available for drawings (whether or not conditions for drawing thereunder have been satisfied) under all Letters of Credit outstanding during such month, (ii) the aggregate amount of letter of credit fees accrued during such month pursuant to subsection (g) of this Section, (iii) each Bank's Pro Rata Share of such accrued letter of credit fees and (iv) the aggregate undrawn amount of all Letters of Credit outstanding at the end of such month.

(g) Fees. The Borrower shall pay to the LC Agent, for the account of the Banks ratably in accordance with their respective Pro Rata Shares, a letter of credit fee for each day at the LC Fee Rate on the aggregate amount available for drawings (whether or not conditions for drawing thereunder have been satisfied) under all Letters of Credit outstanding on such day. Such letter of credit fee shall be payable quarterly in arrears on the last Domestic Business Day of each calendar quarter and on the fifth Domestic Business Day before the Termination Date (or any earlier date on which the Commitments shall have terminated in their entirety and no Letters of Credit are outstanding). Promptly upon receiving any payment of such fee, the LC Agent will distribute to each Bank its Pro Rata Share thereof. In addition, the Borrower shall pay to the LC Agent for its own account fronting fees and reasonable expenses in the amounts and at the times agreed between the Borrower and the LC Agent.

(h) Drawings. Upon receipt from the beneficiary of any Letter of Credit of a demand for payment under such Letter of Credit, the LC Agent shall determine in accordance with the terms of such Letter of Credit whether such demand for payment should be honored. If the LC Agent determines that any such demand for payment should be honored, the LC Agent shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing under such Letter of Credit. The LC Agent shall thereupon notify the Borrower of the amount of such drawing paid by it.

(i) Reimbursement and Other Payments by the Borrower. (1) If any amount is drawn under any Letter of Credit, the Borrower irrevocably and unconditionally agrees to reimburse the LC Agent for all amounts paid by the LC Agent upon such drawing, together with any and all reasonable charges and expenses which the LC Agent may pay or incur relative to such drawing and interest on the amount drawn at the Federal Funds Rate for each day from and including the date such amount

is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (x) at or before 1:00 P.M. (New York City time) on the date the LC Agent notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (New York City time) on such date, or (y) at or before 10:00 A.M. (New York City time) on the first Domestic Business Day after the date such notice is given, if such notice is given after 10:00 A.M. (New York City time) on such date; provided that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (New York City time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the LC Agent, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (New York City time) on such day and such payment is actually made at or before 3:00 P.M. (New York City time) on such day.

(2) In addition, the Borrower agrees to pay to the LC Agent interest on any and all amounts not paid by the Borrower when due hereunder with respect to a Letter of Credit, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, payable on demand, at a rate per annum equal to the sum of 2% plus rate applicable to Base Rate Loans for such day.

(3) Each payment to be made by the Borrower pursuant to this subsection (i) shall be made to the LC Agent in Federal or other funds immediately available to it at its address referred to in Section 9.01.

(j) Payments by Banks with Respect to Letters of Credit. (1) If the Borrower fails to reimburse the LC Agent as and when required by subsection (i) above for all or any portion of any amount drawn under a Letter of Credit, the LC Agent may notify each Bank of such unreimbursed amount and request that each Bank reimburse the LC Agent for such Bank's Pro Rata Share thereof. Upon receiving such notice from the LC Agent, each Bank shall make available to the LC Agent, at its address referred to in Section 9.01, an amount equal to such Bank's share of such unreimbursed amount as set forth in such notice, in Federal or other funds immediately available to the LC Agent, by 3:00 P.M. (New York City time) on the Domestic Business Day following such Bank's receipt of such notice from the LC Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Bank at the Federal Funds Rate for such day. Upon payment in full thereof, such Bank shall be subrogated to the rights of the LC Agent against the Borrower to the extent of such Bank's Pro Rata Share of the

related Reimbursement Obligation (including interest accrued thereon). Nothing in this subsection (j) shall affect any rights any Bank may have against the LC Agent for any action or omission for which the LC Agent is not indemnified under subsection (n) of this Section.

(2) If any Bank fails to pay any amount required to be paid by it pursuant to clause (1) of this subsection (j) on the date on which such payment is due, interest shall accrue on such Bank's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Bank makes such payment, whether before or after judgment, at a rate per annum equal to the Federal Funds Rate for such day. Any payment made by any Bank after 3:00 P.M. (New York City time) on any Domestic Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Domestic Business Day.

(3) If the Borrower shall reimburse the LC Agent for any drawing with respect to which any Bank shall have made funds available to the LC Agent in accordance with clause (1) of this subsection (j), the LC Agent shall promptly upon receipt of such reimbursement distribute to such Bank its Pro Rata Share thereof, including interest, to the extent received by the LC Agent.

(k) Exculpatory Provisions. The Borrower's obligations under this Section shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the LC Agent, any Bank, the beneficiary of any Letter of Credit or any other Person. The Borrower assumes all risks of the acts or omissions of any beneficiary of any Letter of Credit with respect to its use of such Letter of Credit. None of the LC Agent, the Banks and their respective officers, directors, employees and agents shall be responsible for, and the obligations of each Bank to make payments to the LC Agent and of the Borrower to reimburse the LC Agent for drawings pursuant to this Section (other than obligations resulting solely from the gross negligence or willful misconduct of the LC Agent) shall not be excused or affected by, among other things, (i) the use which may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (ii) the validity, sufficiency or genuineness of documents presented under any Letter of Credit or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged (and notwithstanding any assertion to such effect by the Borrower); (iii) payment by the LC Agent against presentation of documents to it which do not comply with the terms of the relevant Letter of Credit; (iv) any dispute between or among the Borrower, any of its Subsidiaries, the beneficiary of any Letter of Credit or any other Person or any claims or defenses whatsoever of the Borrower, any of its Subsidiaries or any other Person against the beneficiary of any Letter of Credit; (v) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole; (vi) any breach of this Agreement by any party hereto (except, in the case of the LC Agent, a breach resulting solely from its gross negligence or willful misconduct); (vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing; (viii) the fact that a Default shall have occurred and be continuing; or (ix) the fact that the Termination Date shall have passed or the Commitments shall have terminated. The LC Agent shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or

advice, however transmitted, in connection with any Letter of Credit. Any action taken or omitted by the LC Agent or any Bank under or in connection with any Letter of Credit and the related drafts and documents, if done without willful misconduct or gross negligence, shall be binding upon the Borrower and shall not place the LC Agent or any Bank under any liability to the Borrower.

(l) Reliance, Etc. The LC Agent shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 3.03 to establish whether the conditions specified in clauses (c), (d) and (e) of Section 3.03 are met in connection with any issuance or extension of a Letter of Credit, unless the LC Agent shall have been notified to the contrary by the Administrative Agent or the Required Banks (in which event the LC Agent shall be fully protected in relying on such notice). The rights and obligations of the LC Agent under each Letter of Credit issued by it shall be governed by the provisions thereof and the provisions of the UCP and/or the Uniform Commercial Code referred to therein or otherwise applicable thereto.

(m) Indemnification by the Borrower. The Borrower agrees to indemnify and hold harmless each Bank and the LC Agent (collectively, the "LC Indemnitees") from and against any and all claims and damages, losses, liabilities, costs or expenses (including, without limitation, the reasonable fees and disbursements of counsel) which any such LC Indemnitee may reasonably incur (or which may be claimed against any such LC Indemnitee by any Person whatsoever) by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit or any actual or proposed use of any Letter of Credit, including any claims, damages, losses, liabilities, costs or expenses which the LC Agent may incur by reason of or in connection with the failure of any Bank to fulfill or comply with its obligations to the LC Agent hereunder; provided that the Borrower shall not be required to indemnify the LC Agent for any claims, damages, losses, liabilities, costs or expenses to the

extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Agent in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) the LC Agent's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit (unless such payment is enjoined or otherwise prevented by order of a court or other governmental authority). Nothing in this subsection (m) is intended to change the obligations of the Borrower under any other provision of this Section.

(n) Indemnification by the Banks. The Banks shall, ratably in accordance with their respective Pro Rata Shares, indemnify the LC Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including fees and disbursements of counsel), claim, demand, action, loss or liability (except such as result from the LC Agent's gross negligence or willful misconduct or the LC Agent's failure to pay, unless such payment is enjoined or otherwise prevented by order of a court or other governmental authority, under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit) that any such indemnitee may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnitee under this Agreement.

(o) Dual Capacities. In its capacity as a Bank, the LC Agent shall have the same rights and obligations under this Section as any other Bank.

Section 2.18. Swingline Loans. (a) Swingline Commitment. The Swingline Bank agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section from time to time during the Swingline Loan Availability Period; provided that immediately after each such loan is made (and after giving effect to any substantially concurrent application of the proceeds thereof to repay outstanding Loans):

(i) the aggregate outstanding principal amount of the Swingline Loans shall not exceed the Swingline Commitment,

(ii) in the case of each Bank, its Outstanding Committed Amount shall not exceed its Commitment, and

(iii) the Total Usage shall not exceed the Total Commitments.

Each loan under this Section shall (x) be in a principal amount not less than $500,000 and shall be in a multiple of $100,000 and (y) bear interest on the outstanding principal amount thereof for each day from the date such loan is made until it becomes due at such rate or rates per annum (which shall in no event be greater than the rate applicable to Base Rate Loans for such day), and be payable on such dates, as shall be agreed upon from time to time by the Borrower and the Swingline Bank. Within the foregoing limits and subject to Section 2.11(d), the Borrower may borrow under this Section, repay Swingline Loans and reborrow under this Section at any time during the Swingline Loan Availability Period. If the Swingline Bank and the Borrower are unable, for any reason, to agree on the interest rate or interest payment date or dates applicable to any Swingline Loan, the Swingline Bank shall not be obligated to make, and the Borrower shall not be obligated to borrow, such Swingline Loan. The Swingline Loans shall be evidenced by the Swingline Note.

(b) Notice of Swingline Borrowing. The Borrower shall give the Swingline Bank notice (a "Notice of Swingline Borrowing") not later than 2:00 P.M. (New York City time) on the date of each borrowing of a Swingline Loan, specifying (i) the date of such borrowing, which shall be a Domestic Business Day, and (ii) the principal amount of such Swingline Loan.

(c) Funding of Swingline Loans. Not later than 3:00 P.M. (New York City time) on the date of each borrowing of a Swingline Loan, the Swingline Bank shall, unless the Swingline Bank determines that any applicable condition specified in Article 3 (which determination may, in the case of Section 3.03(c), be based in part on information supplied by the LC Agent on the date of such borrowing as to the Aggregate LC Exposure on such date and on information supplied by the Administrative Agent as to the aggregate outstanding principal amount of the Loans on such date) has not been satisfied, make available the amount of such Swingline Loan, in Federal or other funds immediately available in New York City, to the Borrower at the Swingline Bank's address referred to in Section 9.01.

(d) Optional Prepayment of Swingline Loans. The Borrower may prepay the Swingline Loans in whole at any time, or from time to time in part in a principal amount of at least $500,000, by giving notice of such prepayment to the Swingline Bank not later than 2:00 P.M. (New York City time) on the date of prepayment and paying the principal amount to be prepaid (together with (i) interest accrued thereon to the date of prepayment and (ii) the loss or expense (if any) resulting from such prepayment which is incurred by the Swingline Bank (or by an existing or prospective participant in the Swingline Loans) and documented by the Swingline Bank) to the Swingline Bank at its address referred to in Section 9.01, in Federal or other funds immediately available in New York City, not later than 3:00 P.M. on the date of prepayment.

(e) Mandatory Prepayment of Swingline Loans. (i) On the date of each Borrowing pursuant to Section 2.01 or 2.03, the Borrower shall prepay all Swingline Loans then outstanding, together with (x) interest accrued thereon to the date of prepayment and (y) the loss or expense (if any) resulting from such prepayment which is incurred by the Swingline Bank (or by an existing or prospective participant in the Swingline Loans) and documented by the Swingline Bank.

(ii) On each date on which the Swingline Commitment is reduced pursuant to Section 2.11(d), the Borrower shall prepay outstanding Swingline Loans in such amounts such that, after giving effect to such prepayments, the aggregate outstanding principal amount of the Swingline Loans will not exceed the Swingline Commitment as then reduced.

(f) Refunding Unpaid Swingline Loans. The Swingline Bank may at any time, by notice to the Banks (including the Swingline Bank, in its capacity as a Bank), require each Bank to pay to the Swingline Bank an amount equal to such Bank's Pro Rata Share of the aggregate unpaid principal amount of the Swingline Loans then outstanding. Such notice shall specify the date on which such payments are to be made, which shall be the first Domestic Business Day after such notice is given. Not later than 12:00 Noon (New York City time) on the date so specified, each Bank shall pay the amount so notified to it to the Swingline Bank at its address referred to in Section 9.01, in Federal or other funds immediately available in New York City. The amount so paid by each Bank shall constitute a Base Rate Loan to the Borrower; provided that, if the Banks are prevented from making such Loans to the Borrower by the provisions of the United States Bankruptcy Code or otherwise, the amount so paid by each Bank shall constitute a purchase by it of a participation in the unpaid principal amount of the Swingline Loans (and interest accruing thereon after the date of such payment). Each Bank's obligation to make such payment to the Swingline Bank under this subsection (f) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank or any other Person may have against the Swingline Bank or the Borrower, (ii) the occurrence or continuance of a Default or the termination of the Commitments, (iii) any adverse change in the condition (financial or otherwise) of the Borrower or any other Person, (iv) any breach of this Agreement by the Borrower or any other Bank or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided that no Bank shall be obligated to make any payment to the Swingline Bank under this subsection (f) with respect to a Swingline Loan made by the Swingline Bank at a time when the Swingline Bank has determined that a Default had occurred and was continuing.

ARTICLE 3
Conditions

Section 3.01. Effective Date. This Amended Agreement shall become effective on the date (the "Effective Date") on which all of the conditions set forth in Section 3 of Amendment No. 3 shall have been satisfied. The Administrative Agent shall promptly notify the Borrower and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02. Consequences of Effectiveness. (a) On the Effective Date, without further action by any of the parties thereto, the Existing Credit Agreement will be automatically amended and restated to read as this Amended Agreement reads.

(b) Each Loan outstanding under the Existing Credit Agreement on the Effective Date shall mature as specified in this Amended Agreement. The interest rates determined in accordance with Section 2.07 of this Amended Agreement shall be effective on the Effective Date; provided that (i) the interest rate applicable to each CD Loan outstanding on the Effective Date for each remaining day during the then current Interest Period applicable thereto shall be the rate per annum equal to the sum of the CD Margin (as defined in this Amended Agreement) for such day plus the Adjusted CD Rate applicable to such Loan for such Interest Period (as determined pursuant to Section 2.07(b) of the Existing Credit Agreement) and (ii) the interest rate applicable to each Euro-Dollar Loan outstanding on the Effective Date for each remaining day during the then current Interest Period applicable thereto shall be the rate per annum equal to the sum of the Euro-Dollar Margin (as defined in this Amended Agreement) for such day plus the Adjusted London Interbank Offered Rate applicable to such Loan for such Interest Period (as determined pursuant to Section 2.07(c) of the Existing Credit Agreement). Facility fees and letter of credit fees accrued under the Existing Credit Agreement and unpaid as of the Effective Date will be payable on the first date on which fees are payable in accordance with Section 2.09.

(c) On and after the Effective Date, the rights and obligations of the parties hereto shall be governed by the provisions hereof. The rights and obligations of the parties to the Existing Credit Agreement with respect to the period before the Effective Date shall continue to be governed by the provisions thereof as in effect before the Effective Date.

Section 3.03. Extensions of Credit. The obligation (i) of any Bank to make a Loan on the occasion of any Borrowing (other than a Loan pursuant to Section 2.18(f)), (ii) of the Swingline Bank to make any Swingline Loan and (iii) of the LC Agent to issue or extend (or allow the extension of) the expiry date of any Letter of Credit are each subject to the satisfaction of the following conditions:

(a) the fact that the Effective Date shall have occurred on or prior to March 19, 1999;

(b) receipt (i) by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or 2.03, (ii) by the Swingline Bank of a Notice of Swingline Borrowing as required by Section 2.18(b) or (iii) by the LC Agent of a notice of proposed issuance or extension as required by Section 2.17(c) or (e), as the case may be;

(c) the fact that, immediately after such Extension of Credit, the applicable limitations in Section 2.01, 2.03(f), 2.17(a) or 2.18(a), as the case may be, shall not be exceeded;

(d) the fact that, immediately before and after such Extension of Credit, no Default shall have occurred and be continuing; and

(e) the fact that each of the representations and warranties of the Obligors contained in the Loan Documents shall be true on and as of the date of such Extension of Credit.

Each Extension of Credit hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Extension of Credit as to the facts specified in clauses (c), (d) and (e) of this Section.

ARTICLE 4
Representations and Warranties

The Borrower represents and warrants that:

Section 4.01. Corporate Existence and Power. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New York, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of each Loan Document to which it is a party are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

Section 4.03. Binding Effect. Each Loan Document to which the Borrower is a party (other than the Notes and the Swingline Note) constitutes a valid and binding agreement of the Borrower and each of the Notes and the Swingline Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms.

Section 4.04. Financial Statements. (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of January 31, 1998 and the related consolidated statements of operations, cash flows and shareholders' equity for the Fiscal Year then ended, reported on by KPMG LLP and set forth in the Borrower's 1997 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such Fiscal Year.

(b) The unaudited condensed consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of October 31, 1998 and the related unaudited condensed consolidated statements of operations, cash flows and retained earnings for the nine months then ended, set forth in the Borrower's Latest Form 10-Q, a copy of which has been delivered to each of the Banks, fairly present, on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such nine-month period (subject to normal year-end adjustments).

(c) Since October 31, 1998 there has been no material adverse change in the business, financial position, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

Section 4.05. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect.

Section 4.06. Compliance with Laws. The Borrower and its Subsidiaries are in compliance in all material respects with all applicable laws, ordinances, rules, regulations and binding requirements of governmental authorities, except where (i) the necessity of compliance therewith is being contested in good faith by appropriate proceedings or (ii) failure to comply therewith could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 4.07. Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under

Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or made any amendment to any Plan, which has resulted or will result in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or in the incurrence of a requirement under Section 401(a)(29) of the Internal Revenue Code to post a bond or other security in order to retain the tax-qualified status of such Plan or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 4.08. Environmental Matters. To the knowledge of the Borrower, (i) the Borrower and its Subsidiaries are in material compliance with all applicable Environmental Laws, (ii) there are no claims, demands or investigations against the Borrower or any of its Subsidiaries by any governmental authority or other person or entity that may reasonably be expected to result in material liability for the clean up of materials that have been released into the environment and (iii) there are no conditions that are reasonably likely to result in such claims, demands or investigations against the Borrower or any of its Subsidiaries, except for failures to comply and liabilities which, in the aggregate, are unlikely to result in a Material Adverse Effect.

Section 4.09. Taxes. The Borrower and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any material assessment received by the Borrower or any Subsidiary, except taxes and assessments which are not yet delinquent or are being contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

Section 4.10. Subsidiaries. (a) Each of the Borrower's corporate Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The Subsidiary Guarantors are all of the Subsidiaries of the Borrower on the Effective Date, other than Foreign Subsidiaries and Immaterial Subsidiaries.

Section 4.11. Not an Investment Company. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4.12. Full Disclosure. All information (taken as a whole) heretofore furnished in writing by the Borrower to any Bank for purposes of or in connection with the Loan Documents or any transaction contemplated thereby is, and all such information hereafter furnished in writing by the Borrower to any Bank will be, true in all material respects on the date as of which such information is stated or certified. Any projections and pro forma financial information contained in any such writing will be based upon good faith estimates and assumptions believed by the Borrower to be reasonable at the time made, it being recognized by the Banks that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. The Borrower has disclosed to the Banks in writing any and all facts which could reasonably be expected to result in a Material Adverse Effect (to the extent the Borrower can now reasonably foresee, utilizing reasonable assumptions and the information now actually known to the Borrower's Responsible Officers).

Section 4.13. Year 2000 Compliance. The Borrower has (i) initiated a review and assessment of all areas within the business and operations of the Borrower and each of its Subsidiaries that could reasonably be expected to be materially adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by it or any of its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis and (iii) to date, implemented such plan substantially in accordance with such timetable. The Borrower reasonably believes that all computer applications that are material to the business or operations of the Borrower or any of its Subsidiaries will on a timely basis be able to perform properly date-sensitive functions for all dates before and from and after January 1, 2000 (that is, be "Year 2000 Compliant") except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 4.14. Ranking. The Loans, the Swingline Loans and the Reimbursement Obligations rank (i) senior to any other Debt of the Borrower with respect to the Collateral pledged by the Borrower, (ii) pari passu with other unsecured Debt of the Borrower (other than any such Debt described in clause (iii)) with respect to any assets of the Borrower (other than the Collateral pledged by the Borrower) and (iii) senior to any other Debt of the Borrower which by its terms is subordinated thereto, including without limitation any New Subordinated Debt.

ARTICLE 5
Covenants

The Borrower agrees that, so long as any Bank has any Credit Exposure hereunder, the Swingline Commitment remains in effect or any amount payable under the Swingline Note remains unpaid:

Section 5.01. Information. The Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of operations, cash flows and shareholders' equity for such Fiscal Year, setting forth in each case in comparative form the figures as of the end of and for the previous Fiscal Year, all reported on (without any qualification that would not be acceptable to the SEC for purposes of filings under the Exchange Act) by KPMG LLP or other independent public accountants of nationally recognized standing;

(b) as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated condensed balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Quarter, the related consolidated condensed statement of operations for such Fiscal Quarter and the related consolidated condensed statements of operations, cash flows and retained earnings for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in comparative form (i) in the case of such statement of operations, the figures for the corresponding Fiscal Quarter of the previous Fiscal Year and (ii) in the case of such statements of operations, cash flows and retained earnings, the figures for the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Borrower;

(c) as soon as available and in any event within 30 days after the end of each month of each Fiscal Year, a consolidated condensed balance sheet of the

Borrower and its Consolidated Subsidiaries as of the end of such month and the related consolidated condensed statements of operations and cash flows for the portion of the Fiscal Year ended at the end of such month, all certified (subject to normal quarter-end and year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Borrower;

(d) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the Borrower's chief financial officer or chief accounting officer (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.06 to 5.10, inclusive, and Sections 5.13 to 5.15, inclusive, on the date of such financial statements, (ii) setting forth (x) if such certificate is being delivered together with each set of financial statements referred to in clause (a) above, the names of each Subsidiary of the Borrower that is an Immaterial Subsidiary as of the last day of the Fiscal Year with respect to which such financial statements relate and the calculations required to establish that each such Subsidiary is an Immaterial Subsidiary and (y) if such certificate is being delivered together with each set of financial statements referred to in clause (b) above for any Fiscal Quarter of any Fiscal Year, the names of each Subsidiary of the Borrower that is an Immaterial Subsidiary as of the last day of the Fiscal Quarter with respect to which such financial statements relate and which was not listed as an Immaterial Subsidiary on previous certificates delivered by the Borrower pursuant to this subsection (d) together with financial statements for previous Fiscal Quarters of such Fiscal Year and the calculations required to establish that each such Subsidiary is an Immaterial Subsidiary and (iii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(e) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the firm of independent public accountants which reported on such statements (i) whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements and (ii) confirming the calculations set forth in the officer's certificate delivered simultaneously therewith pursuant to clause (d) above;

(f) as soon as practicable and in any event within 45 days after the first day of each Fiscal Year, operating plans and financial forecasts, including cash flow projections covering proposed fundings, repayments, additional advances, investments, capital expenditures and other cash receipts and disbursements, for such Fiscal Year;

(g) (x) within ten Domestic Business Days of receipt of any Major Casualty Proceeds that would constitute a Reduction Event but for the delivery of a certificate pursuant to this subsection, a certificate of the Borrower setting forth the amount of such Major Casualty Proceeds and the transaction giving rise to them and stating that the Borrower shall notify the Administrative Agent, within ninety days of receipt of such Major Casualty Proceeds of its determination as to whether such Major Casualty Proceeds (or any portion thereof) shall be expended for the purchase or repair of property, plant and equipment and (y) within 90 days of receipt of any Major Casualty Proceeds with respect to which the Borrower has delivered to the Administrative Agent a certificate pursuant to clause (x) of this subsection, a certificate of the Borrower setting forth the amount of such Major Casualty Proceeds that will be expended by the Borrower and its Subsidiaries for the purchase or repair of property, plant and equipment and a reasonably detailed plan of such purchase or repair;

(h) within ten Domestic Business Days after any Responsible Officer obtains knowledge of any Default, if such Default is then continuing, a certificate of the Borrower's chief financial officer or chief accounting officer setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(i) within ten Domestic Business Days after any Responsible Officer obtains knowledge of the commencement of an action, suit or proceeding against the Borrower or any Subsidiary before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of any Loan Document, a certificate of a Responsible Officer setting forth the nature of such pending or threatened action, suit or proceeding and such additional information with respect thereto as may be reasonably requested by any Bank;

(j) within ten Domestic Business Days after any Responsible Officer determines that any computer application that is material to the business or operations of the Borrower or any of its Subsidiaries will fail to be "Year 2000 Compliant" (as defined in Section 4.13) in all material respects and on a timely basis, a certificate of a Responsible Officer setting forth the details of such failure, the expected consequences thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(k) within ten Domestic Business Days after any Responsible Officer obtains knowledge of any actual or proposed material change in any material contract arrangements between the Borrower or any of its Subsidiaries and any material vendors or suppliers, a certificate of a Responsible Officer setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(l) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(m) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the SEC;

(n) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" defined in PBGC Regulations Sections 2615.11(a), .12(a), .14(a), .16(a), .17(a), .21(a), .22(a) or .23(a) with respect to any Plan, or, with respect to any Plan, gives or is required to give notice to the PBGC under Section 4043(b)(3) of ERISA or would be required to give notice under such Section but for the provisions of Section 4043(b)(2) of ERISA or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC, or that would be required to be given but for the provisions of Section 4043(b)(2); (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer, any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or makes any amendment to any Plan or which has resulted or will result in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or the incurrence of a requirement under Section 401(a)(29) of the Internal Revenue Code to post a bond or other security in order to retain the tax- qualified status of such Plan, a certificate of the Borrower's chief financial officer or chief accounting officer setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group has taken or proposes to take; and

(o) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Administrative Agent, at the request of any Bank, may reasonably request.

Section 5.02. Maintenance of Property; Insurance. (a) The Borrower will keep, and will cause each Subsidiary to keep, all material properties useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) The Borrower will, and will cause each of its Subsidiaries to, maintain (either in the name of the Borrower or in such Subsidiary's own name) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts and against at least such risks (and with such risk retention) as are usually insured against in the same general area by companies of established repute engaged in the same or a similar business; provided that such risks may be covered by self-insurance programs consistent with past practice. The Borrower will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 5.03. Conduct of Business and Maintenance of Existence. The Borrower will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Borrower and its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business, except where failures to possess such rights, privileges and franchises could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect; provided that nothing in this Section shall prohibit (i) any merger or consolidation permitted under Section 5.11 or (ii) the termination of the existence of any Immaterial Subsidiary if the Borrower in good faith determines that such termination is in the best interests of the Borrower and is not materially disadvantageous to the Banks.

Section 5.04. Compliance with Laws. The Borrower will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and binding requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder), except where (i) the necessity of compliance therewith is being contested in good faith by appropriate proceedings or (ii) failures to comply therewith could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 5.05. Inspection of Property, Books and Records. The Borrower will keep, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to permit, representatives of any Bank at such Bank's expense, upon reasonable prior notice, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 5.06. Negative Pledge. (a) Neither the Borrower nor any Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except (subject to the last sentence of this subsection (a)):

(i) Liens existing on the date of this Agreement securing (i) any Debt described in clause (iv) of the definition of Debt outstanding on the date of this Agreement in an aggregate principal or face amount not exceeding $50,000,000 and listed on Schedule 5.06 and (ii) other Debt outstanding on the date of this Agreement in an aggregate principal or face amount not exceeding $10,000,000;

(ii) any Lien on any asset (or improvement thereon) securing Debt (including without limitation any Debt described in clause (iv) of the definition of Debt) incurred or assumed solely for the purpose of financing all or any part of the cost of acquiring such asset (or improvement thereon), provided that (x) such Lien attaches to such asset (or improvement thereon) concurrently with or within 90 days after the acquisition thereof and (y) the aggregate principal or face amount of Debt secured by Liens incurred in reliance on this clause (ii) shall not exceed $40,000,000;

(iii) any Lien existing on any asset of any corporation at the time such corporation becomes a Subsidiary and not created in contemplation of such event;

(iv) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Borrower or a Subsidiary and not created in contemplation of such event;

(v) any Lien existing on any asset prior to the acquisition (whether by purchase, merger or otherwise) thereof by the Borrower or a Subsidiary and not created in contemplation of such acquisition;

(vi) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Debt is not increased and is not secured by any additional assets;

(vii) Liens on amounts on deposit in the Escrow Account securing (x) the obligations of the Borrower under any New Subordinated Debt any portion of the proceeds of which have been deposited in the Escrow Account and (y) the payment to the Escrow Agent of amounts payable to it pursuant to the Escrow Agreement, on the terms permitted by Section 5.17(b);

(viii) (x) Liens not securing Debt and consisting of (i) zoning restrictions, easements, covenants and other restrictions on the use of any interest of real property, minor irregularities or defects of title and similar encumbrances on any interest in real property incurred or suffered in the ordinary course of business, (y) statutory or contractual Liens of landlords, Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens, in each case incurred in the ordinary course of business for sums not yet due or the payment of which is not delinquent or which are being contested in good faith by appropriate proceedings and (z) Liens consisting of a mortgage on Store 1127 located in Miami, Florida and a mortgage on the Champs office located in Bradenton, Florida, in each case securing obligations of the Borrower outstanding on the Effective Date;

(ix) Liens (other than Liens described in clause (viii)) arising in the ordinary course of its business which (x) do not secure Debt, (y) do not secure any single obligation or series of related obligations in an amount exceeding $5,000,000 and (z) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business; and

(x) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt of any Subsidiary permitted under Section 5.09; provided that the aggregate principal or face amount of Debt of all Subsidiaries secured by Liens incurred in reliance on this clause (x) shall not exceed $10,000,000.

Neither the Borrower nor any Subsidiary will create, assume or suffer to exist any Lien on any Collateral (or any asset that will constitute "Collateral" upon execution of the Collateral Documents), except as permitted by the Collateral Documents or any inventory now owned or hereafter acquired by it, other than (1) any Lien permitted by subsections (a)(viii) or (a)(ix) and (2) solely with respect to any Collateral, the Lien created under the Collateral Document pursuant to which such Collateral is purportedly pledged.

(b) Neither the Borrower nor any of its Subsidiaries will enter into any agreement with any Person which prohibits or limits the ability of the Borrower or any Subsidiary to create, incur, assume or suffer to exist any Lien securing the obligations of the Obligors under the Loan Documents upon any of its property, assets or revenues, whether now owned or hereafter acquired (any such agreement, a "Negative Pledge") and which is more restrictive than the Negative Pledge set forth in the Indenture; provided that nothing in this subsection (b) shall be construed to prohibit the Borrower or any of its Subsidiaries from entering in the ordinary course of business into supply contracts, purchase contracts and leaseholds with respect to real property containing in each case customary non- assignment provisions.

Section 5.07. Minimum Consolidated Tangible Net Worth. Consolidated Tangible Net Worth will at no time be less than the sum of (i) $940,000,000 plus (ii) for each Fiscal Quarter ended at or prior to such time (but after January 30, 1999), 50% of the consolidated net income of the Borrower and its Consolidated Subsidiaries for such Fiscal Quarter (if greater than zero).

Section 5.08. Leverage Ratio. On any date during any period set forth below, the ratio of (i)(x) Consolidated Debt on such date minus (y) solely if such date occurs prior to the Refinancing Date, the aggregate amount on deposit in the Escrow Account on such date to (ii) EBITDA for the period of four consecutive Fiscal Quarters ended on or most recently prior to such date, shall not exceed the ratio set forth below opposite such period:

Period	Maximum Ratio
From and including January 31, 1999 to but excluding last day of second fiscal quarter 1999	Not applicable
From and including last day of second fiscal quarter 1999 to but excluding last day of third fiscal quarter 1999	7.5:1
From and including last day of third fiscal quarter 1999 to but excluding last day of fourth fiscal quarter 1999	5.5:1
From and including last day of fourth fiscal quarter 1999 to but excluding last day of first fiscal quarter 2000	4.0:1
From and including last day of first fiscal quarter 2000 to but excluding last day of second fiscal quarter 2000	3.5:1
From and including last day of second fiscal quarter 2000 to but excluding last day of third fiscal quarter 2000	3.25:1
From and including last day of third fiscal quarter 2000 to but excluding last day of fourth fiscal quarter 2000	3.00:1
From and including last day of fourth fiscal quarter 2000 to but excluding last day of first fiscal quarter 2001	2.75:1
From and including last day of first fiscal quarter 2001 to but excluding last day of second fiscal quarter 2001	2.5:1
From and including last day of second fiscal quarter 2001 to but excluding last day of third fiscal quarter 2001	2.45:1
From and including last day of third fiscal quarter 2001 to but excluding last day of fourth fiscal quarter 2001	2.35:1
Thereafter	2.15:1

Section 5.09. Limitation on Debt of Subsidiaries. The total Debt of all Subsidiaries (excluding (i) Debt owed to the Borrower or to another Subsidiary, (ii) Debt under the Guarantee Agreement, (iii) Debt of any Subsidiary Guarantor consisting of a Guarantee of reimbursement obligations of the Borrower under trade letters of credit (other than any Letter of Credit) which reimbursement obligations are outstanding no more than one Domestic Business Day, (iv) Debt of any Subsidiary Guarantor consisting of a Guarantee of New Subordinated Debt,

so long as the obligations of such Subsidiary Guarantor under such Guarantee are subordinated to the obligations of such Subsidiary Guarantor under the Loan Documents at least to the same extent as the obligations of the Borrower under such New Subordinated Debt, and (v) Debt of any Subsidiary Guarantor consisting of a Guarantee of any unsecured Debt of the Borrower outstanding at January 30, 1999 and reflected on the balance sheet of the Borrower at January 30, 1999, so long as the obligations of such Subsidiary Guarantor under such Guarantee are subordinated to the obligations of such Subsidiary Guarantor under the Loan Documents on customary capital markets terms approved by the bank affiliate of each Lead Arranger) will not at any time exceed $50,000,000.

Section 5.10. Fixed Charge Coverage Ratio. At the end of each Fiscal Quarter listed below, the Fixed Charge Coverage Ratio will not be less than the ratio set forth below opposite such Fiscal Quarter:

Fiscal Quarter	Minimum Ratio
First Fiscal Quarter 1999	.35:1
Second Fiscal Quarter 1999	.55:1
Third Fiscal Quarter 1999	.75:1
Fourth Fiscal Quarter 1999	1.0:1
First Fiscal Quarter 2000	1.0:1
Second Fiscal Quarter 2000	1.0:1
Third Fiscal Quarter 2000	1.0:1
Fourth Fiscal Quarter 2000	1.3:1
First Fiscal Quarter 2001	1.3:1
Second Fiscal Quarter 2001	1.3:1
Third Fiscal Quarter 2001	1.3:1
Fourth Fiscal Quarter 2001	1.4:1
First Fiscal Quarter 2002	1.4:1
Second Fiscal Quarter 2002	1.4:1

Section 5.11. Consolidations, Mergers and Sales of Assets. The Borrower will not, and will not permit any of its Subsidiaries to, consolidate or merge with or into any other Person; provided that (i) the Borrower may merge with another Person if (x) the Borrower is the corporation surviving such merger and (y) unless such other Person was a Subsidiary Guarantor immediately prior to giving effect to such merger, immediately after giving effect to such merger no Default shall have occurred and be continuing and (ii) any Subsidiary may merge with another Person if (x) a Subsidiary is the survivor to such merger and (y) if such Subsidiary was a Subsidiary Guarantor immediately prior to giving effect to such merger, the survivor to such merger is a Subsidiary Guarantor (and, if the survivor was not a Subsidiary Guarantor immediately prior to giving effect to such merger and is a Foreign Subsidiary, the Administrative Agent shall have received evidence reasonably satisfactory to it that the obligations of such Subsidiary Guarantor under the Guarantee Agreement shall be enforceable in the jurisdictions in which such Subsidiary Guarantor holds assets and conducts its operations). The Borrower and its Subsidiaries will not sell, lease or otherwise transfer, directly or indirectly (1) all or substantially all of the assets of the Borrower and its Subsidiaries, taken as a whole, to any other Person, (2) any assets of any Obligor to any Subsidiary that is not a Subsidiary Guarantor, except in the ordinary course of business or (3) all or any substantial part of the Foot Locker Business or the Champs Business to any other Person; provided that the foregoing limitations shall not apply to sales of inventory or sales and other dispositions of surplus assets, in each case in the ordinary course of business. For purposes of this Section 5.11, "Foot Locker Business" means the operations of the Borrower and its Subsidiaries conducted in North America under the names "Foot Locker", "Lady Foot Locker", "Kids Foot Locker" and "World Foot Locker" (including the stock of any Subsidiary through which any such operations are conducted and the tangible and intangible assets held by any such Subsidiary) and "Champs Business" means the operations of the Borrower and its Subsidiaries conducted in North America under the name "Champs Sports" (including the stock of any Subsidiary through which any such operations are conducted and the tangible and intangible assets held by any such Subsidiary).

Section 5.12. Use of Proceeds. The proceeds of the Loans and the Swingline Loans made under this Agreement will be used by the Borrower solely to finance its working capital and, until the Borrower has issued New Subordinated Debt for gross proceeds of not less than $350,000,000 in the aggregate, to finance Consolidated Capital Expenditures to the extent permitted under Section 5.13.

Section 5.13. Limitation on Capital Expenditures. (a) Consolidated Capital Expenditures will not, for any fiscal period set forth below, exceed the amount set forth below opposite such period:

Fiscal Period	Maximum Amount
Fiscal Year 1999	$ 175,000,000
Fiscal Year 2000	$ 150,000,000
Fiscal Year 2001	$ 150,000,000
From and including the first day of the first Fiscal Quarter 2002 to and including the last day of the second Fiscal Quarter 2002	$ 75,000,000

;provided that to the extent Consolidated Capital Expenditures for any fiscal period set forth above are less than the amount set forth above opposite such period, 50% of such unused amount may be carried over to the immediately succeeding fiscal period (or, in the case of any unused amount for the Fiscal Year 2001, 25%). Consolidated Capital Expenditures made in any fiscal period will be allocated first to reduce the amount set forth above opposite such period, and second, to reduce any amount carried over from the immediately preceding fiscal period.

(b) In addition to the restrictions set forth in subsection (a), Consolidated Capital Expenditures will not, for any fiscal period set forth below, exceed the amount set forth below opposite such period:

Fiscal Period	Maximum Amount
From and including the first day of the first Fiscal Quarter 1999 to and including the last day of the second Fiscal Quarter 1999	$114,000,000
From and including the first day of the third Fiscal Quarter 1999 to and including the last day of the fourth Fiscal Quarter 1999	$ 81,000,000
From and including the first day of the first Fiscal Quarter 2000 to and including the last day of the second Fiscal Quarter 2000	$ 99,00,000
From and including the first day of the third Fiscal Quarter 2000 to and including the last day of the fourth Fiscal Quarter 2000	$ 71,000,000
From and including the first day of the first Fiscal Quarter 2001 to and including the last day of the second Fiscal Quarter 2001	$ 91,000,000
From and including the first day of the third Fiscal Quarter 2001 to and including the last day of the fourth Fiscal Quarter 2001	$ 71,000,000
From and including the first day of the first Fiscal Quarter 2002 to and including the last day of the second Fiscal Quarter 2002	$ 56,000,000

;provided that to the extent Consolidated Capital Expenditures for any fiscal period set forth above consisting of the first two Fiscal Quarters of any Fiscal Year are less than the amount set forth above opposite such period, such unused amount may be carried over to the immediately succeeding fiscal period. Consolidated Capital Expenditures made in any fiscal period will be allocated first to reduce the amount set forth above opposite such period, and second, to reduce any amount carried over from the immediately preceding fiscal period.

Section 5.14. Investments and Business Acquisitions. Neither the Borrower nor any Subsidiary will hold, make or acquire any Investment in any Person or make any Business Acquisition other than:

(a) Investments in existence on the Effective Date in an aggregate amount not to exceed $1,000,000;

(b) (i) any Investment in Persons which are Subsidiaries immediately prior to the making of such Investment and (ii) any Investment in the Borrower; provided that any Investment by an Obligor in a Subsidiary that is not a Subsidiary Guarantor shall be permitted pursuant to this clause (b) only if consummated in the ordinary course of business;

(c) Temporary Cash Investments (and, solely with respect to any amounts on deposit in the Escrow Account, such other Investments as shall be permitted by the terms of the Escrow Agreement); and

(d) any Investment not otherwise permitted by the foregoing clauses of this Section and any Business Acquisition if (x) the aggregate amount of any single such Investment or Business Acquisition (or series of related Investments or Business Acquisitions) does not exceed $10,000,000, (y) immediately after any such Investment or Business Acquisition is made or acquired, the aggregate amount (without duplication) of all Investments and Business Acquisitions made in reliance on this clause (d) does not exceed $50,000,000 and (z) solely with respect to any Business Acquisition, immediately after giving effect to such Business Acquisition, (1) the Borrower would be in pro forma compliance with the covenants set forth in Sections 5.08, 5.09, 5.10 and 5.13 (calculated giving effect to any Debt to be incurred or assumed by the Borrower and its Subsidiaries in connection with such Business Acquisition and assuming that such Business Acquisition was consummated in the first day of the most recent fiscal period with respect to which each covenant is calculated) and (2) together with the delivery of the financial statements pursuant to Section 5.01(c) with respect to the month in which such Business Acquisition was consummated, the Borrower shall have delivered to the Administrative Agent a certificate of a Responsible Officer certifying such pro forma compliance and showing in reasonable detail the calculation thereof.

Section 5.15. Restricted Payments. Neither the Borrower nor any Subsidiary will declare or make any Restricted Payment on any date (with respect to any proposed Restricted Payment, a "Measurement Date") unless (i) such Restricted Payment is declared or made after the last day of the first Fiscal Quarter of Fiscal Year 2000, (ii) immediately before and after giving effect thereto, no Default has occurred and is continuing, (iii) the Fixed Charge Coverage Ratio for the period of four consecutive Fiscal Quarters most recently ended prior to the relevant Measurement Date and with respect to which the Borrower has delivered the financial statements required to be delivered by it pursuant to Section 5.01(a) or (b), as the case may be, is at least 2.5:1 and (iv) the aggregate amount of Restricted Payments made by the Borrower since January 29, 2000 does not exceed 20% of the consolidated net income of the Borrower and its Consolidated Subsidiaries for the period from and including January 29, 2000 to and including the last day of the Fiscal Quarter most recently ended prior to the relevant Measurement Date (treated as a single accounting period); provided that regardless of whether the conditions set forth in clauses (i) through (iv) are satisfied, the Borrower may make Restricted Payments consisting of (1)

repurchases of its common stock pursuant to employee stock plans in an aggregate amount not to exceed $500,000 in any Fiscal Year and (2) payments in respect of shareholders rights plans in an aggregate amount not to exceed $1,500,000.

Section 5.16. New Subordinated Debt. (a) The Borrower will not issue any Debt securities in the capital markets on or after the Effective Date which rank pari passu with the Loans, the Swingline Loans and the Reimbursement Obligations (determined without regard to the existence of the Lien on the Collateral created under the Collateral Documents) until the Borrower will have issued New Subordinated Debt for gross proceeds of not less than $350,000,000 in the aggregate.

(b) The Borrower will not, and will not permit any Subsidiary to, enter into any amendment or waiver of any agreement or instrument governing any New Subordinated Debt (or any Guarantee thereof) which (i) would increase the interest rate, shorten the final maturity or the weighted average life, or change the subordination provisions of such New Subordinated Debt (or Guarantee thereof) or make any of the covenants or events of default applicable to such New Subordinated Debt (or Guarantee thereof) more restrictive than the covenants or events of default applicable under this Agreement or (ii) could otherwise be reasonably expected to have an adverse effect on the Banks, without in each case the prior written consent of the Required Banks. The Borrower will not enter into any amendment or waiver of the Escrow Agreement which (i) would alter the provisions regarding the deposit, withdrawal, application or investment of amounts on deposit therein (including without limitation the timing or amount of any such deposit or withdrawal) or the creation or termination or release of any Liens on amounts on deposit therein or (ii) could otherwise be reasonably expected to have an adverse effect on the Banks, without in each case the prior written consent of the Required Banks.

(c) Neither the Borrower nor any Subsidiary will optionally prepay, redeem, purchase, acquire or make any other payment in respect of any New Subordinated Debt other than regularly scheduled payments of interest thereon.

Section 5.17. Refunding of the 7% Debentures; Escrow Arrangements. (a) On or prior to February 15, 2000, the Borrower shall have repaid or repurchased in full all outstanding 7% Debentures, together with accrued and unpaid interest thereon and all other amounts due and payable at such time with respect thereto (or shall have on deposit in the Escrow Account (as defined below) an amount equal to the aggregate principal amount of the 7% Debentures then outstanding) and, should such repayment, repurchase or deposit be made with the proceeds of any Debt, such Debt shall be New Subordinated Debt.

(b) The Borrower shall deposit into an escrow account (the "Escrow Account") established with a financial institution reasonably acceptable to the Borrower and the bank affiliate of each Lead Arranger (the "Escrow Agent") pursuant to an escrow agreement in form and substance reasonably satisfactory to the bank affiliate of each Lead Arranger (as amended from time to time in accordance with Section 5.16(b), the "Escrow Agreement"), the Net Cash Proceeds from the issuance by the Borrower of any New Subordinated Debt consummated prior to the Refinancing Date, until the amount deposited in the Escrow Account equals the aggregate principal amount of the 7% Debentures then outstanding (the "Required Escrow Amount"). The Net Cash Proceeds from the issuance by the Borrower of any New Subordinated Debt in excess of the Required Escrow Amount may be retained by the Borrower, subject to being applied as required by Sections 2.06 and 2.11 (to the extent contemplated thereby). The Escrow Agreement will provide that (i) amounts on deposit in the Escrow Account will be invested, at the direction of, if no Default shall have occurred and be continuing, the Borrower or, if a Default shall have occurred and be continuing, the Administrative Agent, in Temporary Cash Investments or such other Investments as shall have been approved by the bank affiliate of each Lead Arranger, and, prior to the Refinancing Date, may be withdrawn only to repay or repurchase the 7% Debentures and (ii) on the Refinancing Date, amounts then on deposit in the Escrow Account (after giving effect to any withdrawals made therefrom on such Date the proceeds of which have been applied to repay or repurchase any 7% Debentures then outstanding) will be applied as required by Sections 2.06 and 2.11 (to the extent contemplated thereby) and any excess will be released to the Borrower (so long as the Escrow Agent has not received written notice from the trustee under the indenture pursuant to which the New Subordinated Debt, any portion of the proceeds of which have been deposited in the Escrow Account, was issued that a default has occurred and is then continuing thereunder). Amounts on deposit in the Escrow Account (and no other amounts or other assets) may be pledged to secure the obligations of the Borrower under the New Subordinated Debt any portion of the proceeds of which have been deposited in the Escrow Account; provided that the Lien securing such obligations on any amounts on deposit in the Escrow Account will automatically be released upon withdrawal of such amounts for the uses specified in the immediately preceding sentence so long as the Escrow Agent has not received written notice from such trustee that a default has occurred and is then continuing thereunder.

Section 5.18. Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, directly or indirectly, (i) pay any funds to or for the account of any Affiliate, (ii) make any investment in any Affiliate (whether by acquisition of stock or indebtedness, by loan, advance, transfer of property, guarantee or other agreement to pay, purchase or service, directly or indirectly, any Debt, or otherwise), (iii) lease, sell, transfer or otherwise dispose of any assets, tangible or intangible, to any Affiliate, or (iv)

participate in, or effect, any transaction with any Affiliate, except in each case on an arms-length basis on terms at least as favorable to the Borrower or such Subsidiary as could have been obtained from a third party that was not an Affiliate; provided that the foregoing provisions of this Section shall not prohibit any such Person from declaring or paying any lawful dividend or other payment ratably in respect of all its capital stock of the relevant class so long as, after giving effect thereto, no Default shall have occurred and be continuing (including without limitation pursuant to Section 5.15).

Section 5.19. Additional Guarantors. The Borrower shall cause (x) any Person which becomes a Subsidiary (other than, subject to clause (z), any Foreign Subsidiary or any Immaterial Subsidiary) after the date hereof, (y) any Immaterial Subsidiary (other than, subject to clause (z), any Foreign Subsidiary) that ceases to be an Immaterial Subsidiary after the date hereof and (z) any Foreign Subsidiary and any Immaterial Subsidiary that has entered into, or is proposing to enter into, a Guarantee of any other Debt of the Borrower or any of its Subsidiaries, including without limitation any New Subordinated Debt, any Other Refinancing Debt or any Debt of the Borrower described in clause (v) of the parenthetical set forth in Section 5.09 (other than, with respect to any Foreign Subsidiary, any Guarantee of any Debt of any of its Subsidiaries that is a Foreign Subsidiary) to (i) enter into the Guarantee Agreement, (ii) become bound by the Pledge Agreement and the Security Agreement and, if applicable, enter into such additional agreements or instruments, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant a perfected first priority interest upon all of the Collateral purportedly pledged by such Subsidiary pursuant to the Pledge Agreement and the Security Agreement (subject to Liens on such Collateral permitted by the last sentence of Section 5.06(a)) and (iii) deliver such certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent, in each case within (x) ten days after the date on which the relevant event described in clauses (x), (y) or (z) occurs (or, if later, the date on which the Borrower must have satisfied the requirements set forth in Section 5.20), in the case of entering into the Guarantee Agreement and becoming bound by the Pledge Agreement and the Security Agreement and (y) within 30 days after the date on which the relevant event described in clauses (x), (y) or (z) occurs (or, if later, the date on which the Borrower must have satisfied the requirements set forth in Section 5.20), in the case of the other actions described in this Section.

Section 5.20. Collateral Documents. (a) On or prior to 90 days after the Effective Date, the Borrower will, and will cause each of its Subsidiaries (other than any Foreign Subsidiary or any Immaterial Subsidiary, unless any such Subsidiary has entered into, or is proposing to enter into, a Guarantee of any other Debt of the Borrower or any of its Subsidiaries, including without limitation any New Subordinated Debt, any Other Refinancing Debt or any Debt of the Borrower described in clause (v) of the parenthetical set forth in Section 5.09 (other than, with respect to any Foreign Subsidiary, any Guarantee of any Debt of any of its Subsidiaries that is a Foreign Subsidiary)) to (i) enter into the Pledge Agreement and the Security Agreement and, if applicable, enter into such additional agreements or instruments, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant a perfected first priority security interest in all of the Collateral purportedly pledged by the Borrower or such Subsidiary pursuant to the Pledge Agreement and the Security Agreement (subject to Liens on such Collateral permitted by the last sentence of Section 5.06(a)) and (ii) deliver such certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

(b) On or prior to 90 days after the Effective Date, the Borrower will, and will cause each of its Subsidiaries to, enter into mortgages and such other agreements, each in form and substance reasonably satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant the Administrative Agent, for the benefit of the Bank Parties, a perfected first priority mortgage Lien on each ownership interest in real property held by the Borrower or such Subsidiary and listed on Schedule 5.20(b) (subject to Liens on such Collateral permitted by Section 5.06(a)(viii)(z) and by the last sentence of Section 5.06(a)). If on the first date after the Final Disposition Date with respect to any Real Property Held For Sale the Borrower or any Subsidiary holds such Real Property Held For Sale (other than any Real Property Held For Sale constituting a leasehold interest in real property which has been subleased in its entirety by the Borrower or any of its Subsidiaries on or prior to the Final Disposition Date with respect thereto) then, within 90 days thereafter, the Borrower will, or will cause such Subsidiary to, enter into a mortgage and such other agreements, each in form and substance reasonably satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant the Administrative Agent, for the benefit of the Bank Parties, a perfected first priority mortgage Lien on such Real Property Held For Sale (subject to Liens on such Collateral permitted by the last sentence of Section 5.06(a)). If at any time after the Effective Date the Borrower or any of its Subsidiaries (other than any Foreign Subsidiary) acquires any ownership interest in real property with a fair market value in excess of $2,000,000, the

Borrower will, or will cause such Subsidiary to, enter into a mortgage and such other agreements, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant the Administrative Agent, for the benefit of the Bank Parties, a perfected first priority mortgage Lien on such ownership interest (subject to Liens on such Collateral permitted by the last sentence of Section 5.06(a)); provided that neither the Borrower nor any of its Subsidiaries shall be required to grant any Lien pursuant to this Section so long as doing so would trigger a requirement to equally and ratably secure securities issued under the Indenture. Together with the execution of any mortgage pursuant to this subsection, the Borrower will, or will cause its Subsidiaries to, deliver such real property surveys, certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent. Each mortgage or other agreement entered into pursuant to this subsection (b) and granting the Administrative Agent a Lien for the benefit of the Bank Parties shall contain provisions regarding the release of the Collateral mortgaged thereunder having substantially the same effect as the provisions regarding the release of Collateral contained in the form of Security Agreement and the form of Pledge Agreement set forth as Exhibits F and G to this Agreement.

ARTICLE 6
Defaults

Section 6.01. Events of Defaults. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Borrower shall fail (i) to pay any principal of any Loan, Swingline Loan or Reimbursement Obligation when due or (ii) to pay any interest on any Loan, Swingline Loan or Reimbursement Obligation, any fees or any other amount payable hereunder within two Domestic Business Days after the due date thereof;

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.03 (as it relates to maintenance of existence) and Section 5.06 to 5.20, inclusive;

(c) any Obligor shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) or any other Loan Document for 30 days after

written notice thereof has been given to the Borrower by the Administrative Agent at the request of any Requesting Banks;

(d) any representation, warranty, certification or statement made (or deemed made) by any Obligor in any Loan Document or in any certificate, financial statement or other document delivered pursuant to any Loan Document shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower and/or any of its Subsidiaries shall fail to pay, when due or within any applicable grace period, any amount payable in respect of any Material Debt;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) any of the Borrower or one or more Subsidiaries (unless such Subsidiaries are Immaterial Subsidiaries) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any of its assets, or shall consent to any such relief or to the appointment of any such official or to any such official taking possession of any of its assets, or shall make a general assignment for the benefit of creditors, or shall state that it is unable to pay its debts generally as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or one or more Subsidiaries (unless such Subsidiaries constitute Immaterial Subsidiaries), in each case seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any of its assets, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $5,000,000 which it shall

have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan (except for any termination under Section 4041(b) of ERISA) shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer, any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of $5,000,000;

(j) a judgment or order for the payment of money in excess of $5,000,000 shall be rendered against the Borrower or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 10 days;

(k) any person or group of persons (within the meaning of Section 13 or 14 of the Exchange Act) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 20% or more of the outstanding shares of common stock of the Borrower; or Continuing Directors shall cease to constitute a majority of the board of directors of the Borrower;

(l) the Guarantee granted by any Subsidiary Guarantor pursuant to the Guarantee Agreement shall cease for any reason to be in full force and effect (other than a result of the release of such Guarantee with respect to any Subsidiary Guarantor pursuant to the release provisions contained therein), or any Obligor shall so assert in writing; or

(m) (i) any Lien created by any Collateral Document shall at any time on or after such Collateral Document has been executed fail to constitute a valid and perfected Lien on all the Collateral purported to be subject thereto, securing the obligations purported to be secured thereby (other than (x) to the extent attributable to the failure of the Administrative Agent to maintain possession of any Collateral possession of which is necessary in order to perfect such Lien or (y) a result of the release of such Lien with respect to any Collateral pursuant to the release provisions contained in the relevant Collateral Document) or (ii) any Obligor shall so assert in writing;

then, and in every such event, the Administrative Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments and the Swingline Commitment and they shall thereupon terminate, and (ii) if requested by Banks holding more than 50% in aggregate principal amount of the Loans, by notice to the Borrower declare the Loans and Swingline Loans (together with accrued interest thereon) to be, and the Loans and Swingline Loans (together with accrued interest thereon) shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that if any Event of Default specified in clause (g) or (h) above occurs with respect to the Borrower, then without any notice to the Borrower or any other act by the Administrative Agent or the Banks, the Commitments and the Swingline Commitment shall thereupon terminate and the Loans and Swingline Loans (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 6.02. Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Requesting Banks and shall thereupon notify all the Banks thereof.

Section 6.03. Cash Cover. The Borrower agrees, in addition to the provisions of Section 6.01, that upon the occurrence and during the continuance of any Event of Default, it shall, if requested by the LC Agent upon the instruction of the Required Banks, deposit in the LC Collateral Account an amount in immediately available funds equal to the aggregate amount available for drawing under all Letters of Credit then outstanding at such time, provided that, upon the occurrence of any Event of Default specified in clause (g) or (h) of Section 6.01 with respect to the Borrower, the Borrower shall deposit such amount forthwith without any notice or demand or any other act by the LC Agent or the Banks.

ARTICLE 7
The Administrative Agent, Lead Arrangers, Documentation Agent and Co-Agents

Section 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Administrative Agent and the Lead Arrangers to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent or the Lead Arrangers by the terms thereof, together with all such powers as are reasonably incidental thereto.

Section 7.02. Agents and Affiliates. Each Bank acting as an Agent, Co-Agent, Lead Arranger or Swingline Bank in connection with the Loan Documents or the credit facility provided hereby shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not so acting. Each Bank so acting, and each of their respective affiliates, may accept deposits from, lend money to, and generally engage in any kind of business with, the Borrower or any Subsidiary or affiliate of the Borrower as if it were not so acting.

Section 7.03. Obligations of the Co-agents and Document Agent. The Co-Agents and Documentation Agent, in their capacities as such, shall have no duties, obligations or liabilities of any kind hereunder.

Section 7.04. Obligations of Administrative Agent and Lead Arrangers. The obligations of the Administrative Agent, the Lead Arrangers and the affiliates of each Lead Arranger under the Loan Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6.

Section 7.05. Consultation with Experts. The Administrative Agent, each Lead Arranger, the LC Agent and the affiliates of each Lead Arranger may consult with legal counsel (who may be counsel for any Obligor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 7.06. Liability of Agents and Lead Arrangers. None of the Documentation Agent, the Administrative Agent, any Lead Arranger, their respective affiliates or their respective directors, officers, agents or employees shall be liable for any action taken or not taken in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. None of the Documentation Agent, the Administrative Agent, any Lead Arranger, their respective affiliates or their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with any Loan Document or any Extension of Credit; (ii) the performance or observance of any of the covenants or agreements of any Obligor; (iii) the satisfaction of any condition specified in Article 3 except, in the case of the Administrative Agent, receipt of items required to be delivered

to it; (iv) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; or (v) the existence, validity or sufficiency of any Collateral. The LC Agent shall not incur any liability by acting in reliance upon information supplied by the Administrative Agent as to the Total Usage at any time (including Loans to be made pursuant to Notices of Borrowing theretofore received by the Administrative Agent). The Administrative Agent shall not incur any liability by acting in reliance upon (i) information supplied to it by the LC Agent as to the Aggregate LC Exposure at any time or (ii) any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

Section 7.07. Indemnification. The Banks shall, ratably in accordance with their respective Credit Exposures, indemnify the Administrative Agent and the Lead Arrangers and their respective affiliates, directors, officers, agents and employees (to the extent not reimbursed by the Obligors) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with the Loan Documents or any action taken or omitted by such indemnitees thereunder.

Section 7.08. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Lead Arrangers or any Bank Party, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Lead Arrangers or any Bank Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.09. Successor Administrative Agent. The Administrative Agent may resign at any time by giving notice thereof to the Banks and the Borrower, such resignation to be effective when a successor Administrative Agent is appointed pursuant to this Section and accepts such appointment. Upon receiving any such notice of resignation, the Required Banks shall have the right to appoint a successor Administrative Agent, subject to the approval of the Borrower (unless an Event of Default shall have occurred and be continuing at the time of such appointment, in which case the Borrower's approval will not be required). If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the other Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent.

Section 7.10. Administrative Agent's Fees. The Borrower shall pay to the Administrative Agent for its account, fees in the amounts and at the times previously agreed upon between the Borrower and the Administrative Agent.

ARTICLE 8
Change in Circumstances

Section 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any CD Loan, Euro-Dollar Loan or Money Market LIBOR Loan:

(a) the Administrative Agent is advised by the Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(b) in the case of CD Loans or Euro-Dollar Loans, Banks having 50% or more of the aggregate principal amount of the affected Loans advise the Administrative Agent that the Adjusted CD Rate or the Adjusted London Interbank Offered Rate, as the case may be, as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their CD Loans or Euro-Dollar Loans, as the case may be, for such Interest Period,the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make CD Loans or Euro-Dollar Loans, or to continue such Loans for an additional Interest Period, as the case may be, or to convert outstanding Loans into CD Loans or Euro-Dollar Loans, as the case may be, shall be suspended and (ii) each outstanding CD Loan or Euro-Dollar Loan, as the case may be, shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of any affected Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such affected Borrowing is a CD Borrowing or Euro-Dollar Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such affected Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

Section 8.02. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans, to continue Euro-Dollar Loans for an additional Interest Period or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 8.03. Increased Cost and Reduced Return. (a) If on or after (x) the date hereof, in the case of any Committed Loan or Swingline Loan or Letter of Credit or any obligation to make Committed Loans or Swingline Loans or participate in Letters of Credit or (y) the date of the related Money Market Quote,

in the case of any Money Market Loan, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) or the Swingline Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (i) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve Percentage and (ii) with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, insurance assessment (excluding, with respect to any CD Loan, any such requirement reflected in an applicable Assessment Rate) or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or the Swingline Bank or shall impose on any Bank (or its Applicable Lending Office) or the Swingline Bank or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans, its Note, its Swingline Loans, its Swingline Note, its obligation to make Fixed Rate Loans or Swingline Loans or its obligation to participate in any Letter of Credit and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan, or participating in any Letter of Credit or increase the cost to the Swingline Bank of making or maintaining any Swingline Loan or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) or the Swingline Bank under this Agreement or under its Note or Swingline Note with respect thereto, by an amount deemed by such Bank or the Swingline Bank to be material, then, within 15 days after receiving a request by such Bank or the Swingline Bank for compensation under this subsection, accompanied by a certificate complying with subsection (e) of this Section (with a copy to the Administrative Agent), the Borrower shall, subject to subsection (f) of this Section, pay to such Bank or the Swingline Bank such additional amount or amounts as will compensate such Bank or the Swingline Bank for such increased cost or reduction.

(b) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the LC Agent with any request or directive (whether or not having the force of law) made on or after the date of this Agreement by any such authority, central bank or comparable agency, shall

impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against any Letter of Credit issued by the LC Agent or shall impose on the LC Agent any other condition affecting its Letters of Credit or its obligation to issue Letters of Credit and the result of any of the foregoing is to increase the cost to the LC Agent of issuing any Letter of Credit or to reduce the amount of any sum received or receivable by the LC Agent under this Agreement with respect thereto, by an amount deemed by the LC Agent to be material, then, within 15 days after demand by the LC Agent (with a copy to the Administrative Agent), the Borrower shall pay to the LC Agent such additional amount or amounts as will compensate the LC Agent for such increased cost or reduction.

(c) If any Bank, the Swingline Bank or the LC Agent shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank, the Swingline Bank or the LC Agent, as the case may be (or its Parent), as a consequence of its obligations hereunder to a level below that which such Bank, the Swingline Bank or the LC Agent, as the case may be (or its Parent), could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material, then from time to time, within 15 days after receiving a request by such Bank, the Swingline Bank or the LC Agent, as the case may be, for compensation under this subsection, accompanied by a certificate complying with subsection (e) of this Section (with a copy to the Administrative Agent), the Borrower shall, subject to subsection (f) of this Section, pay to such Bank, the Swingline Bank or the LC Agent, as the case may be, such additional amount or amounts as will compensate it (or its Parent) for such reduction.

(d) Each Bank, the Swingline Bank and the LC Agent will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle it to compensation pursuant to this Section and will designate a different Applicable Lending Office or LC Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in its judgment, be otherwise disadvantageous to it. If a Bank, the Swingline Bank or the LC Agent fails to notify the Borrower of any such event within 180 days after such event occurs, it shall not be entitled to compensation under this Section for any effect of such event arising more than 180 days before it does notify the Borrower thereof.

(e) Each request by a Bank, the Swingline Bank or the LC Agent for compensation under this Section shall be accompanied by a certificate, signed by one of its authorized employees, setting forth in reasonable detail (i) the basis for claiming such compensation, (ii) the additional amount or amounts to be paid to it hereunder and (iii) the method of calculating such amount or amounts, which certificate shall be conclusive in the absence of manifest error. In determining such amount, such Bank, the Swingline Bank or the LC Agent may use any reasonable averaging and attribution methods.

(f) Notwithstanding any other provision of this Section, none of the Banks, the Swingline Bank and the LC Agent shall be entitled to compensation under subsection (a), (b) or (c) of this Section if it is not then its general practice to demand compensation in similar circumstances under comparable provisions of other credit agreements.

Section 8.04. Taxes. (a) For purposes of this Section 8.04, the following terms have the following meanings:

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Borrower pursuant to the Loan Documents, and all liabilities with respect thereto, excluding (i) in the case of each Bank Party, taxes imposed on or measured by its income, and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which it is organized or qualified to do business (but only if the taxes are imposed solely because such Bank Party is qualified to do business in such jurisdiction without regard to any Loan) or in which its principal executive office is located or in which its Applicable Lending Office or LC Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments other than such withholding tax imposed as a result of a change in treaty, law or regulation occurring after a Bank first becomes subject to this Agreement.

"Other Taxes" means any present or future stamp, documentary or mortgage recording taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to the Loan Documents or from the execution, delivery or enforcement of, or otherwise with respect to, the Loan Documents.

(b) Any and all payments by the Borrower to or for the account of any Bank Party under any Loan Document shall be made without deduction for any Taxes or Other Taxes; provided that, if the Borrower shall be required by law to

deduct any Taxes or Other Taxes from any such payments, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such Bank Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Bank Party for the full amount of any Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Bank Party and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, provided that Borrower shall not indemnify any Bank Party for any penalties or interest on any Taxes or Other Taxes accrued during the period between the 15th day after such Bank Party has received a notice from the jurisdiction asserting such Taxes or Other Taxes and such later day on which such Bank Party has informed the Borrower of the receipt of such notice. This indemnification shall be paid within 15 days after such Bank Party makes demand therefor.

(d) Each Bank Party organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank Party listed on the signature pages hereof and on or prior to the date on which it becomes a Bank Party in the case of each other Bank Party, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank Party remains lawfully able to do so), shall provide the Borrower with Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank Party is entitled to benefits under an income tax treaty to which the United States is a party which exempts such Bank Party from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank Party or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Bank Party has failed to provide the Borrower with the appropriate form as required by Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank Party shall not be entitled to indemnification under Section 8.04(b) or (c) with respect to Taxes (including penalties, interest and expenses) imposed by the United States; provided that if a Bank Party, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank Party shall reasonably request to assist such Bank Party to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank Party pursuant to this Section 8.04, then such Bank Party will change the jurisdiction of its Applicable Lending Office or LC Office if, in the judgment of such Bank Party, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank Party.

(g) If a Bank Party receives a notice from a taxing authority asserting any Taxes or Other Taxes for which the Borrower is required to indemnify such Bank Party under Section 8.04(c), it shall furnish to the Borrower a copy of such notice no later than 90 days after the receipt thereof. If such Bank Party has failed to furnish a copy of such notice to the Borrower within such 90-day period as required by this Section 8.04(g), the Borrower shall not be required to indemnify such Bank Party for any such Taxes or Other Taxes (including penalties, interest and expenses thereon) arising between the 90th day after such Bank Party has received such notice and the day on which such Bank Party has furnished to the Borrower a copy of such notice.

Section 8.05. Base Rate Loans Substituted for Affected Fixed Rate Loans. If (i) the obligation of any Bank to make or maintain Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04 with respect to its CD Loans or Euro- Dollar Loans and, in either case, the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist, all Loans which would otherwise be made by such Bank as (or continued as or converted into) CD Loans or Euro-Dollar Loans, as the case may be, shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related CD Loans or Euro-Dollar Loans of the other Banks). If such Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a CD Loan or Euro-Dollar Loan, as the case may be, on the first day of the next succeeding Interest Period applicable to the related CD Loans or Euro-Dollar Loans of the other Banks.

Section 8.06. Substitution of Bank. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04, the Borrower shall have the right, with the assistance of the Administrative Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to replace such Bank. Any substitution under this Section 8.06 may be accomplished, at the Borrower's option, either (i) by the replaced Bank assigning its rights and obligations hereunder to the replacement bank or banks pursuant to Section 9.06(c) at a mutually agreeable price or (ii) by the Borrower prepaying all outstanding Loans from the replaced Bank and terminating its Commitment on a date specified in a notice delivered to the Administrative Agent and the replaced Bank at least three Euro-Dollar Business Days before the date so specified (and compensating such Bank for any resulting funding losses as provided in Section 2.15) and concurrently the replacement bank or banks assuming a Commitment in an amount equal to the Commitment being terminated and making Loans in the same aggregate amount and having the same maturity date or dates, respectively, as the Committed Loans being prepaid, all pursuant to documents reasonably satisfactory to the Administrative Agent (and in the case of any document to be signed by the replaced Bank, reasonably satisfactory to such Bank). No such substitution shall relieve the Borrower of its obligation to compensate and/or indemnify the replaced Bank as required by Sections 8.03 and 8.04 with respect to the period before it is replaced and to pay all accrued interest, accrued fees and other amounts owing to the replaced Bank hereunder.

ARTICLE 9
Miscellaneous

Section 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of the Borrower, the LC Agent, the Swingline Bank or the Administrative Agent, at its address, facsimile number or telex number set forth on the signature pages hereof, (b) in the case of any Lead Arranger or its affiliate, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (c) in the case of any Bank, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (d) in the case of any party, such other address, facsimile number or telex number as such party may hereafter specify for such purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, three Domestic Business Days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iv) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Administrative Agent under Article 2 or Article 8 and notices to the LC Agent or the Swingline Bank under Article 2 shall not be effective until received.

Section 9.02. No Waivers. No failure or delay by any Bank Party in exercising any right, power or privilege under any Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in the Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Indemnificaiton. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Lead Arrangers and their affiliates, including reasonable fees and disbursements of special counsel, in connection with the negotiation and preparation of the Loan Documents, (ii) all reasonable out-of-pocket expenses of the Lead Arrangers, the Administrative Agent and the affiliates of each Lead Arranger, including reasonable fees and disbursements of special counsel and reasonable fees and disbursements of accountants and any other advisors to the Lead Arrangers, the Administrative Agent and the affiliates of each Lead Arranger, in connection with the administration of the Loan Documents, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder, and the allocated cost of internal counsel of each Bank Party in connection with any waiver or consent under the Loan Documents or any amendment thereof and (iii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Lead Arrangers and each Bank Party including (without duplication) the fees and disbursements of special counsel and the allocated cost of internal counsel and the fees and disbursements of accountants and any other advisors to the Lead Arrangers or any Bank Party, in connection with any collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify each Bank Party, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be

designated a party thereto) brought or threatened relating to or arising out of the Loan Documents or any actual or proposed use of proceeds of Loans or Letters of Credit hereunder; provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

Section 9.04. Sharing of Set-offs. (a) Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest that has become due with respect to the Loans held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest that has become due with respect to the Loans held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Loans held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Loans held by the Banks shall be shared by the Banks pro rata.

(b) Each Bank further agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by it or for its account which is greater than the proportion received in respect of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of any other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of the other Banks, and such other adjustments shall be made, as may be required so that all such payments of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of the Banks shall be shared by them pro rata.

(c) Nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness hereunder.

(d) The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Loan or LC Reimbursement Obligation, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

Section 9.05. Amendments and Waivers. (a) Any provision of this Agreement, the Notes or the Swingline Note may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Administrative Agent, the LC Agent, the Swingline Bank or the Lead Arrangers and their affiliates are affected thereby, by the Administrative Agent, the LC Agent, the Swingline Bank, the Lead Arrangers or the Co-Agents, as the case may be); provided that no such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or Swingline Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or Swingline Loan or any fees hereunder or for the termination of any Commitment, (iv) reduce the principal of or rate of interest on any Reimbursement Obligation, (v) postpone the date fixed for payment by the Borrower of any Reimbursement Obligation or extend the expiry date of any Letter of Credit to a date later than the fifth Domestic Business Day prior to the Termination Date, (vi) unless signed by the Swingline Bank, increase the Swingline Commitment, postpone the date fixed for termination of the Swingline Commitment or otherwise affect any of its rights and obligations, or (vii) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement (including without limitation subsection (b) of this Section 9.05).

(b) Any provision of the Collateral Documents or the Guarantee Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor party thereto and the Administrative Agent with the consent of the Required Banks; provided that no such amendment or waiver shall, unless signed by each Obligor party thereto and the Administrative Agent with the consent of all the Banks, (i) effect or permit a release of all or substantially all of the Collateral, or (ii) release all or substantially all of the Obligors from their obligations under the Guarantee Agreement or permit termination of the Guarantee Agreement, except in each case as expressly permitted by the terms thereof.

Section 9.06. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of each Bank, the LC Agent and the Swingline Bank.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans or all or any part of its LC Exposure. If any Bank grants a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, such Bank shall remain the holder of its Loans or LC Exposure, as the case may be, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii), (iv) or (v) of Section 9.05(a) or clause (i) or (ii) of Section 9.05(b) without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 8 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part (equivalent to an initial Commitment of not less than $5,000,000) of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit I hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consents of the Borrower, the LC Agent, the Swingline Bank and the Administrative Agent (which consents shall not be unreasonably withheld); provided that (i) such consents shall not be required if the Assignee is an affiliate of such transferor Bank or was a Bank immediately prior to such assignment or if, at the time of the proposed assignment, an Event of Default has occurred and is continuing; (ii) such assignment may, but need not, include rights of the transferor Bank in respect of outstanding Money Market Loans and (iii) the $5,000,000 minimum amount specified above for a partial assignment of the transferor Bank's rights and obligations shall not apply if the Assignee was a Bank immediately prior to such assignment. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee

shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder (and its Commitment shall be reduced) to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500; provided that the Borrower shall pay such administrative fee if such assignment is required by the Borrower pursuant to Section 8.06. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Bank or Swingline Bank may at any time assign all or any portion of its rights under this Agreement and its Notes or Swingline Notes, as the case may be, to a Federal Reserve Bank. No such assignment shall release the transferor Bank or Swingline Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

Section 9.07. No-Reliance on Margin Stock. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 9.08. Governing Law; Submission to Jurisdiction. (a) Each Letter of Credit and Section 2.17 shall be subject to the UCP, and, to the extent not inconsistent therewith, the laws of the State of New York.

(b) SUBJECT TO CLAUSE (a) OF THIS SECTION, EACH LOAN DOCUMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(c) The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to any Loan Document or the transactions contemplated thereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 9.09. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR TRANSACTIONS CONTEMPLATED THEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VENATOR GROUP, INC.

By_____
Name:
Title:
233 Broadway
New York, New York 10279-0003
Facsimile number: 212-553-2094

J.P. MORGAN SECURITIES INC.,
as Lead Arranger

By_____
Name:
Title:

BNY CAPITAL MARKETS, INC.,
as Lead Arranger

By_____
Name:
Title:

NATIONSBANK MONTGOMERY LLC,
as Lead Arranger

By_____
Name:
Title:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By_____
Name:
Title:

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION,
as Documentation Agent and a Bank

By_____
Name:
Title:

NATIONSBANK, N.A.

By_____
Name:
Title:

THE BANK OF NEW YORK

By_____
Name:
Title:

THE BANK OF NOVA SCOTIA,
as Co-Agent and a Bank

By_____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY, as Co-Agent and a Bank

By_____
Name:
Title:

TORONTO DOMINION (NEW YORK), INC.,
as Co-Agent and a Bank

By_____
Name:
Title:

COMMERZBANK AG, NEW YORK BRANCH

By_____
Name:
Title:

By_____
Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By_____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK BRANCH
AND/OR CAYMAN ISLANDS BRANCH

By_____
Name:
Title:

By_____
Name:
Title:

KEYBANK NATIONAL ASSOCIATION

By_____
Name:
Title:

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By_____
Name:
Title:

UNION BANK OF CALIFORNIA, N.A.

By_____
Name:
Title:

THE BANK OF NEW YORK, as Administrative
Agent, LC Agent and Swingline Bank

By_____
Name:
Title:

COMMITMENT SCHEDULE

Bank	Commitment
Morgan Guaranty Trust Company of New York	$ 60,000,000
NationsBank, N.A.	$ 51,600,000
The Bank of New York	$ 51,600,000
The Bank of Nova Scotia	$ 37,600,000
Bank of Tokyo-Mitsubishi Trust Company	$ 37,600,000
Toronto Dominion (New York), Inc.	$ 29,600,000
Bank of America National Trust & Savings Association	$24,000,000
Commerzbank AG, New York and/or Grand Cayman Branches	$ 20,000,000
Credit Lyonnais New York Branch	$ 20,000,000
Deutsche Bank AG, New York and/or Cayman Island Branch	$ 20,000,000
KeyBank National Association	$ 20,000,000
Wells Fargo Bank, N.A.	$ 20,000,000
Union Bank of California, N.A.	$ 8,000,000
Total	$400,000,000

PRICING SCHEDULE

The "Euro-Dollar Margin", "LC Fee Rate", "CD Margin" and "Facility Fee Rate" for any day are the respective percentages per annum set forth in the table below in the applicable row under the column corresponding to the Pricing Level that applies on such day (subject to the sentence immediately following such table):

Pricing Level	Level I	Level II	Level III	Level IV	Level V	Level VI	Level VII
Euro-Dollar Margin and LC Fee Rate							
If Utilization is 50% or less	.3500	.6250	.9500	1.6500	2.0000	2.1250	2.2500
If Utilization exceeds 50%	.4750	.8750	1.2000	1.9000	2.2500	2.5000	2.7500
CD Margin							
If Utilization is 50% or less	.4750	.7500	1.0750	1.7750	2.1250	2.250	2.3750
If Utilization exceeds 50%	.6000	1.0000	1.3250	2.0250	2.3750	2.6250	2.8750
Facility Fee Rate	.1500	.2500	.3000	.3500	.5000	.7500	1.000

On any date after October 31, 1999, each rate per annum set forth in the table above shall be increased by 0.50% if such date is prior to the Refinancing Date and the aggregate amount on deposit in the Escrow Account on such date is less than the Required Escrow Amount.

"Base Rate Margin" means, on any day, (i) the Euro-Dollar Margin for such day minus (i) 1.00%.

For purposes of this Schedule, the following terms have the following meanings:

"Level I Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A2 or higher by S&P and P2 or higher by Moody's and (ii) the Loans are expressly rated BBB or higher by S&P and Baa2 or higher by Moody's.

"Level II Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A3 or higher by S&P and P3 or higher by Moody=s and (ii) the Loans are expressly rated BBB- or higher by S&P and Baa3 or higher by Moody's.

"Level III Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A3 or higher by S&P and P3 or higher by Moody's and (ii) the Loans are expressly rated (A) BB+ or higher by S&P and Baa3 or higher by Moody's or (B) BBB- or higher by S&P and Ba1 or higher by Moody's.

"Level IV Pricing" applies on any day on which the Loans are expressly rated BB+ or higher by S&P and Ba1 or higher by Moody's.

"Level V Pricing" applies on any day on which the Loans are expressly rated BB or higher by S&P and Ba2 or higher by Moody's.

"Level VI Pricing" applies on any day on which Loans are expressly rated BB- or higher by S&P and Ba3 or higher by Moody's.

"Level VII Pricing" applies on any day if no other Pricing Level applies on such day.

"Pricing Level" refers to the determination of which of Level I Pricing, Level II Pricing, Level III Pricing, Level IV Pricing, Level V Pricing, Level VI Pricing or Level VII Pricing applies on any day.

"Utilization" means at any date the percentage equivalent of a fraction (i) the numerator of which is the Total Usage at such date, after giving effect to any borrowing or repayment on such date, and (ii) the denominator of which is the Total Commitments at such date, after giving effect to any reduction of the Commitments on such date. For purposes of this Schedule, if for any reason any Bank has any Credit Exposure after the Commitments terminate, the Utilization on and after the date of such termination shall be deemed to exceed 50%.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the unsecured commercial paper of the Borrower without third-party credit enhancement or the Loans made to the Borrower, as the case may be. Any rating assigned to any other commercial paper or other debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

Schedule 1.01(a)

MATERIAL TRADEMARKS

Actra
AfterThoughts
Athletic Shoe Factory
Authentic Northern Experience
The Bargain Shop
Champs Sports
Colorado
Cottage Essentials
Eastbay
Element Boreal
Foot Locker
Foot Locker Athletic Club
Going to the Game
Kids Foot Locker
Kinney
Lady Foot Locker
Loon Design
Northern Elements
Northern Getaway
Northern Reflections
Northern Traditions
Randy River
Referee Design
Reflet Boreal
Reflexions
The San Francisco Music Box Company
The San Francisco Music Box & Gift Company
Venator Group
Vestiaire Sportif
Village Wheels
Weekend Edition
Williams the Shoemen
Woolco
Woolworth
World Foot Locker

Schedule 1.01(b)

DEBT THAT MAY BE REFINANCED

	Issuance Date	Original Amount	Interest Rate	Maturity Date	Balance O/S Jan. 30, 1999
$200 Million 30-Year Note	01/16/92	$ 200,000,000	8.50%	01/15/22	$ 200,000,000
$200 Million 5-Year Note	06/08/95	$ 200,000,000	7.00%	06/01/00	$ 200,000,000
$50 Million 6-Year Note	10/05/95	$ 50,000,000	6.98%	10/15/01	$ 50,000,000
$40 Million 7-Year Note	10/13/95	$ 40,000,000	7.00%	10/15/02	$ 40,000,000
				Total	$ 490,000,000

Schedule 1.01(c)

EXISTING STANDBY LETTERS OF CREDIT

Banks	Beneficiary	Standby Amount	Expiry Date
Key Bank	Richman Brothers	$ 250,000	11/01/99
Bank of New York	Kemper Insurance	$ 14,500,000	01/31/00
Bank of New York	Travelers Insurance	$ 12,831,397	07/27/99
	Total	$ 27,581,397	

Schedule 5.06

EXISTING CAPITAL LEASES

Junction City Distribution Center.....	$13,371,386
Point of Sale Equipment.....	$ 3,881,952
Footlocker Stores.....	$ 179,231
Capital Leases entered into prior to 1998.....	$ 6,177,774
Capital Leases entered into in 1998.....	$ 1,977,100
Total	$25,587,443

Schedule 5.20(b)

REAL PROPERTY TO BE MORTGAGED

Store #	City	State	Value	Gross Book Value
1127	Miami	FL	$ 2,130,000	$ 1,835,000
Office/Warehouse	Camp Hill	PA	$ 6,700,000	$ 7,219,000
Champs Office	Bradenton	FL	$ 6,000,000	$ 6,828,000
Milton Warehouse	Milton	ONT	$ 4,725,000	$ 6,650,000
		Total	$ 19,555,000	$ 22,532,000

EXHIBIT A

NOTE

New York, New York
March __ , 1999

For value received, VENATOR GROUP, INC., a New York corporation (the "Borrower"), promises to pay to the order of _____ (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date thereof provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of The Bank of New York, One Wall Street, 18 North, New York, New York.

All Loans made by the Bank, the respective types thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that neither the failure of the Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of the Borrower hereunder or of the Borrower or any other Obligor under any Loan Document.

This note is one of the Notes referred to in the Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among the Borrower, the Banks party thereto, Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof, the acceleration of the maturity hereof and the basis upon which this Note is guaranteed and secured.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

VENATOR GROUP, INC.

By _____
Name:
Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Amount of Principal Repaid	Notation Made By

EXHIBIT B

SWINGLINE NOTE

New York, New York
March ___, 1999

For value received, VENATOR GROUP, INC., a New York corporation (the "Borrower"), promises to pay to the order of THE BANK OF NEW YORK (the "Swingline Bank") the unpaid principal amount of each Swingline Loan made by the Swingline Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Swingline Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of The Bank of New York, One Wall Street, 18 North, New York, New York.

All Swingline Loans made by the Swingline Bank and all repayments of the principal thereof shall be recorded by the Swingline Bank and, if the Swingline Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Swingline Loan then outstanding may be endorsed by the Swingline Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that neither the failure of the Swingline Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of the Borrower hereunder or of the Borrower or any other Obligor under any Loan Document.

This note is the Swingline Note referred to in the Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among the Borrower, the Banks party thereto, Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof, the acceleration of the maturity hereof and the basis upon which this Note is guaranteed and secured.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

VENATOR GROUP, INC.

By_____
Name:
Title:

Swingline Note (cont'd)

SWINGLINE LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Swingline Loan	Amount of Principal Repaid	Notation Made By

EXHIBIT C

FORM OF MONEY MARKET QUOTE REQUEST

[Date]

To: The Bank of New York, as Administrative Agent
One Wall Street
18 North
New York, New York 10286

From: Venator Group, Inc.

Re: Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended from time to time, the "Credit Agreement") among Venator Group, Inc., the Banks party thereto, the Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent (the "Administrative Agent"), LC Agent and Swingline Bank and the Lead Arrangers party thereto.

We hereby give notice pursuant to Section 2.03 of the Credit Agreement that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Date of Borrowing: _____

Principal Amount1/	Interest Period 2/
$	

- --------

1 Amount must be $15,000,000 or a larger multiple of $1,000,000.

2 Not less than one month (LIBOR Auction) or not less than 14 days (Absolute Rate Auction), subject to the provisions of the definition of Interest Period.

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Terms used herein have the meanings assigned to them in the Credit Agreement.

VENATOR GROUP, INC.

By_____
Name:
Title:

EXHIBIT D

FORM OF INVITATION FOR MONEY MARKET QUOTES

To: [Name of Bank]

Re: Invitation for Money Market Quotes to Venator Group, Inc. (the "Borrower")

Pursuant to Section 2.03 of the Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among the Borrower, the Banks party thereto, the Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent (the "Administrative Agent"), LC Agent and Swingline Bank and the Lead Arrangers party thereto (as further amended from time to time, the "Credit Agreement"), we are pleased on behalf of the Borrower to invite you to submit Money Market Quotes to the Borrower for the following proposed Money Market Borrowing(s):

Date of Borrowing: _____

Principal Amount	Interest Period
$	

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Please respond to this invitation by no later than [2:00 P.M.] [9:30 A.M.] (New York City time) on [date].

Terms used herein have the meanings assigned to them in the Credit Agreement.

THE BANK OF NEW YORK,
as Administrative Agent

By_____
Authorized Officer

EXHIBIT E

FORM OF MONEY MARKET QUOTE

To: The Bank of New York,
as Administrative Agent

Re: Money Market Quote to Venator Group, Inc. (the "Borrower")

In response to your invitation on behalf of the Borrower dated _____, _____, we hereby make the following Money Market Quote on the following terms:

1. Quoting Bank: _____

2. Person to contact at Quoting Bank:

_____

3. Date of Borrowing: _____*

4. We hereby offer to make Money Market Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount**/	Interest Period***/	Money Market [Margin****/]	Money Market [Absolute Rate*****/]
$			

[Provided, that the aggregate principal amount of Money Market Loans for which the above offers may be accepted shall not exceed$_____.]**

_____

* As specified in the related Invitation.

** Principal amount bid for each Interest Period may not exceed principal amount requested. Specify aggregate limitation if the sum of the individual offers exceeds the amount the Bank is willing to lend. Bids must be made for $5,000,000 or a larger multiple of $1,000,000.

[notes continued on following page]

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among Venator Group, Inc., the Banks party thereto, the Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent (the "Administrative Agent"), LC Agent and Swingline Bank and the Lead Arrangers party thereto (as amended from time to time, the "Credit Agreement"), irrevocably obligates us to make the Money Market Loan(s) for which any offer(s) are accepted, in whole or in part.

Terms used herein have the meanings assigned to them in the Credit Agreement.

Very truly yours,

[NAME OF BANK]

Dated:_____ By:_____
Authorized Officer

_____

*** Not less than one month or not less than 14 days, as specified in the related Invitation. No more than five bids are permitted for each Interest Period.

**** Margin over or under the London Interbank Offered Rate determined for the applicable Interest Period. Specify percentage (to the nearest 1/10,000 of 1%) and specify whether "PLUS" or "MINUS".

***** Specify rate of interest per annum (to the nearest 1/10,000th of 1%).

EXHIBIT F

SECURITY AGREEMENT

AGREEMENT dated as of _____, 1999 among Venator Group, Inc. a New York corporation (with its successors, the "Company"), each of the Subsidiaries of the Company listed on the signature pages hereof and each other Subsidiary of the Company that may from time to time become a party hereto in accordance with Section 20 (each, with its successors, a "Subsidiary Guarantor") and The Bank of New York, as Administrative Agent (with its successors, the "Administrative Agent").

W I T N E S S E T H :

WHEREAS, the Company, the banks party thereto (the "Banks"), the co- agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto are parties to a Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, the Subsidiary Guarantors and the Administrative Agent are parties to a Guarantee Agreement dated as of March 19, 1999 (as amended from time to time, the "Guarantee Agreement"); and

WHEREAS, pursuant to Section 5.20 of the Credit Agreement, the Company has agreed to enter into, and to cause each of its Subsidiaries (other than any Foreign Subsidiary or any Immaterial Subsidiary) to enter into, a Security Agreement substantially in the form hereof; and

WHEREAS, in consideration of the financial and other support that the Company has provided, and such financial and other support as the Company may in the future provide, to the Subsidiary Guarantors, the Subsidiary Guarantors are willing to enter into this Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein. The following additional terms, as used herein, have the following respective meanings:

"Collateral" has the meaning specified in Section 3.

"Designated Foreign Jurisdiction" means, with respect to each Obligor, any jurisdiction outside the United States where such Obligor conducts its operations on and as of the date on which such Obligor becomes a party to this Agreement.

"General Intangibles" means, with respect to each Obligor, all "general intangibles" (as defined in the UCC) now owned or hereafter acquired by such Obligor and consisting of copyrights, copyright licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses, rights in other intellectual property, goodwill, trade names, service marks, trade secrets, and any rights of such Obligor under any contract or agreement with respect to any of the foregoing.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement.

"Hedging Obligations" means, with respect to each Obligor, all obligations of such Obligor under any Hedging Agreement between such Obligor and any Bank Party (or any affiliate of any Bank Party).

"LC Collateral Account" has the meaning specified in Section 5(a).

"Liquid Investments" has the meaning specified in Section 5(c).

"Obligor" means the Company or any Subsidiary Guarantor, and "Obligors" means all of them.

"Patents" means, with respect to each Obligor, (i) all letters patent of the United States or any other country held by such Obligor, all registrations and recordings thereof, and all applications by such Obligor for letters patent of the United States or any other country, including registrations, recordings and applications in the PTO or in any similar office or agency of the United States or any other country or any political subdivision thereof, including those described in the Perfection Certificate of such Obligor, and (ii) all reissues, continuations, continuations-in-part or extensions thereof.

"Patent License" means, with respect to each Obligor, any written agreement now or hereafter in existence granting to such Obligor any right to practice any invention on which a patent (including without limitation a Patent of any other Obligor) is in existence.

"Patent Security Agreement" means a Patent Security Agreement executed and delivered by an Obligor in favor of the Administrative Agent, for the benefit of the Secured Parties, substantially in the form of Exhibit B to this Agreement, as the same may be amended from time to time.

"Perfection Certificate" means, with respect to each Obligor, a certificate substantially in the form of Exhibit A hereto, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Administrative Agent, and duly executed by a Responsible Officer of such Obligor.

"Proceeds" means, with respect to each Obligor, all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, collateral pledged by such Obligor, including without limitation all claims of such Obligor against third parties for loss of, damage to or destruction of, or any past, present or future dilution, infringement or unauthorized use of, unfair competition with, or violation of intellectual property rights in connection with or injury to, any such collateral or for injury to the goodwill associated with any of the foregoing, in each case whether now existing or hereafter arising.

"PTO" means the United States Patent and Trademark Office.

"Secured Obligations" means, with respect to each Obligor, (i) all principal of and interest and premium (if any) on any Loan or Swingline Loan payable by such Obligor under, or any Note or Swingline Note issued by such Obligor pursuant to, the Credit Agreement (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Obligor, whether or not allowed or allowable as a claim in any such proceeding), (ii) all Reimbursement Obligations of such Obligor with respect to any Letter of Credit issued pursuant to the Credit Agreement and all interest payable by such Obligor thereon (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Obligor, whether or not allowed or allowable as a claim in any such proceeding), (iii) if such Obligor is a Subsidiary Guarantor, all

amounts payable by such Obligor under the Guarantee Agreement, (iv) all other amounts payable by such Obligor under the Loan Documents, (v) all Hedging Obligations of such Obligor, and (vi) any amendments, restatements, renewals, extensions or modifications of any of the foregoing; provided that the Secured Obligations of each Subsidiary Guarantor described in clause (iii) above and any amendment, restatement, renewal, extension or modification thereof described in clause (vi) above (collectively, with respect to each Subsidiary Guarantor, such Subsidiary Guarantor's "Subsidiary Guaranteed Obligations"), shall be subordinate and junior in rank with respect to payment to the other Secured Obligations of such Subsidiary Guarantor for purposes of this Security Agreement. Pursuant to the proposed Amendment No. 4 to the Existing Credit Agreement, upon satisfaction of the conditions precedent set forth therein, the Credit Agreement will be amended and restated to include certain Subsidiaries of the Company as borrowers under the Credit Agreement, and the parties hereto agree that, upon effectiveness of such amendment and restatement, for purposes of the definition of "Secured Obligations", the term "Obligors" will mean the Company, any of its Subsidiaries that are borrowers under the Credit Agreement and the Subsidiary Guarantors, and "Obligor" will mean any one of them.

"Secured Parties" means the Banks, the LC Agent, the Swingline Bank, the Administrative Agent and the Lead Arrangers.

"Security Interests" means the security interests in the Collateral granted hereunder securing the Secured Obligations.

"Specified Trademarks" means, with respect to each Obligor (i) the Trademarks listed on Schedule 2B under such Obligor's name and (ii) any other Trademark held by such Obligor registrered or to be registered by such Obligor in the United States or any Trademark held by such Obligor and constituting the name of a store used by such Obligor outside the United States.

"Specified Trademark License" means, with respect to each Obligor, any Trademark License held by such Obligor with respect to any Specified Trademark held by such Obligor.

"Trademarks" means, with respect to each Obligor, (i) all trademarks, trade names, corporate names, company names, business names, logos, other source or business identifiers, designs and general intangibles of like nature held by such Obligor, and all applications in connection therewith, including registrations, recordings and applications in the PTO or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including those described in the Perfection

Certificate of such Obligor, (ii) all extensions or renewals thereof and (iii) the goodwill of the business symbolized by any of the foregoing.

"Trademark License" means, with respect to each Obligor, any written agreement now or hereafter in existence granting to such Obligor any right to use a Trademark (including without limitation a Trademark of any other Obligor).

"Trademark Security Agreement" means a Trademark Security Agreement executed and delivered by an Obligor in favor of the Administrative Agent, for the benefit of the Secured Parties, substantially in the form of Exhibit C to this Agreement, as the same may be amended from time to time.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the State of New York; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

Section 2. Representations and Warranties. Each Obligor represents and warrants as follows:

(a) Such Obligor has good and marketable title to all of the Collateral, free and clear of any Liens other than Liens permitted under Section 5.06(a)(ix) of the Credit Agreement.

(b) Such Obligor has not performed any acts which could reasonably be expected to prevent the Administrative Agent from enforcing any of the terms of this Agreement or which would limit the Administrative Agent in any such enforcement. Other than Patent Security Agreements, Trademark Security Agreements, financing statements or other similar or equivalent documents or instruments with respect to the Security Interests, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral of such Obligor and consisting of Patents, Patent Licenses, Specified Trademarks and Specified Trademark Licences is on file or of record in any jurisdiction or office (including without limitation the PTO) in the United States or in any Designated Foreign Jurisdiction with respect to such Obligor and in which such filing or recording would be effective to perfect a Lien on such Collateral. No Collateral of such Obligor is in the possession of any Person (other than such Obligor) asserting

any claim thereto or security interest therein, except that the Administrative Agent or its designee may have possession of such Collateral as contemplated hereby.

(c) Such Obligor has delivered its Perfection Certificate to the Administrative Agent. The information specified therein is correct and complete. Within 60 days after the date hereof, such Obligor shall furnish to the Administrative Agent file search reports from the PTO confirming that a filing with respect to each Patent and Patent License listed on Schedule 2A and held by such Obligor on the date hereof and each Specified Trademark of such Obligor on the date hereof and naming the Administrative Agent as secured party has been made; provided that any failure of an Obligor timely to furnish any such report caused by delay by the relevant office to respond to a request shall not constitute a default by such Obligor of its obligations hereunder.

(d) Schedule 2A (as supplemented from time to time in accordance with Section 4(c)) lists all Patents and Patent Licenses held by such Obligor. Schedule 2B (as supplemented from time to time in accordance with Section 4(c)) lists all Specified Trademarks held by such Obligor and all Specified Trademark Licenses held by such Obligor.

(e) The Security Interests in the Collateral of such Obligor constitute valid security interests under the UCC securing the Secured Obligations of such Obligor. When UCC financing statements in the form specified in Exhibit A shall have been filed in the offices specified in the Perfection Certificate of such Obligor, the Security Interests shall constitute perfected security interests in the Collateral of such Obligor in which a security interest may be perfected by filing under the UCC (but excluding in any event any Collateral of such Obligor described in the succeeding sentences of this subsection (e)), prior to all other Liens and rights of others therein. When a Patent Security Agreement of such Obligor has been recorded with the PTO, such Security Interests shall constitute perfected Security Interests in all right, title and interest of such Obligor in the Patents listed in Schedule 1 to such Agreement, prior to all other Liens and rights of others therein. When a Trademark Security Agreement of such Obligor has been recorded with the PTO, such Security Interests shall constitute perfected Security Interests in all right, title and interest of such Obligor in the Trademarks listed in Schedule 1 to such Agreement, prior to all other Liens and rights of others therein.

Section 3. The Security Interests. (a) In order to secure the full and punctual payment of its Secured Obligations in accordance with the terms thereof, each Obligor grants to the Administrative Agent for the ratable benefit of the Secured Parties a continuing security interest in and to all of the following property of such Obligor, whether now owned or existing or hereafter

acquired or arising and regardless of where located (all being collectively referred to as the "Collateral" of such Obligor):

(i) General Intangibles;

(ii) Patents and Patent Licenses;

(iii) Trademarks and Trademark Licenses;

(iv) The LC Collateral Account, all cash deposited therein from time to time, and any Liquid Investments made pursuant to Section 5(c);

(v) All books and records (including, without limitation, computer programs, printouts and other computer materials and records) of such Obligor pertaining to any of its Collateral described in clauses (i) thorough (iv) hereof; and

(vi) All Proceeds of the Collateral described in clauses (i) through (v) hereof.

(b) The Security Interests are granted as security only and shall not subject the Administrative Agent or any Secured Party to, or transfer or in any way affect or modify, any obligation or liability of any Obligor with respect to any of the Collateral or any transaction in connection therewith.

Section 4. Further Assurances; Covenants. (a) Each Obligor will not change its name, identity or corporate structure in any manner or change the location of its chief executive office or chief place of business from the location described in the Perfection Certificate of such Obligor unless, in each case, such Obligor shall have given the Administrative Agent at least 30 day's prior notice thereof and delivered to the Banks an opinion of counsel at the cost and expense of such Obligor, in form and substance reasonably satisfactory to the Administrative Agent, to the effect that, after giving effect to such change in name, identity, corporate structure or location, the Security Interests in the Collateral of such Obligor shall remain perfected; provided that the provisions of the foregoing sentence shall not apply to any change in the location of the chief executive office of any Obligor from any location in New York City to any other location in New York City. Each Obligor shall not in any event change the location of any of its Collateral if such change would cause the Security Interests in such Collateral to lapse or cease to be perfected.

(b) Each Obligor will, from time to time, at its expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement,

recording or other paper and take any other action (including, without limitation, any filings of financing or continuation statements under the UCC and any additional of substitute filings with the PTO) that from time to time may be necessary or desirable, or that the Administrative Agent may request, in order to create, preserve, perfect, confirm or validate the Security Interests or to enable the Secured Parties to obtain the full benefits of this Agreement, or to enable the Administrative Agent to exercise and enforce any of its rights, powers and remedies hereunder with respect to any of the Collateral of such Obligor; provided that no Obligor shall be required to take any such action with respect to any Trademark that is not a Specified Trademark or any Trademark License that is not a Specified Trademark License. To the extent permitted by applicable law, each Obligor hereby authorizes the Administrative Agent to execute and file financing statements or continuation statements without such Obligor's signature appearing thereon. Each Obligor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. Each Obligor shall pay the costs of, or incidental to, any recording or filing of any financing or continuation statements or any filings with the PTO concerning the Collateral of such Obligor.

(c) Within 30 Domestic Business Days after the end of each Fiscal Quarter, each Obligor shall provide to the Administrative Agent (i) copies of all applications for (1) the registration of any Patent or any Patent License and (2) the registration of any Specified Trademark or Specified Trademark License filed by such Obligor during such Fiscal Quarter, (ii) a Patent Security Agreement executed by such Obligor with respect to each Patent or Patent License of such Obligor described in clause (1), (iii) a Trademark Security Agreement with respect to each Specified Trademark and Specified Trademark License described in clause (2) and (iv) a list of each Patent and Trademark that such Obligor has determined to abandon, or that such Obligor has determined not to maintain the registration of, during the immediately succeeding Fiscal Quarter, and a brief statement of the reasons on the basis on which such Obligor has made such determination (it being understood that nothing in this clause (iv) shall be construed to limit or modify in any manner the obligations of such Obligor under subsection (d) below). Upon delivery of a Patent Security Agreement or a Trademark Security Agreement by any Obligor, Schedule 2A or 2B, as the case may be, shall be deemed to have been amended to reflect the Patents and Patent Licenses or Specified Trademarks and Specified Trademark Licences with respect to which such Patent Security Agreement or a Trademark Security Agreement, as the case may be, relates. If an Obligor has filed no applications for the registration of any Patent, License, Specified Trademark or Specified Trademark License during any Fiscal Quarter, such Obligor shall, within 30 Domestic Business Days after the end of such Fiscal Quarter, provide a certificate to the Administrative Agent certifying the same.

(d) Each Obligor will take all steps which it reasonably determines are necessary and appropriate in the circumstances, including, without limitation, in any proceeding before the PTO, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of its material Patents and Specified Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability except, in each case, for such applications or registrations which such other Obligor determines in good faith are no longer useful or material to the business of such Obligor.

(e) In the event that any material Patent or Specified Trademark is infringed, misappropriated or diluted by a third party, the Obligor that holds such Patent or Trademark shall promptly notify the Administrative Agent after it learns thereof, if such infringement, misappropriation or dilution could reasonably be expected to have a Material Adverse Effect, and take such other actions as such Obligor shall reasonably deem appropriate under the circumstances, or as the Administrative Agent shall reasonably request, to protect such Patent or Specified Trademark, as the case may be.

(f) Each Obligor shall notify the Administrative Agent as soon as practicable if such Obligor knows that any application or registration relating to any material Patent or Specified Trademark may become abandoned or dedicated or of any determination or development (including the institution of, or any such determination or development in, any proceeding in the PTO or any court or tribunal) regarding such Obligor's ownership of any material Patent or Specified Trademark, its right to register the same, or to keep and maintain the same.

(g) Each Obligor will, promptly upon request, provide to the Administrative Agent all information and evidence it may reasonably request concerning its Collateral to enable the Administrative Agent to enforce the provisions of this Agreement.

Section 5. LC Collateral Account. (a) There is hereby established with the Administrative Agent an account (the "LC Collateral Account") on the books of The Bank of New York in the name and under the control of the Administrative Agent into which there shall be deposited from time to time the amounts required to be deposited therein by the Company pursuant to Sections 2.06(f) and 6.03 of the Credit Agreement or any other provision of the Loan Documents. Any income received by the Administrative Agent with respect to the balance from time to time standing to the credit of the LC Collateral Account, including any interest

or capital gains on Liquid Investments, shall remain, or be deposited, in the LC Collateral Account. All right, title and interest in and to the cash amounts on deposit from time to time in the LC Collateral Account together with any Liquid Investments from time to time made pursuant to subsection (c) hereof shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied thereto as hereinafter provided. If and when any portion of Aggregate LC Exposure on which any deposit in the LC Collateral Account was based (the "Relevant Contingent Exposure") shall become fixed (a "Direct Exposure") as a result of the payment by the LC Agent of a draft presented under a Letter of Credit, the amount of such Direct Exposure (but not more than the amount in the LC Collateral Account at the time) shall be withdrawn by the Administrative Agent from the LC Collateral Account and shall be paid to the Banks in accordance with their Pro Rata Share, and the Relevant Contingent Exposure shall thereupon be reduced by such amount. If at any time the amount in the LC Collateral Account exceeds the aggregate Relevant Contingent Exposure, the excess amount shall, so long as no Event of Default shall have occurred and be continuing, be promptly withdrawn by the Administrative Agent and paid to, or as directed by, the Company. If an Event of Default shall have occurred and be continuing, such excess amount shall be retained in the LC Collateral Account. If immediately available cash on deposit in the LC Collateral Account is not sufficient to make any distribution to, or as directed by, the Company referred to in this Section 5(a), the Administrative Agent shall cause to be liquidated as promptly as practicable such Liquid Investments in the LC Collateral Account designated by the Company as required to obtain sufficient cash to make such distribution and, notwithstanding any other provision of this Section 6, such distribution shall not be made until such liquidation has taken place.

(b) Upon the occurrence and continuation of an Event of Default, the Administrative Agent shall, if so instructed by the Required Banks, apply or cause to be applied (subject to collection) any or all of the balance from time to time standing to the credit of the LC Collateral Account in the manner specified in Section 9.

(c) Amounts on deposit in the LC Collateral Account shall be invested and re-invested from time to time in such Liquid Investments as the Company shall determine, which Liquid Investments shall be held in the name and be under the control of the Administrative Agent, provided that, if an Event of Default has occurred and is continuing, the Administrative Agent shall, if instructed by the Required Banks, determine the Liquid Investments in which such amounts are invested and re-invested and shall liquidate any such Liquid Investments and apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations in the manner specified in Section 9. For this purpose, "Liquid

Investments" means Temporary Cash Investments of the type described in clauses (i) through (iv) of the definition thereof; provided that (x) each Liquid Investment shall mature within 30 days after it is acquired by the Administrative Agent and (y) in order to provide the Administrative Agent, for the benefit of the Secured Parties, with a perfected security interest therein, each Liquid Investment shall be either:

(i) evidenced by negotiable certificates or instruments, or if non-negotiable then issued in the name of the Administrative Agent, which (together with any appropriate instruments of transfer) are delivered to, and held by, the Administrative Agent or an agent thereof (which shall not be the Company or any of its Affiliates) in the State of New York; or

(ii) in book-entry form and issued by the United States and as to which (in the opinion of counsel to the Administrative Agent) appropriate measures shall have been taken for perfection of the Security Interests in such Liquid Investments.

Section 6. General Authority. Each Obligor hereby irrevocably appoints the Administrative Agent its true and lawful attorney, with full power of substitution, in the name of such Obligor, the Administrative Agent, the Secured Parties or otherwise, for the sole use and benefit of the Secured Parties, but at such Obligor's expense, to the extent permitted by law to exercise, at any time and from time to time while an Event of Default has occurred and is continuing, all or any of the following powers with respect to all or any of the Collateral of such Obligor:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, transfer, assign or otherwise deal in or with the same or the proceeds or avails thereof, as fully and effectually as if the Administrative Agent were the absolute owner thereof,

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto, and

(e) in the case of any Patents or Trademarks or any other rights which constitute patents or trademarks under common law (all such patents and trademarks hereinafter being referred to as "Common Law Rights"), to execute and deliver any and all agreements, instruments,

documents, and papers as the Administrative Agent may reasonably require to evidence the Security Interests in any such Patent, Trademark or Common Law Rights and the goodwill and general intangibles of such Obligor relating thereto or represented thereby;

provided that the Administrative Agent shall give each Obligor not less than ten days' prior notice of the time and place of any sale or other intended disposition of any of its Collateral. The Administrative Agent and each Obligor agree that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the UCC.

Section 7. Remedies upon Event of Default. (a) If any Event of Default has occurred and is continuing, the Administrative Agent may exercise on behalf of the Secured Parties all rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) and, in addition, the Administrative Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (i) apply cash, if any, then held by it as Collateral as specified in Section 9 and (ii) if there shall be no such cash or if such cash shall be insufficient to pay all the Secured Obligations in full, sell the Collateral or any part thereof at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Administrative Agent may deem satisfactory. Any Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale). Each Obligor will execute and deliver such documents and take such other action as the Administrative Agent deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Administrative Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of any Obligor which may be waived, and each Obligor, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice (if any) of such sale required by Section 6 shall (A) in the case of a public sale, state the time and place fixed for such sale, and (B) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Administrative Agent may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may determine. The Administrative Agent shall not be obligated to make any such sale pursuant to any such notice. The Administrative

Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned ,subject to the Administrative Agent giving the notice required to be given pursuant to Section 6. In the case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the selling price is paid by the purchaser thereof, but the Administrative Agent shall not incur any liability in the case of the failure of such purchaser to take up and pay for the Collateral so sold and, in the case of any such failure, such Collateral may again be sold upon like notice. The Administrative Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(b) For the purpose of enforcing any and all rights and remedies under this Agreement the Administrative Agent may (i) require each Obligor to, and each Obligor agrees that it will, at its expense and upon the request of the Administrative Agent, forthwith assemble all or any part of its Collateral as directed by the Administrative Agent and make it available at a place designated by the Administrative Agent which is, in its opinion, reasonably convenient to the Administrative Agent and such Obligor, whether at the premises of such Obligor or otherwise, (ii) have access to and use such Obligor's books and records relating to the Collateral and (iii) prior to the disposition of the Collateral, prepare the Collateral for disposition in any manner and to the extent the Administrative Agent deems appropriate and, in connection with such preparation and disposition, use without charge any Trademark, Patent, copyright or technical process used by any Obligor. The Administrative Agent may also render any or all of the Collateral unusable at any Obligor's premises and may dispose of such Collateral on such premises without liability for rent or costs.

(c) Without limiting the generality of the foregoing, if any Event of Default has occurred and is continuing, (i) the Administrative Agent may license, or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Patents or Trademarks or Common Law Rights included in the Collateral throughout the world for such term or terms, on such conditions and in such manner as the Administrative Agent shall in its sole discretion determine, (ii) the Administrative Agent may (without assuming any obligations or liability thereunder), at any time and from time to time, enforce (and shall have the exclusive right to enforce) against any licensor, licensee or sublicensee all rights and remedies of any Obligor in, to and under any Patent Licenses or Trademark Licenses and take or refrain from taking any action under any thereof, and each Obligor hereby releases the Administrative Agent and

each of the other Secured Parties from, and agrees to hold the Administrative Agent and each of the other Secured Parties free and harmless from and against any claims arising out of, any lawful action so taken or omitted to be taken with respect thereto, except any such claim to the extent that it arises solely as the result of the gross negligence or willful misconduct of any Secured Party and (iii) upon request by the Administrative Agent, each Obligor will execute and deliver to the Administrative Agent a further power of attorney, in form and substance satisfactory to the Administrative Agent, for the implementation of any lease, assignment, license, sublicense, grant of option, sale or other disposition of a Patent, Trademark, Patent License or Trademark License. In the event of any such disposition pursuant to this Section, each Obligor shall supply its know-how and expertise relating to the manufacture and sale of the products bearing Trademarks or the products or services made or rendered in connection with Patents, and its customer lists and other records relating to such Patents or Trademarks and to the distribution of said products, to the Administrative Agent.

Section 8. Limitation on Duty of Administrative Agent in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Administrative Agent shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Administrative Agent shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Administrative Agent in good faith.

Section 9. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral pledged by any Obligor and any cash held in the LC Collateral Account shall be applied by the Administrative Agent in the following order of priorities:

first, to pay the expenses of such sale or other realization, including reasonable compensation to agents and counsel for the Administrative Agent, and all expenses, liabilities and advances incurred or made by the Administrative Agent in connection therewith, and any other unreimbursed expenses for which any Secured Party is to be reimbursed pursuant to the Credit Agreement (including without limitation Section 9.03(a) thereof) or Section 12 hereof and any unpaid fees owing to any Secured Party under the Loan Documents;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations of such Obligor (other than, in the case of any Subsidiary Guarantor, its Subsidiary Guaranteed Obligations) in accordance with the provisions of the Credit Agreement;

third, to the ratable payment of unpaid principal of, and reimbursement obligations constituting, the Secured Obligations of such Obligor (other than, in the case of any Subsidiary Guarantor, its Subsidiary Guaranteed Obligations);

fourth, in the case of any Subsidiary Guarantor, to the ratable payment of accrued but unpaid interest on its Subsidiary Guaranteed Obligations, until all such Secured Obligations shall have been paid in full;

fifth, in the case of any Subsidiary Guarantor, to the ratable payment of unpaid principal of, and reimbursement obligations constituting its Subsidiary Guaranteed Obligations, until all such Secured Obligations shall have been paid in full;

sixth, to pay ratably all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, to pay to such Obligor or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

The Administrative Agent may make distributions hereunder in cash or in kind or, on a ratable basis, in any combination thereof. For purposes of making any distribution hereunder, the principal amount of any Hedging Obligation shall be the amount of the relevant Obligor's Hedging Obligations due and payable at the time such distribution is made.

Section 10. Concerning the Administrative Agent. The provisions of Article 7 of the Credit Agreement shall inure to the benefit of the Administrative Agent in respect of this Agreement and shall be binding upon the parties to the Credit Agreement and the parties hereto in such respect. In furtherance and not in derogation of the rights, privileges and immunities of the Administrative Agent therein specified:

(a) The Administrative Agent is authorized to take all such action as is provided to be taken by it as Administrative Agent hereunder and all other action reasonably incidental thereto. As to any matters not expressly provided

for herein (including, without limitation, the timing and methods of realization upon the Collateral) the Administrative Agent shall act or refrain from acting in accordance with written instructions from the Required Banks or, in the absence of such instructions, in accordance with its discretion.

(b) The Administrative Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Security Interests in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder. The Administrative Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Agreement by any Obligor.

Section 11. Appointment of Co-Administrative Agents. At any time or times, in order to comply with any legal requirement in any jurisdiction, the Administrative Agent may appoint another bank or trust company or one or more other persons, either to act as co-agent or co-agents, jointly with the Administrative Agent, or to act as separate agent or agents on behalf of the Secured Parties with such power and authority as may be necessary for the effectual operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the discretion of the Administrative Agent, include provisions for the protection of such co-agent or separate agent similar to the provisions of Section 10).

Section 12. Expenses. If any Obligor fails to comply with the provisions of any Loan Document to which it is a party, such that the value of any Collateral or the validity, perfection, rank or value of any Security Interest is thereby diminished or potentially diminished or put at risk, the Administrative Agent if requested by the Required Banks may, but shall not be required to, effect such compliance on behalf of such Obligor, and such Obligor shall reimburse the Administrative Agent for the costs thereof on demand. All insurance expenses and all expenses of protecting, storing, warehousing, appraising, insuring, handling, maintaining, and shipping the Collateral, any and all excise, property, sales, and use taxes imposed by any state, federal, or local authority on any of the Collateral, or in respect of periodic appraisals and inspections of the Collateral to the extent the same may be requested by the Required Banks from time to time, or in respect of the sale or other disposition thereof shall be borne and paid by each Obligor; and if any Obligor fails to promptly pay any portion thereof when due, any Secured Party may, at its option, but shall not be required to, pay the same and charge such Obligor's account therefor, and such Obligor agrees to reimburse such Secured Party therefor on demand. All sums so paid or incurred by any Secured Party for any of the foregoing and any and all other sums for which any Obligor may become liable hereunder and all costs and

expenses (including attorneys' fees, legal expenses and court costs) reasonably incurred by any Secured Party in enforcing or protecting the Security Interests or any of their rights or remedies under this Agreement and, in each case, not paid in a timely manner shall, together with interest thereon until paid at the rate applicable to Base Rate Loans, be additional Secured Obligations hereunder.

Section 13. Termination of Security Interests; Release of Collateral. (a) Upon the repayment in full of all Secured Obligations (other than those described in clause (v) of the definition thereof and any amendments, restatements, renewals, extensions or modifications thereof), the termination of the Commitments under the Credit Agreement and the termination or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent), the Security Interests shall terminate and all rights to the Collateral of each Obligor shall revert to such Obligor.

(b) Upon the consummation of any Asset Sale (or any sale or other disposition described in clause (iv) of the definition of Asset Sale) permitted by the terms of the Credit Agreement and consisting of the disposition of any Collateral or of the capital stock of any Obligor other than the Company (any such transaction, a "Permitted Collateral Sale") the Security Interests in such Collateral or in the Collateral pledged by such Obligor, as the case may be (but not, in any case, in any Proceeds thereof) shall be released. Such release shall not be subject to the consent of any Bank, and the Administrative Agent shall be fully protected in relying on a certificate of an Obligor as to whether any particular transaction consummated by such Obligor constitutes a Permitted Collateral Sale.

(c) In addition to the release of Collateral effected by subsection (b), at any time and from time to time prior to the termination of the Security Interests, the Administrative Agent may release any of the Collateral with the prior written consent of the Required Banks; provided that the Administrative Agent may release of all or substantially all of the Collateral (for purposes of this subsection (c), as defined in the Credit Agreement) only with the prior written consent of all the Banks.

(d) Upon any termination of the Security Interests or release of Collateral in accordance with this Section, the Administrative Agent will, at the expense of the relevant Obligor, execute and deliver to such Obligor such documents as such Obligor shall reasonably request (including without limitation any reassignments) to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

Section 14. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party at its address or facsimile number set forth on the signature pages hereof or at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by facsimile, when transmitted to the facsimile number referred to in this Section and confirmation of receipt is received, or (ii) if given by any other means, when delivered at the address referred to in this Section.

Section 15. Waivers, Non-Exclusive Remedies. No failure on the part of the Administrative Agent to exercise, and no delay in exercising and no course of dealing with respect to, any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by the Administrative Agent of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other remedies provided by law.

Section 16. Successors and Assigns. This Agreement shall be binding upon each Obligor and its successors and permitted assigns. This Agreement is for the benefit of each Secured Party and its successors and permitted assigns, and in the event of an assignment of all or any of any Bank's interest in and to its rights and obligations under the Credit Agreement in accordance with the Credit Agreement, the assignor's rights hereunder, to the extent applicable to the indebtedness or obligation so assigned, shall automatically be transferred with such indebtedness or obligation.

Section 17. Changes in Writing. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor and the Administrative Agent, subject to the provisions of Section 9.05(b) of the Credit Agreement.

Section 18. New York Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

Section 19. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Parties in

order to carry out the intentions of the parties hereto as nearly as may be possible; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

Section 20. Additional Obligors. Any Subsidiary Guarantor may become an Obligor party hereto and bound hereby by executing a counterpart hereof and delivering the same to the Administrative Agent.

Section 21. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 22. Limitation on Collateral. Notwithstanding the foregoing, "Collateral" shall not include any General Intangibles or other rights arising under contracts which contain a valid and enforceable restriction on the grant of a security interest therein (other than any such restriction which is rendered ineffective pursuant to Section 9-318(4) of the UCC) to the extent such grant would constitute a violation of such restriction, unless and until any such restriction is removed, waived or no longer valid and enforceable. Each Obligor represents and warrants that none of the Trademarks listed on Schedule 1.01(b) is subject to any such restriction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VENATOR GROUP, INC.

By:_____
Name:
Title:

EASTBAY, INC.
eVENATOR, INC.
FOOT LOCKER JAPAN, INC.
NORTHERN REFLECTIONS INC.
RETAIL COMPANY OF GERMANY, INC.
THE RICHMAN BROTHERS COMPANY
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
THE SAN FRANCISCO MUSIC BOX COMPANY
VENATOR GROUP CORPORATE SERVICES, INC.
VENATOR GROUP HOLDINGS, INC.
VENATOR GROUP RETAIL, INC.
VENATOR GROUP SOURCING, INC.
VENATOR GROUP SPECIALITY, INC.

By:_____
Name:
Title:

THE BANK OF NEW YORK, as
Administrative Agent

By:_____
Name:
Title:

SCHEDULE 2A

Patents & Patent Licenses

[to come]

SCHEDULE 2B

Trademark & Trademark Licenses

[to come]

EXHIBIT A
TO SECURITY AGREEMENT

PERFECTION CERTIFICATE

The undersigned, an officer of [NAME OF OBLIGOR], a _____ corporation (the "Obligor"), hereby certify with reference to the Security Agreement dated as of _____, 1999 among Venator Group, Inc., the Obligor and the other Subsidiaries party thereto and The Bank of New York, as Administrative Agent (terms defined therein being used herein as therein defined), to the Secured Parties as follows:

1. Names. (a) The exact corporate name of the Obligor as it appears in its certificate of incorporation is as follows:

(b) Specified below is each other corporate name (including trade names or similar appellations) the Obligor has had in the last five years:

(c) Except as specified in Schedule 1, the Obligor has not changed its identity or corporate structure in any way within the past five years.

[Changes in identity or corporate structure would include mergers, consolidations and acquisitions, as well as any change in the form, nature or jurisdiction of corporate organization. If any such change has occurred, include in Schedule 1 the information required by paragraphs 1, 2 and 3 of this certificate as to each acquiree or constituent party to a merger or consolidation.]

2. Current Locations. (a) The chief executive office of the Obligor is located at the following address:

Mailing Address	County	State

(b) The following are all the places of business of the Obligor not identified above:

Mailing Address	County	State

3. Prior Locations. (a) Specified below is the information required by subparagraphs 2(a) and 2(b) above with respect to each location or place of business maintained by the Obligor at any time during the past five years:

4. UCC Filings. A duly signed financing statement on Form UCC-1 in substantially the form of Schedule 4(A) hereto has been delivered to the Administrative Agent for filing in the Uniform Commercial Code filing office in each jurisdiction identified in paragraph 2 hereof. .

5. Schedule of Filings. Attached hereto as Schedule 5 is a schedule setting forth filing information with respect to the filings described in paragraph 4 above.

6. Filing Fees. All filing fees and taxes payable in connection with the filings described in paragraph 6 above have been paid.

IN WITNESS WHEREOF, I have hereunto set my hand this __ day of _____, 1999.

By: _____
Name:
Title:

SCHEDULE 4(A)

DESCRIPTION OF COLLATERAL

[to include the description of "Collateral"
set forth in the Security Agreement and related definitions]

SCHEDULE 5

SCHEDULE OF FILINGS

Debtor	Filing Officer	File Number	Date of Filing 1/

1 Indicate lapse date, if other than fifth anniversary.

EXHIBIT B TO

SECURITY AGREEMENT

FORM OF PATENT SECURITY AGREEMENT

WHEREAS, [Name of Obligor], a _____ corporation (herein referred to as "Grantor") owns, or in the case of licenses, is a party to, the Patent Collateral (as defined below);

WHEREAS, Venator Group, Inc., the banks party thereto, the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto are parties to a Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, pursuant to the terms of a related Security Agreement dated as of _____, 1999 (as amended from time to time, the "Security Agreement") among Venator Group, Inc., its Subsidiaries party thereto and The Bank of New York, as Administrative Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, "Grantee"), Grantor has granted to Grantee for the benefit of such Secured Parties a continuing security interest in and to the assets of Grantor specified therein, including all right, title and interest of Grantor in and to the Patent Collateral, whether now owned or existing or hereafter acquired or arising, to secure the Secured Obligations (as defined in the Security Agreement) of Grantor;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant to Grantee, to secure the Secured Obligations, a continuing security interest in and to all of Grantor's right, title and interest in and to the following (all of the following items or types of property being herein collectively referred to as the "Patent Collateral"), whether now owned or existing or hereafter acquired or arising:

(i) each Patent (as defined in the Security Agreement) owned by Grantor, including, without limitation, each U.S. Patent and Patent application referred to in Schedule 1 hereto;

(ii) each Patent License (as defined in the Security Agreement), including, without limitation, each Patent License identified in Schedule 1 hereto; and

(iii) all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, any Patent Collateral described in clauses (i) and (ii), including without limitation all claims against third parties for loss of, damage to or destruction of, or any past, present or future dilution, infringement or unauthorized use of, unfair competition with, or violation of intellectual property rights in connection with or injury to, any such collateral or for injury to the goodwill associated with any of the foregoing, in each case whether now existing or hereafter arising.

Grantor hereby irrevocably constitutes and appoints Grantee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of Grantor or in its name, from time to time, in Grantee's discretion, so long as an Event of Default has occurred and is continuing, to take with respect to the Patent Collateral any and all appropriate action which is permitted under the Security Agreement.

The foregoing security interest is granted in conjunction with the security interests granted to Grantee pursuant to the Security Agreement. Grantor does hereby further acknowledge and affirm that the rights and remedies of Grantee with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, Grantor has caused this Patent Security Agreement to be duly executed by its officer thereunto duly authorized as of the ___th day of _____.

[NAME OF GRANTOR]

By:_____
Name:
Title:

Acknowledged:

THE BANK OF NEW YORK,
as Administrative Agent

By: _____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that _____, _____ of [NAME OF GRANTOR], personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that he signed, executed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said Company, for the uses and purposes therein set forth being duly authorized so to do.

GIVEN under my hand and Notarial Seal this __th day of _____.

[Seal]

_____
Signature of notary public
My Commission expires

Schedule 1
to Patent
Security Agreement

U.S. PATENT REGISTRATIONS

Registration No.	Registration Date	Mark

EXCLUSIVE PATENT LICENSES

Name of Agreement	Parties Licensor/Licensee	Date of Agreement	Subject Matter
As Licensee			
As Licensor			

EXHIBIT C TO
SECURITY AGREEMENT

FORM OF TRADEMARK SECURITY AGREEMENT

WHEREAS, [Name of Obligor], a _____ corporation (herein referred to as "Grantor") owns, or in the case of licenses, is a party to, the Trademark Collateral (as defined below);

WHEREAS, Venator Group, Inc., the banks party thereto, the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto are parties to a Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, pursuant to the terms of a related Security Agreement dated as of _____, 1999 (as amended from time to time, the "Security Agreement") among Venator Group, Inc., its Subsidiaries party thereto and The Bank of New York, as Administrative Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, "Grantee"), Grantor has granted to Grantee for the benefit of such Secured Parties a continuing security interest in and to the assets of Grantor specified therein, including all right, title and interest of Grantor in and to the Patent Collateral, whether now owned or existing or hereafter acquired or arising, to secure the Secured Obligations (as defined in the Security Agreement) of Grantor;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant to Grantee, to secure the Secured Obligations, a continuing security interest in all of Grantor's right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "Trademark Collateral"), whether now owned or existing or hereafter acquired or arising:

(i) each Trademark (as defined in the Security Agreement) owned by Grantor, including, without limitation, each U.S. Trademark registration and application referred to in Schedule 1 hereto, and the goodwill of the business symbolized by, each Trademark;

(ii) each Trademark License (as defined in the Security Agreement), including, without limitation, each Trademark License identified in Schedule 1 hereto; and

(iii) all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, any Trademark Collateral described in clauses (i) and (ii), including without limitation all claims against third parties for loss of, damage to or destruction of, or any past, present or future dilution, infringement or unauthorized use of, unfair competition with, or violation of intellectual property rights in connection with or injury to, any such collateral or for injury to the goodwill associated with any of the foregoing, in each case whether now existing or hereafter arising.

Grantor hereby irrevocably constitutes and appoints Grantee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of Grantor or in its name, from time to time, in Grantee's discretion, so long as an Event of Default has occurred and is continuing, to take with respect to the Trademark Collateral any and all appropriate action which is permitted under the Security Agreement.

The foregoing security interest is granted in conjunction with the security interests granted to Grantee pursuant to the Security Agreement. Grantor does hereby further acknowledge and affirm that the rights and remedies of Grantee with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, Grantor has caused this Trademark Security Agreement to be duly executed by its officer thereunto duly authorized as of the ___th day of _____.

[NAME OF GRANTOR]

By: _____
Name:
Title:

Acknowledged:

THE BANK OF NEW YORK,
as Administrative Agent

By:_____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that _____, _____ of [NAME OF GRANTOR], personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that he signed, executed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said Company, for the uses and purposes therein set forth being duly authorized so to do.

GIVEN under my hand and Notarial Seal this __th day of _____.

[Seal]

_____
Signature of notary public
My Commission expires

Schedule 1
to Trademark
Security Agreement

U.S. TRADEMARK REGISTRATIONS

Registration No.	Registration Date	Mark

EXCLUSIVE TRADEMARK LICENSES

Name of Agreement	Parties Licensor/Licensee	Date of Agreement	Subject Matter
As Licensee			
As Licensor			

EXHIBIT G

PLEDGE AGREEMENT

AGREEMENT dated as of _____, 1999 among Venator Group, Inc. a New York corporation (with its successors, the "Company"), each of the Subsidiaries of the Company listed on the signature pages hereof and each other Subsidiary of the Company that may from time to time become a party hereto in accordance with Section 23 (each, with its successors, a "Subsidiary Guarantor") and The Bank of New York, as Administrative Agent (with its successors, the "Administrative Agent").

W I T N E S S E T H :
- - - - - - - - - - -

WHEREAS, the Company, the banks party thereto (the "Banks"), the co- agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto are parties to a Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, the Subsidiary Guarantors and the Administrative Agent are parties to a Guarantee Agreement dated as of March 19, 1999 (as amended from time to time, the "Guarantee Agreement"); and

WHEREAS, pursuant to Section 5.20 of the Credit Agreement, the Company has agreed to enter into, and to cause each of its Subsidiaries (subject to certain exceptions set forth in the Credit Agreement) to enter into, a Pledge Agreement substantially in the form hereof; and

WHEREAS, in consideration of the financial and other support that the Company has provided, and such financial and other support as the Company may in the future provide, to the Subsidiary Guarantors, the Subsidiary Guarantors are willing to enter into this Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein. The following additional terms, as used herein, have the following respective meanings:

"Cash Distributions" means dividends and other payments and distributions made upon or with respect to the Pledged Stock in cash.

"Collateral" has the meaning assigned to such term in Section 3(a).

"Direct Subsidiary" means, with respect to each Obligor, any Subsidiary of such Obligor whose capital stock or other equity interests are owned directly by such Obligor.

"Excluded Subsidiary" means, with respect to each Obligor, any Direct Subsidiary of such Obligor other than any such Direct Subsidiary which neither transacts any substantial portion of its business nor regularly maintains any substantial portion of its fixed assets within the United States, Canada or Germany. An "Excluded Subsidiary" shall cease to be an "Excluded Subsidiary" when the conditions set forth in the first sentence of Section 3(d) are satisfied.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement.

"Hedging Obligations" means, with respect to each Obligor, all obligations of such Obligor under any Hedging Agreement between such Obligor and any Bank Party (or any affiliate of any Bank Party).

"Issuer" means each Person listed on Schedule 1 and each Person that becomes a Direct Subsidiary (other than an Excluded Subsidiary) of any Obligor after the Effective Date.

"Obligor" means the Company or any Subsidiary Guarantor, and "Obligors" means all of them.

"Pledged Equity Interests" means (i) the Subsidiary Equity Interests and (ii) any other capital stock or other equity interests required to be pledged by the Obligor to the Administrative Agent under this Agreement pursuant to Sections 3(b), 3(c) or 3(d).

"Secured Obligations" means, with respect to each Obligor, (i) all principal of and interest and premium (if any) on any Loan or Swingline Loan

payable by such Obligor under, or any Note or Swingline Note issued by such Obligor pursuant to, the Credit Agreement (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Obligor, whether or not allowed or allowable as a claim in any such proceeding), (ii) all Reimbursement Obligations of such Obligor with respect to any Letter of Credit issued pursuant to the Credit Agreement and all interest payable by such Obligor thereon (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Obligor, whether or not allowed or allowable as a claim in any such proceeding), (iii) if such Obligor is a Subsidiary Guarantor, all amounts payable by such Obligor under the Guarantee Agreement, (iv) all other amounts payable by such Obligor under the Loan Documents, (v) all Hedging Obligations of such Obligor, and (vi) any amendments, restatements, renewals, extensions or modifications of any of the foregoing; provided that the Secured Obligations of each Subsidiary Guarantor described in clause (iii) above and any amendment, restatement, renewal, extension or modification thereof described in clause (vi) above (collectively, with respect to each Subsidiary Guarantor, such Subsidiary Guarantor's "Subsidiary Guaranteed Obligations"), shall be subordinate and junior in rank with respect to payment to the other Secured Obligations of such Subsidiary Guarantor for purposes of this Pledge Agreement. Pursuant to the proposed Amendment No. 4 to the Existing Credit Agreement, upon satisfaction of the conditions precedent set forth therein, the Credit Agreement will be amended and restated to include certain Subsidiaries of the Company as borrowers under the Credit Agreement, and the parties hereto agree that, upon effectiveness of such amendment and restatement, for purposes of the definition of "Secured Obligations", the term "Obligors" will mean the Company, any of its Subsidiaries that are borrowers under the Credit Agreement and the Subsidiary Guarantors, and "Obligor" will mean any one of them.

"Secured Parties" means the Banks, the LC Agent, the Swingline Bank, the Administrative Agent and the Lead Arrangers.

"Security Interests" means the security interests in the Collateral granted hereunder securing the Secured Obligations.

"Subsidiary Equity Interests" means, with respect to each Issuer listed on Schedule 1 hereto, the capital stock or other equity interests listed on Schedule 1 hereto opposite such Issuer's name, which capital stock or other equity interests constitute 65% of the aggregate outstanding capital stock or other equity interests of such Issuer.

Unless otherwise defined herein, or unless the context otherwise requires, all terms used herein which are defined in the New York Uniform Commercial Code as in effect on the date hereof shall have the meanings therein stated.

Section 2. Representations and Warranties. Each Obligor represents and warrants as follows:

(a) Title to Pledged Equity Interests. Such Obligor owns all of its Pledged Equity Interests, free and clear of any Liens other than the Security Interests and Liens permitted under Section 5.06(a)(ix) of the Credit Agreement. All of the Pledged Equity Interests of such Obligor have been duly authorized and validly issued, and are fully paid and non-assessable, and are subject to no options to purchase or similar rights of any Person. The Persons listed on Schedule 1 under the name of such Obligor constitute all of the Persons that are Direct Subsidiaries of such Obligor on the date hereof (other than any Excluded Subsidiaries) and all of such Persons are wholly-owned Direct Subsidiaries (excluding directors' qualifying shares). The Pledged Equity Interests of such Obligor represent 65% of the aggregate capital stock and other equity interests held by such Obligor of any Person that is a Direct Subsidiary (other than any Excluded Subsidiary) and is a Foreign Subsidiary. Such Obligor is not and will not become a party to or otherwise bound by any agreement, other than this Agreement and any additional pledge agreements referred to in Section 2(b) which restricts in any manner the rights of any present or future holder of any of the Pledged Equity Interests of such Obligor with respect thereto.

(b) Validity, Perfection and Priority of Security Interests. (i) A UCC-1 financing statement naming such Obligor as debtor and the Administrative Agent as secured party has been filed in each of the jurisdictions referred to in Section 2(c) with respect to such Obligor.

[representation regarding steps needed to perfect in each foreign jurisdiction to come once jurisdictions have been identified]

(ii) Other than as set forth in the preceding clauses of this Section, no registration, recordation or filing with any governmental body, agency or official or any other Person is required in connection with the execution or delivery of this Agreement or necessary for the validity or enforceability hereof or for the perfection or enforcement of the Security Interests in any of the Collateral of any Obligor.

(iii) Neither such Obligor nor any of its Subsidiaries has performed or will perform any acts which could reasonably be expected to prevent the Administrative Agent from enforcing any of the terms and conditions of this

Agreement or which would limit the Administrative Agent in any such enforcement.

(c) UCC Filing Locations. The chief executive office of each Obligor is located at the address set forth on the signature pages hereof. With respect to each Obligor, under the Uniform Commercial Code as in effect in the State in which such office is located, a local filing in [ ] is required to perfect a security interest consisting of general intangibles.

Section 3. Grant of the Security Interests. (a) In order to secure the full and punctual payment of the Secured Obligations in accordance with the terms thereof, each Obligor hereby collaterally assigns and pledges to and with the Administrative Agent for the benefit of the Secured Parties and grants to the Administrative Agent for the benefit of the Secured Parties security interests in:

(i) the Pledged Equity Interests of such Obligor and all of its rights and privileges with respect to such Pledged Equity Interests;

(ii) all interest, dividends, earnings, income, profits and other payments and distributions with respect to any and all of the foregoing, and all proceeds of any and all of the foregoing (the items in clauses (i) through (ii), inclusive, being collectively referred to, with respect to such Obligor, as the "Collateral" of such Obligor).

(b) In the event that any Person becomes a Direct Subsidiary (other than an Excluded Subsidiary) of an Obligor after the date hereof, such Obligor will promptly, and in any event within 45 days after such event (or such other number of days as the Administrative Agent and such Obligor may agree to), pledge and deposit with the Administrative Agent certificates representing shares of capital stock or other equity interests of such Person held by such Obligor as additional security for the Secured Obligations of such Obligor and take such other steps as may be necessary or appropriate, or as the Administrative Agent shall reasonably request, to ensure that such shares of capital stock or other equity interests constitute additional security for the Secured Obligations of such Obligor, and that the Security Interests therein are perfected, first priority security interests; provided that no Obligor shall be required to pledge or deposit any certificates or take any other steps pursuant to this subsection (b) to the extent that after giving effect to any such pledge or deposit, or the taking of any such step, shares of capital stock or other equity interests representing more than 65% of the aggregate capital stock or other equity interests of any Direct Subsidiary that is a Foreign Subsidiary would be in pledge or deposit hereunder.

(c) In the event that any Issuer at any time issues to any Obligor any additional or substitute shares of capital stock of any class or any other equity interests of any class such Obligor will promptly, and in any event within 45 days after such event (or such other number of days as the Administrative Agent and such Obligor may agree to), pledge and deposit with the Administrative Agent certificates representing all such shares of capital stock or other equity interests as additional security for the Secured Obligations of such Obligor and take such other steps as may be necessary or appropriate, or as the Administrative Agent shall reasonably request, to ensure that such shares of capital stock or other equity interests constitute additional security for the Secured Obligations of such Obligor, and that the Security Interests therein are perfected, first priority security interests; provided that no Obligor shall be required to pledge or deposit any certificates or take any other steps pursuant to this subsection (c) to the extent that after giving effect to any such pledge or deposit, or the taking of any such step, shares of capital stock or other equity interests representing more than 65% of the aggregate capital stock or other equity interests of any Direct Subsidiary that is a Foreign Subsidiary would be in pledge or deposit hereunder.

(d) Any Excluded Subsidiary of any Obligor shall cease to be an Excluded Subsidiary on the first day on which such Obligor shall be able to pledge the capital stock or other equity interests of such Direct Subsidiary hereunder without triggering a requirement to equally and ratably secure securities issued under the Indenture. Promptly, and in any event within 45 days after any Excluded Subsidiary of any Obligor shall cease to be an Excluded Subsidiary (or such other number of days as the Administrative Agent and such Obligor may agree to), such Obligor will pledge and deposit with the Administrative Agent certificates representing shares of capital stock or other equity interests of such Direct Subsidiary as additional security for the Secured Obligations of such Obligor and take such other steps as may be necessary or appropriate, or as the Administrative Agent shall reasonably request, to ensure that such shares of capital stock or other equity interests constitute additional security for the Secured Obligations of such Obligor, and that the Security Interests therein are perfected, first priority security interests; provided that no Obligor shall be required to pledge or deposit any certificates or take any other steps pursuant to this subsection (d) to the extent that after giving effect to any such pledge or deposit, or the taking of any such step, shares of capital stock or other equity interests representing more than 65% of the aggregate capital stock or other equity interests of any Direct Subsidiary that is a Foreign Subsidiary would be in pledge or deposit hereunder.

(e) Any shares of capital stock or other equity interests pledged by any Obligor to the Administrative Agent pursuant to subsections (b), (c) or (d)

above constitute Pledged Equity Interests of such Obligor and are subject to all provisions of this Agreement.

(f) The Security Interests are granted as security only and shall not subject the Administrative Agent or any Secured Party to, or transfer or in any way affect or modify, any obligation or liability of any Obligor or any of its Subsidiaries with respect to any of the Collateral or any transaction in connection therewith.

Section 4. Delivery of Pledged Equity Interests. Unless otherwise required by the laws of any jurisdiction in order to perfect the Security Interests in Collateral the perfection of which is governed by the laws of such jurisdiction, all certificates representing Pledged Equity Interests of any Obligor shall be delivered to the Administrative Agent in the State of New York by such Obligor pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, and accompanied by any required transfer tax stamps, all in form and substance reasonably satisfactory to the Administrative Agent.

Section 5. Further Assurances. Each Obligor agrees that it will, at its expense and in such manner and form as the Administrative Agent may reasonably require, execute, deliver, file and record any financing statement, specific assignment, supplemental pledge agreement, confirmation or other paper and take any other action that may be necessary or desirable, or that the Administrative Agent may reasonably request, in order to create, preserve, perfect or validate any Security Interest or to enable the Administrative Agent to exercise and enforce its rights hereunder with respect to any of the Collateral of such Obligor. Each Obligor agrees that it will not change its name, identity or corporate structure in any manner or the location of its chief executive office in the United States unless, in each case, it shall have given the Administrative Agent not less than 30 days' prior notice thereof.

Section 6. Record Ownership of Pledged Equity Interests. If an Event of Default shall have occurred and be continuing, the Administrative Agent may, in its sole discretion, cause any or all of the Pledged Equity Interests to be transferred of record into the name of the Administrative Agent or its nominee. Each Obligor will promptly give to the Administrative Agent copies of any notices or other communications received by it with respect to Pledged Equity Interests registered in the name of such Obligor and the Administrative Agent will promptly give to each Obligor copies of any notices and communications received by the Administrative Agent with respect to Pledged Equity Interests of such Obligor registered in the name of the Administrative Agent or its nominee.

Section 7. Right to Receive Distributions on Collateral. The Administrative Agent shall have the right to receive and, during the continuance of any Event of Default, to retain as Collateral hereunder all dividends, interest and other payments and distributions made upon or with respect to the Collateral of each Obligor and each Obligor shall take all such action as the Administrative Agent may deem necessary or appropriate to give effect to such right; provided that unless an Event of Default has occurred and is continuing, the foregoing sentence shall not apply to Cash Distributions. All such dividends, interest and other payments and distributions which are received by any Obligor (except Cash Distributions received when no Event of Default has occurred and is continuing) shall be received in trust for the benefit of the Secured Parties and, if the Administrative Agent so directs during the continuance of an Event of Default, shall be segregated from other funds of such Obligor and shall, forthwith upon demand by the Administrative Agent during the continuance of an Event of Default, be paid over to the Administrative Agent as Collateral in the same form as received (with any necessary endorsement). After all Events of Defaults have been cured, the Administrative Agent's right to retain dividends, interest and other payments and distributions (including Cash Distributions) under this Section 7 shall cease and the Administrative Agent shall pay over to each Obligor any such Collateral of such Obligor retained by it during the continuance of an Event of Default.

Section 8. Right to Vote Pledged Equity Interests. Unless an Event of Default shall have occurred and be continuing, each Obligor shall have the right, from time to time, to vote and to give consents, ratifications and waivers with respect to its Pledged Equity Interests, and the Administrative Agent shall, upon receiving a written request from any Obligor accompanied by a certificate signed by a Responsible Officer of the Company stating that no Event of Default has occurred and is continuing, deliver to such Obligor or as specified in such request such proxies, powers of attorney, consents, ratifications and waivers in respect of any of its Pledged Equity Interests which is registered in the name of the Administrative Agent or its nominee as shall be specified in such request and be in form and substance satisfactory to the Administrative Agent.

If an Event of Default shall have occurred and be continuing, the Administrative Agent shall have the right to the extent permitted by law and each Obligor shall take all such action as may be necessary or appropriate to give effect to such right, to vote and to give consents, ratifications and waivers, and take any other action with respect to any or all of the Pledged Equity Interests of such Obligor with the same force and effect as if the Agent were the absolute and sole owner thereof.

Section 9. General Authority. Each Obligor hereby irrevocably appoints the Administrative Agent its true and lawful attorney, with full power of substitution, in the name of such Obligor, the Administrative Agent, the Secured Parties or otherwise, for the sole use and benefit of the Secured Parties, but at the expense of such Obligor, to the extent permitted by law, to exercise at any time and from time to time while an Event of Default has occurred and is continuing, all or any of the following powers with respect to all or any of the Collateral:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, transfer, assign or otherwise deal in or with the same or the proceeds or avails thereof, as fully and effectually as if the Administrative Agent were the absolute owner thereof, and

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;

provided that the Administrative Agent shall give each Obligor not less than ten days' prior notice of the time and place of any sale or other intended disposition of any of the Collateral of such Obligor. The Administrative Agent and each Obligor agree that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the Uniform Commercial Code.

Section 10. Remedies upon Event of Default. If any Event of Default shall have occurred and be continuing, the Administrative Agent may exercise on behalf of the Secured Parties all the rights of a secured party after default under the Uniform Commercial Code (whether or not in effect in the jurisdiction where such rights are exercised) and, in addition, the Administrative Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (i) withdraw all cash, if any, then held by it as Collateral and apply it as specified in Section 13 and (ii) if there shall be no such cash or if such cash shall be insufficient to pay all the Secured Obligations in full, sell the Collateral or any part thereof at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, and at such price or prices as the Administrative Agent may reasonably deem satisfactory. Any Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale).

The Administrative Agent is authorized, in connection with any such sale, if it deems it advisable so to do, (a) to restrict the prospective bidders on or purchasers of any of the Pledged Equity Interests to a limited number of sophisticated investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any of such Pledged Equity Interests, (b) to cause to be placed on certificates for any or all of the Pledged Equity Interests or on any other securities pledged hereunder a legend to the effect that such security has not been registered under the Securities Act of 1933, as amended, and may not be disposed of in violation of the provision of said Act, and (c) to impose such other limitations or conditions in connection with any such sale as the Administrative Agent reasonably deems necessary or advisable in order to comply with said Act or any other law. Each Obligor will execute and deliver such documents and take such other action as the Administrative Agent reasonably deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Administrative Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of any Obligor which may be waived, and each Obligor, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice of such sale required by Section 9 shall (1) in the case of a public sale, state the time and place fixed for such sale, (2) in the case of a sale at a broker's board or on a securities exchange, state the board or exchange at which such sale is to be made and the day on which the Collateral, or the portion thereof so being sold, will first be offered for sale at such board or exchange, and (3) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Administrative Agent may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may determine. The Administrative Agent shall not be obligated to make any such sale pursuant to any such notice. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned, subject to the Administrative Agent giving the notice required to be given pursuant to Section 9. In the case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the selling price is paid by the purchaser thereof, but the Administrative Agent shall not incur any liability in the case of the failure of such purchaser to take up and pay for the Collateral so sold and, in the case of any such failure, such Collateral may again be sold upon like notice.

The Administrative Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

Section 11. Expenses. Each Obligor agrees that it will forthwith upon demand pay to the Administrative Agent:

(a) the amount of any taxes which the Administrative Agent may have been required to pay by reason of the Security Interests or to free any of the Collateral of such Obligor from any Lien thereon, and

(b) the amount of any and all out-of-pocket expenses, including the reasonable fees and disbursements of counsel and of any other experts, which the Administrative Agent may incur in connection with (i) the enforcement of this Agreement, including such expenses as are incurred to preserve the value of the Collateral of such Obligor and the validity, perfection, rank and value of any Security Interest, (ii) the collection, sale or other disposition of any of the Collateral of such Obligor, (iii) the exercise by the Administrative Agent of any of the rights conferred upon it hereunder, or (iv) any Default.

Any such amount not paid in a timely manner shall bear interest at the rate applicable to Base Rate Loans from time to time and shall be an additional Secured Obligation hereunder.

Section 12. Limitation on Duty of Administrative Agent in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Administrative Agent shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any agent or bailee selected by the Administrative Agent in good faith.

Section 13. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral pledged by any Obligor shall be applied by the Administrative Agent in the following order of priorities:

first, to pay the expenses of such sale or other realization, including reasonable compensation to agents and counsel for the Administrative Agent, and all expenses, liabilities and advances incurred or made by the Administrative Agent in connection therewith, and any other unreimbursed expenses for which any Secured Party is to be reimbursed pursuant to the Credit Agreement (including without limitation Section 9.03(a) thereof) or Section 11 hereof and any unpaid fees owing to any Secured Party under the Loan Documents;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations of such Obligor (other than, in the case of any Subsidiary Guarantor, its Subsidiary Guaranteed Obligations) in accordance with the provisions of the Credit Agreement;

third, to the ratable payment of unpaid principal of, and reimbursement obligations constituting, the Secured Obligations of such Obligor (other than, in the case of any Subsidiary Guarantor, its Subsidiary Guaranteed Obligations);

fourth, in the case of any Subsidiary Guarantor, to the ratable payment of accrued but unpaid interest on its Subsidiary Guaranteed Obligations, until all such Secured Obligations shall have been paid in full;

fifth, in the case of any Subsidiary Guarantor, to the ratable payment of unpaid principal of, and reimbursement obligations constituting its Subsidiary Guaranteed Obligations, until all such Secured Obligations shall have been paid in full;

sixth, to pay ratably all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, to pay to such Obligor or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

The Administrative Agent may make distributions hereunder in cash or in kind or, on a ratable basis, in any combination thereof. For purposes of making any distribution hereunder, the principal amount of any Hedging Obligation shall be the amount of the relevant Obligor's Hedging Obligations due and payable at the time such distribution is made.

Section 14. Concerning the Administrative Agent. The provisions of Article 7 of the Credit Agreement shall inure to the benefit of the Administrative Agent in respect of this Agreement and shall be binding upon the parties to the Credit Agreement and the parties hereto in such respect. In furtherance and not in derogation of the rights, privileges and immunities of the Administrative Agent therein set forth:

(a) The Administrative Agent is authorized to take all such action as is provided to be taken by it as Administrative Agent hereunder and all other action reasonably incidental thereto. As to any matters not expressly provided for herein (including, without limitation, the timing and methods of realization upon the Collateral) the Administrative Agent shall act or refrain from acting in accordance with written instructions from the Required Banks or, in the absence of such instructions, in accordance with its discretion.

(b) The Administrative Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Security Interests in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder. The Administrative Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Agreement by any Obligor.

Section 15. Appointment of Co-agents. At any time or times, in order to comply with any legal requirement in any jurisdiction, the Administrative Agent may appoint another bank or trust company or one or more other persons, either to act as co-agent or co-agents, jointly with the Administrative Agent, or to act as separate agent or agents on behalf of the Secured Parties with such power and authority as may be necessary for the effectual operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the discretion of the Administrative Agent, include provisions for the protection of such co-agent or separate agent similar to the provisions of Section 14).

Section 16. Termination of Security Interests; Release of Collateral. (a) Upon the repayment in full of all Secured Obligations (other than those described in clause (v) of the definition thereof and any amendments, restatements, renewals, extensions or modifications thereof), the termination of the Commitments under the Credit Agreement and the termination or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent), the Security Interests shall terminate and all rights to the Collateral of each Obligor shall revert to such Obligor.

(b) Upon the consummation of any Asset Sale (or any sale or other disposition described in clause (iv) of the definition of Asset Sale) permitted by the terms of the Credit Agreement and consisting of the disposition of any Collateral or of the capital stock of any Obligor other than the Company (any such transaction, a "Permitted Collateral Sale"), the Security Interests in such Collateral or in the Collateral pledged by such Obligor, as the case may be (but not, in any case, in any Proceeds thereof) shall be released. Such release shall not be subject to the consent of any Bank, and the Administrative Agent shall be fully protected in relying on a certificate of an Obligor as to whether any particular transaction consummated by such Obligor constitutes a Permitted Collateral Sale.

(c) In addition to the release of Collateral effected by subsection (b), at any time and from time to time prior to the termination of the Security Interests, the Administrative Agent may release any of the Collateral with the prior written consent of the Required Banks; provided that the Administrative Agent may release all or substantially all of the Collateral (for purposes of this subsection (c), as defined in the Credit Agreement) only with the prior written consent of all the Banks.

(d) Upon any termination of the Security Interests or release of Collateral in accordance with this Section, the Administrative Agent will, at the expense of the relevant Obligor, execute and deliver to such Obligor such documents as such Obligor shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

Section 17. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party at its address or facsimile number set forth on the signature pages hereof or at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by facsimile, when transmitted to the facsimile number referred to in this Section and confirmation of receipt is received, or (ii) if given by any other means, when delivered at the address referred to in this Section.

Section 18. Waivers, Non-Exclusive Remedies. No failure on the part of the Administrative Agent to exercise, and no delay in exercising and no course of dealing with respect to, any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by the Administrative Agent of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other remedies provided by law.

Section 19. Successors and Assigns. This Agreement shall be binding upon each Obligor and its successors and permitted assigns. This Agreement is for the benefit of each Secured Party and its successors and permitted assigns, and in the event of an assignment of all or any of any Bank's interest in and to its rights and obligations under the Credit Agreement in accordance with the Credit Agreement, the assignor's rights hereunder, to the extent applicable to the indebtedness or obligation so assigned, shall automatically be transferred with such indebtedness or obligation.

Section 20. Changes in Writing. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor and the Administrative Agent, subject to the provisions of Section 9.05(b) of the Credit Agreement.

Section 21. New York Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

Section 22. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Parties in order to carry out the intentions of the parties hereto as nearly as may be possible; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

Section 23. Additional Obligors. Any Subsidiary Guarantor may become an Obligor party hereto and bound hereby by executing a counterpart hereof and delivering the same to the Administrative Agent.

Section 24. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VENATOR GROUP, INC.

By:_____
Name:
Title:

EASTBAY, INC.
EVENATOR, INC.
FOOT LOCKER JAPAN, INC.
GEORGETOWN CONSTRUCTION CORPORATION
NORTHERN REFLECTIONS, INC.
RETAIL COMPANY OF GERMANY, INC.
RICHMAN BROTHERS COMPANY
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
THE SAN FRANCISCO MUSIC BOX COMPANY
VENATOR GROUP CORPORATE SERVICES, INC.
VENATOR GROUP HOLDINGS, INC.
VENATOR GROUP RETAIL, INC.
VENATOR GROUP SOURCING, INC.
VENATOR GROUP SPECIALITY, INC.

By:_____
Name:
Title:

THE BANK OF NEW YORK, as
Administrative Agent

By:_____
Name:
Title:

Schedule 1

Stock Pledged by Venator Group, Inc.

Issuer	Number of Shares	Certificate Number
Venator Group (Australia) Ltd.		
Foot Locker Austria GmbH		
Foot Locker Belgium N.V.		
Foot Locker Denmark ApS		
Foot Locker Europe, B.V.		
Foot Locker France S.A.		
Foot Locker Italy S.r.l.		
Foot Locker Japan K.K.		
Foot Locker Netherlands B.V.		
Foot Locker Spain S.L.		
Foot Locker Sweden AB		
Foot Locker UK Limited		
Woolworth Holding S.A. de C.V.		

EXHIBIT H

GUARANTEE AGREEMENT

GUARANTEE AGREEMENT dated as of March ___, 1999 among each of the Subsidiaries of the Company (as defined below) listed on the signature pages hereof and each other Subsidiary of the Company that may from time to time become a party hereto in accordance with Section 19 (each such Subsidiary, with its successors, a "Subsidiary Guarantor") and The Bank of New York, as Administrative Agent (with its successors, the "Administrative Agent"), for the benefit of the Bank Parties (as defined in the Credit Agreement referred to below).

W I T N E S S E T H :
- - - - - - - - - - -

WHEREAS, Venator Group, Inc., a New York corporation (with its successors, the "Company"), the banks party thereto (the "Existing Banks"), the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent and The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank are parties to a Credit Agreement dated as of April 9, 1997 (as in effect immediately prior to the effectiveness of Amendment No. 3 referred to below, the "Existing Credit Agreement" and, as amended by Amendment No. 3 and as further amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, pursuant to Amendment No. 3 to the Existing Credit Agreement dated as of the date hereof ("Amendment No. 3") among the Company, the Existing Banks, the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto, the parties to the Existing Credit Agreement desire to amend and restate the Existing Credit Agreement as provided therein, subject to satisfaction of the conditions set forth therein; and

WHEREAS, it is a condition to effectiveness of the amendment to the Existing Credit Agreement effected by Amendment No. 3 that each Subsidiary Guarantor enter into a Guarantee Agreement substantially in the form hereof; and

WHEREAS, in consideration of the financial and other support that the Company has provided, and such financial and other support as the Company may in the future provide, to the Subsidiary Guarantors, the Subsidiary Guarantors are willing to enter into this Guarantee Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein, except that the term "Loan Documents" shall include any document with respect to any Hedging Obligations. Pursuant to the proposed Amendment No. 4 to the Existing Credit Agreement ("Amendment No. 4"), upon satisfaction of the conditions precedent set forth therein, the Credit Agreement will be amended and restated to include certain Subsidiaries of the Company as borrowers under the Credit Agreement, and the parties hereto agree that, upon effectiveness of such amendment and restatement, the term "Obligors" will mean the Company, any of its Subsidiaries that are borrowers under the Credit Agreement and the Subsidiary Guarantors, and "Obligor" will mean any one of them. The following additional terms, as used herein, have the following meanings:

"Guaranteed Obligations" means, with respect to each Subsidiary Guarantor, (i) all principal of and interest and premium (if any) on any Loan or Swingline Loan payable by the Company or any other Obligor (other than such Subsidiary Guarantor) under, or any Note or Swingline Note issued pursuant to, the Credit Agreement (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Company or such other Obligor, whether or not allowed or allowable as a claim in any such proceeding), (ii) all Reimbursement Obligations of the Company or any other Obligor (other than such Subsidiary Guarantor) with respect to any Letter of Credit issued pursuant to the Credit Agreement and all interest payable by the Company or such other Obligor thereon (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Company or such other Obligor, whether or not allowed or allowable as a claim in any such proceeding), (iii) all Hedging Obligations of the Company or any other Obligor (other than such Subsidiary Guarantor), (iv) all other amounts payable by the Company or any other Obligor (other than such Subsidiary Guarantor) under the Loan Documents and (v) any renewals, extensions or modifications of any of the foregoing.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement.

"Hedging Obligations" means, with respect to any Obligor, all obligations of such Obligor under any Hedging Agreement between such Obligor and any Bank Party (or any affiliate of any Bank Party).

Section 2. The Guarantees. Each of the Subsidiary Guarantors, jointly and severally, hereby unconditionally guarantees the full and punctual payment when due (whether at stated maturity, upon acceleration or otherwise) of the Guaranteed Obligations. Upon failure by any Obligor to pay punctually any Guaranteed Obligation when due, each Subsidiary Guarantor agrees jointly and severally that it shall forthwith on demand pay such Guaranteed Obligation at the place and in the manner specified in the Credit Agreement or the other relevant Loan Document, as the case may be.

Section 3. Guarantees Unconditional. The obligations of each Subsidiary Guarantor hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of any Obligor or any other Person under any Loan Document, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to any Loan Document or any Letter of Credit (including without limitation any amendment and restatement of the Credit Agreement pursuant to the proposed Amendment No. 4, a copy of which has been delivered to such Subsidiary Guarantor);

(iii) any release, impairment, non-perfection or invalidity of any direct or indirect security for any obligation of any Obligor or any other Person under any Loan Document or with respect to any Letter of Credit;

(iv) any change in the corporate existence, structure or ownership of any Obligor or any other Person or any of their respective subsidiaries, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Obligor or any other Person or any of their respective subsidiaries or any of their respective assets or any resulting release or discharge of any obligation of any Obligor or any other Person contained in any Loan Document;

(v) the existence of any claim, set-off or other rights which such Subsidiary Guarantor may have at any time against any other Obligor or any Bank Party, whether in connection herewith or with any unrelated transactions;

provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(vi) any invalidity or unenforceability relating to or against any Obligor or any other Person for any reason of any Loan Document or any Letter of Credit, or any provision of applicable law or regulation purporting to prohibit the payment by any Obligor or any other Person of the principal of or interest on any Loan, any Swingline Loan, any Note, any Swingline Note or any Reimbursement Obligation or any other amount payable by any Obligor under any Loan Document; or

(vii) any other act or omission to act or delay of any kind by any Obligor, any Bank Party or any other party to any Loan Document, or any other circumstance whatsoever which might, but for the provisions of this Section, constitute a legal or equitable discharge of or defense to obligations of such Subsidiary Guarantor hereunder.

Section 4. Discharge Only upon Payment in Full; Reinstatement In Certain Circumstances; Release of Subsidiary Guarantors. (a) Each Subsidiary Guarantor's obligations hereunder shall remain in full force and effect until the repayment in full of all Guaranteed Obligations, the termination of all Commitments under the Credit Agreement and the expiration or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent). If at any time any payment of any Guaranteed Obligation is rescinded or must be otherwise restored or returned upon the insolvency or receivership of the Company or any other Obligor or otherwise, each Subsidiary Guarantor's obligations hereunder with respect thereto shall be reinstated as though such payment had been due but not made at such time.

(b) Upon (w) the consummation of any Asset Sale (or any sale or other disposition described in clause (iv) of the definition of Asset Sale) permitted by the terms of the Credit Agreement and consisting of the disposition of all of the capital stock of a Subsidiary Guarantor (any such transaction, a "Guarantor Asset Sale"), (x) if applicable, application of the proceeds of such Guarantor Asset Sale in accordance with the provisions of the Credit Agreement, (y) release of such Subsidiary Guarantor from its obligations under any Guarantee of any other Debt of the Company or any of its Subsidiaries (including without limitation any New Subordinated Debt, any Other Refinancing Debt or any Debt of the Company described in clause (v) of the parenthetical set forth in Section 5.09 of the Credit Agreement) (or automatic termination of the obligations of such Subsidiary Guarantor under any such Guarantee) and (z) if such Subsidiary

Guarantor is a borrower under the Credit Agreement, repayment in full of all outstanding Loans made to it and all Reimbursement Obligations owed by it and cancellation or termination of all Letters of Credit issued for its account (or the assumption on the terms set forth in the Credit Agreement by the Company or any other borrower under the Credit Agreement of the reimbursement obligations with respect to such Letters of Credit), such Subsidiary Guarantor shall be released from all of its obligations hereunder (and such release shall not require the consent of any Bank Party). The Administrative Agent shall be fully protected in relying on a certificate of the Company as to whether any particular transaction constitutes a Guarantor Asset Sale, whether the proceeds of such Guarantor Asset Sale have been applied in accordance with the provisions of the Credit Agreement, and whether the releases from, or termination of, any applicable Guarantees by such Subsidiary Guarantor have been effected.

(c) In addition to the release of any Subsidiary Guarantor from its obligations hereunder permitted pursuant to subsection (b), at any time and from time to time prior to the termination of each Subsidiary Guarantor's obligations hereunder, the Administrative Agent may release any Subsidiary Guarantor from its obligations hereunder with the prior written consent of the Required Banks; provided that any release of all or substantially all of the Subsidiary Guarantors shall require the consent of all of the Banks.

Section 5. Waiver by the Subsidiary Guarantors. Each Subsidiary Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice, as well as any requirement that at any time any action be taken by any Person against such Subsidiary Guarantor, any other Subsidiary Guarantor, the Company or any other Person.

Section 6. Subrogation and Contribution. Upon making any payment hereunder with respect to the obligations of any Obligor, each Subsidiary Guarantor shall be subrogated to the rights of the payee against such Obligor with respect to the portion of such obligation paid by such Subsidiary Guarantor; provided that such Subsidiary Guarantor shall not enforce any payment by way of subrogation, or by reason of contribution, against any other guarantor of the Guaranteed Obligations (including without limitation any other Subsidiary Guarantor), until the repayment in full of all Guaranteed Obligations of all Subsidiary Guarantors, the termination of the Commitments under the Credit Agreement and the expiration or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent).

Section 7. Stay of Acceleration. If acceleration of the time for payment of any Guaranteed Obligations payable by any Subsidiary Guarantor is stayed upon the insolvency, bankruptcy or reorganization of such Subsidiary Guarantor or otherwise, all such Guaranteed Obligations otherwise subject to acceleration under the terms of any Loan Document shall nonetheless be payable by each other Subsidiary Guarantor hereunder forthwith on demand by the Administrative Agent made at the request of the Required Banks.

Section 8. Representations and Warranties. Each Subsidiary Guarantor represents and warrants that:

(a) Such Subsidiary Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The execution, delivery and performance by such Subsidiary Guarantor of this Guarantee Agreement are within such Subsidiary Guarantor's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of such Subsidiary Guarantor or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

(c) This Guarantee Agreement constitutes a valid and binding agreement of such Subsidiary Guarantor.

(d) The obligations of such Subsidiary Guarantor hereunder rank (i) senior to any other Debt of such Subsidiary Guarantor with respect to the collateral pledged by such Subsidiary Guarantor, (ii) pari passu with other unsecured Debt of such Subsidiary Guarantor (other than any such Debt described in clause (iii)) with respect to any assets of such Subsidiary Guarantor (other than any collateral referred to in clause (i)) and (iii) senior to any other Debt of such Subsidiary Guarantor which by its terms is subordinated thereto, including without limitation any Guarantee of any New Subordinated Debt granted by such Guarantor.

Section 9. Amendments. Any provision of this Guarantee Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Subsidiary Guarantor and the Administrative Agent, subject to the provisions of Section 9.05(b) of the Credit Agreement.

Section 10. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party at its address or facsimile number set forth on the signature pages hereof or at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by facsimile, when transmitted to the facsimile number referred to in this Section and confirmation of receipt is received, or (ii) if given by any other means, when delivered at the address referred to in this Section.

Section 11. Taxes. Each Subsidiary Guarantor agrees to be bound by the provisions of Section 8.04 of the Credit Agreement with respect to any payments made by such Subsidiary Guarantor under this Guarantee Agreement.

Section 12. Continuing Guarantees. This Guarantee Agreement is a continuing Guarantee of each Subsidiary Guarantor and shall be binding upon each Subsidiary Guarantor and its successors and assigns. This Guarantee Agreement is for the benefit of each Bank Party and its successors and permitted assigns, and in the event of an assignment of all or any of any Bank's interest in and to its rights and obligations under the Credit Agreement in accordance with the Credit Agreement, the assignor's rights hereunder, to the extent applicable to the indebtedness or obligation so assigned, shall automatically be transferred with such indebtedness or obligation.

Section 13. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Bank Parties in order to carry out the intentions of the parties hereto as nearly as may be possible, and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

Section 14. Limitation on the Obligations of Subsidiary Guarantors. The obligations of each Subsidiary Guarantor hereunder shall be limited to an aggregate amount that is equal to the largest amount that would not render the obligations of such Subsidiary Guarantor hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of applicable law.

Section 15. Governing Law; Jurisdiction. This Guarantee Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Each Subsidiary Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Guarantee Agreement or the transactions contemplated hereby. Each Subsidiary Guarantor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 16. Appointment of Agent for Service Of Process. (a) Each Subsidiary Guarantor hereby irrevocably designates, appoints, authorizes and empowers as its agent for service of process, the secretary of Venator Group, Inc. to accept and acknowledge for and on behalf of such Subsidiary Guarantor service of any and all process, notices or other documents that may be served in any suit, action or proceeding relating hereto in any New York State or Federal court sitting in The State of New York.

(b) In lieu of service upon its agent, each Subsidiary Guarantor consents to process being served in any suit, action or proceeding relating hereto by mailing a copy thereof by registered or certified air mail, postage prepaid, return receipt requested, to its address set forth on the signature pages hereof, provided that a copy thereof is mailed concurrently to the Secretary of Venator Group, Inc. Each Subsidiary Guarantor agrees that such service (1) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (2) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon and personal delivery to it.

(c) Nothing in this Section shall affect the right of any party hereto to serve process in any manner permitted by law, or limit any right that any party hereto may have to bring proceedings against any other party hereto in the courts of any jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

Section 17. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTEE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 18. Counterparts. This Guarantee Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 19. Additional Guarantors. Any Subsidiary may become a Subsidiary Guarantor party hereto and bound hereby by executing a counterpart hereof and delivering the same to the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

EASTBAY, INC.
eVENATOR, INC.
FOOT LOCKER JAPAN, INC.
NORTHERN REFLECTIONS INC.
THE RICHMAN BROTHERS COMPANY
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
THE SAN FRANCISCO MUSIC BOX COMPANY
VENATOR GROUP CORPORATE SERVICES, INC.
VENATOR GROUP HOLDINGS, INC.
VENATOR GROUP RETAIL, INC.
VENATOR GROUP SOURCING, INC.
VENATOR GROUP SPECIALITY, INC.

By:_____
Name:
Title:

RETAIL COMPANY OF GERMANY, INC.

By:_____
Name:
Title:

THE BANK OF NEW YORK,
as Administrative Agent

By_____
Name:
Title:

EXHIBIT I

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, ____ among [ASSIGNOR] (the "Assignor") and [ASSIGNEE] (the "Assignee").

W I T N E S S E T H
- - - - - - - - - - -

WHEREAS, this Assignment and Assumption Agreement (the "Agreement") relates to the Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among Venator Group, Inc., the Banks Party thereto, Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto (as further amended from time to time, the "Credit Agreement");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Committed Loans to the Borrower and participate in Letters of Credit issued for the account of the Borrower in an aggregate amount at any time outstanding not to exceed $_____;

WHEREAS, Committed Loans made to the Borrower by the Assignor under the Credit Agreement in the aggregate principal amount of $_____ are outstanding at the date hereof; and 1/

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its Commitment thereunder in an amount equal to $_____ 2/ (the "Assigned Amount"), together with a corresponding portion of its outstanding Committed Loans and LC Exposure, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

- --------

1 This clause (and certain other provisions herein) should be modified to reflect the assignment of Money Market Loans if such Loans are being assigned.

2 Must be in an amount of not less than $5,000,000 if the Assignee was not a Bank immediately prior to such assignment.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein have the respective meanings set forth in the Credit Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment and purchases such rights from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Committed Loans made by, and the LC Exposure of, the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, [the Borrower]3/ and the Administrative Agent and the payment of the amounts specified in Section 3 hereof required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. (a) As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.4/ It is understood that facility fees accrued to the date hereof in respect of the Assigned Amount are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement or any other Loan Document which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

- --------

3 Include if Borrower's consent to assignment is required under Section 9.06(c) of the Credit Agreement

4 Amount should combine principal together with accrued interest and breakage compensation, if any, to be paid by the Assignee.

(b) The Assignor shall pay the $3,500 administrative fee to be paid by it to the Administrative Agent pursuant to Section 9.06(c) of the Credit Agreement.5

[SECTION 4. Consent of the Borrower and the Administrative Agent. This Agreement is conditioned upon the consent of the Borrower, the LC Agent, the Swingline Bank and the Administrative Agent pursuant to Section 9.06(c) of the Credit Agreement. The execution of this Agreement by the Borrower, the LC Agent, the Swingline Bank and the Administrative Agent is evidence of this consent. Pursuant to said Section 9.06(c) the Borrower is obligated to execute and deliver a Note payable to the order of the Assignee, if required, to reflect the assignment provided for herein.]

SECTION 5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Borrower or any other Obligor, or the validity and enforceability of the obligations of the Borrower or any other Obligor in respect of any Loan Document. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of any Obligor.

SECTION 6. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

- --------

5 Section 3(b) should be deleted if the assignment is required by the Borrower pursuant to Section 8.06 of the Credit Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By_____
Title:

[ASSIGNEE]

By_____
Title:

[Consented and agreed to:

VENATOR GROUP, INC.

By_____
Title:

THE BANK OF NEW YORK,
as Administrative Agent, LC Agent
and Swingline Bank

By_____
Title:]

EXHIBIT J

NOTICE OF COMMITTED BORROWING 1/

To The Bank of New York,
as Administrative Agent under
the Credit Agreement referred to below
One Wall Street
18 North
New York, New York 10286

Attention:_____

This notice shall constitute a "Notice of Committed Borrowing" pursuant to Section 2.02 of the Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among Venator Group, Inc., the Banks party thereto, the Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent (the "Administrative Agent"), LC Agent and Swingline Bank and the Lead Arrangers party thereto (as further amended from time to time, the "Credit Agreement"). Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Credit Agreement.

1. The date of Borrowing will be _____ __, ____.2/

2. The aggregate principal amount of the Borrowing will be $_____.3/

- ----------

1 To be delivered not later than 11:00 A.M. (New York City time) on (x) the date of each Base Rate Borrowing, (y) the second Domestic Business Day before each CD Borrowing and (z) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing.

2 The date of Borrowing shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in case of a Euro-Dollar Borrowing.

3 Each Borrowing shall be in an aggregate principal amount of $15,000,000 or any larger multiple of $1,000,000 and further subject to the provisions of clauses (i) and (ii) of Section 2.01 of the Credit Agreement.

3. The initial interest rate for the Loans comprising the Borrowing will be at [a Base Rate] [a CD Rate] [a Euro-Dollar Rate].

[4. The initial Interest Period for the Loans comprising the Borrowing will be _____.]4

VENATOR GROUP, INC.

By:_____
Title:

Date:

- ----------

4 This paragraph applies only if the Borrowing is a CD Borrowing or a Euro-Dollar Borrowing and is subject to the provisions of the definition of Interest Period.

EXHIBIT 10.34

[EXHIBIT A TO

AMENDMENT NO. 4]

$400,000,000

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

dated as of April 9, 1997

and

amended and restated as of

March 19, 1999

among

Venator Group, Inc.
(formerly known as Woolworth Corporation)

The Subsidiaries Party Hereto

The Banks Party Hereto

The Co-Agents Party Hereto

Bank of America National Trust & Savings Association
as Documentation Agent

The Bank of New York,
as Administrative Agent, LC Agent
and Swingline Bank

and

J.P. Morgan Securities Inc.
BNY Capital Markets, Inc.
NationsBank Montgomery Securities LLC,
as Lead Arrangers

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT dated as of April 9, 1997 and amended and restated as of March 19, 1999 among VENATOR GROUP, INC. (formerly known as Woolworth Corporation), the SUBSIDIARIES party hereto, the BANKS party hereto, the CO-AGENTS party hereto, BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, as Documentation Agent, THE BANK OF NEW YORK, as Administrative Agent, LC Agent and Swingline Bank, and the LEAD ARRANGERS party hereto.

WHEREAS, the Company, the banks party thereto (the "Existing Banks"), the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank, and the Lead Arrangers party thereto are parties to a Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as in effect immediately prior to the effectiveness of this Amended Agreement (as defined in Section 1.01 below), the "Existing Credit Agreement");

WHEREAS, the parties to the Existing Credit Agreement desire to amend and restate the Existing Credit Agreement as provided in this Amended Agreement subject to the terms and conditions set forth in Amendment No. 4 to the Existing Credit Agreement dated as of March 19, 1999 ("Amendment No. 4) among the Company, the Subsidiaries named as parties hereto, the Existing Banks, Bank of America National Trust & Savings Association, as Documentation Agent and The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank;

WHEREAS, all the conditions to effectiveness to Amendment No. 4 have been satisfied;

NOW, THEREFORE, the Existing Credit Agreement is amended and restated in its entirety as follows:

ARTICLE 1

Definitions

Section 1.01. Definitions. The following terms, as used herein, have the following meanings:

"Absolute Rate Auction" means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

"Adjusted CD Rate" has the meaning set forth in Section 2.07(b).

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.07(c).

"Administrative Agent" means The Bank of New York, in its capacity as administrative agent for the Banks under the Loan Documents, and its successors in such capacity.

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Company) duly completed by such Bank.

"Affiliate" means, (i) any Person that directly, or indirectly through one or more intermediaries, controls the Company (a "Controlling Person") or (ii) any Person (other than the Company or a Subsidiary) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to vote 10% or more of any class of voting securities of a Person or to direct or cause the direction of the management or policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agents" means the LC Agent, the Documentation Agent and the Administrative Agent.

"Aggregate LC Exposure" means, at any time, the sum, without duplication, of (i) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (ii) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time.

"Agreement", when used in reference to this Agreement, means the Amended Agreement, as it may be further amended or amended and restated from time to time.

"Amended Agreement" means this Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999.

"Amendment No. 4 " has the meaning set forth in the second WHEREAS clause.

"Annual Rent Expense" means, as of the end of each Fiscal Year (the "Relevant Fiscal Year") and the end of each of the first three Fiscal Quarters of the next Fiscal Year, the total rent expense (net of sublease income) of the Company and its Consolidated Subsidiaries for the Relevant Fiscal Year, calculated in the same manner as the $693,000,000 amount shown as such total rent expense (net of sublease income) for Fiscal Year 1995 under the heading "Leases" on page 29 of the Company's 1995 Annual Report to its shareholders, subject to the provisions of Section 1.02(b).

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office and (iii) in the case of its Money Market Loans, its Money Market Lending Office.

"Assessment Rate" has the meaning set forth in Section 2.07(b).

"Asset Sale" means any sale, lease or other disposition (including any such transaction effected by way of merger or consolidation) of any asset by the Company or any of its Subsidiaries, including without limitation any sale-leaseback transaction, whether or not involving a capital lease, and any sale of any interest in real estate (including without limitation a leasehold interest), including without limitation any disposition of a leasehold interest to the relevant landlord by way of early termination thereof, but excluding (i) dispositions of inventory, cash, cash equivalents and other cash management investments and obsolete, unused or unnecessary equipment, in each case in the ordinary course of business, (ii) dispositions of assets to the Company or a Subsidiary; provided that any such dispositions by an Obligor to a Subsidiary that is not a Subsidiary Guarantor shall be excluded pursuant to this clause (ii) only if consummated in the ordinary course of business, (iii) dispositions of any Real Property Held For Sale, but only if disposed of on or prior to its Final Disposition Date, and (iv) any disposition of assets not described in clauses (i) through (iii) hereof consummated in any Fiscal Year, but only to the extent that the Net Cash Proceeds therefrom,

together with the Net Cash Proceeds of all other dispositions consummated in such Fiscal Year and not constituting an "Asset Sale" by reliance on this clause (iv), do not exceed $5,000,000 (or, in the case of Fiscal Year 2002, $2,500,000).

"Assignee" has the meaning set forth in Section 9.06.

"Bank" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.06(c), and their respective successors. The term "Bank" does not include the Swingline Bank in its capacity as such.

"Bank of America" means Bank of America National Trust & Savings Association.

"Bank Parties" means the Banks, the Swingline Bank, the Agents and the Lead Arrangers.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

"Base Rate Loan" means a Committed Loan which bears interest at the Base Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or the provisions of Article 8.

"Base Rate Margin" has the meaning set forth in Section 2.07(a).

"Borrower" means the Company or any Subsidiary Borrower, as the context may require, and their respective successors, and "Borrowers" means all of the foregoing. When used in connection with a particular Loan or Swingline Loan or Letter of Credit, the term "Borrower" means the borrower (or proposed borrower) of such Loan or Swingline Loan or the borrower on whose request such Letter of Credit is (or is proposed to be) issued. As the context may require, the terms "Borrower" and "Borrowers" includes the Company in its capacity as guarantor of the obligations of the Subsidiary Borrowers hereunder.

"Borrowing" has the meaning set forth in Section 1.03.

"Business Acquisition" means (i) an Investment by the Company or any of its Subsidiaries in any other Person (including an Investment by way of acquisition of securities of any other Person) pursuant to which such Person shall become a Subsidiary or shall be merged into or consolidated with the Company or any of its Subsidiaries or (ii) an acquisition by the Company or any of its

Subsidiaries of the property and assets of any Person (other than the Company or any of its Subsidiaries) that constitute substantially all the assets of such Person or any division or other business unit of such Person. The description of any transaction as falling within the above definition does not affect any limitation on such transaction imposed by Article 5 of this Agreement.

"CD Base Rate" has the meaning set forth in Section 2.07(b).

"CD Loan" means a Committed Loan which bears interest at a CD Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election.

"CD Margin" has the meaning set forth in Section 2.07(b).

"CD Rate" means a rate of interest determined pursuant to Section 2.07(b) on the basis of an Adjusted CD Rate.

"CD Reference Banks" means The Bank of New York, Bank of America and Morgan.

"Co-Agents" means the Banks designated as Co-Agents on the signature pages hereof, in their respective capacities as Co-Agents in connection with the credit facility provided hereunder.

"Collateral" means the collateral purported to be subject to the Liens of all the Collateral Documents.

"Collateral Documents" means the Security Agreement, the Pledge Agreement, each mortgage entered into pursuant to Section 5.20(b) and any additional security agreements, pledge agreements, mortgages or other agreements required to be delivered pursuant to the Loan Documents to secure the obligations of the Obligors under the Loan Documents (including without limitation any additional pledge agreements delivered by any Obligor pursuant to the provisions of the Pledge Agreement), and any instruments of assignment or other instruments or agreements executed pursuant to the foregoing.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the Commitment Schedule (or, in the case of an Assignee, the portion of the transferor Bank's Commitment assigned to such Assignee pursuant to Section 9.06(c)), in each case as such amount may be reduced from time to time pursuant to Sections 2.10 and 2.11 or changed as a result of an assignment pursuant to Section 8.06 or 9.06(c). The term "Commitment" does not include the Swingline Commitment.

"Commitment Schedule" means the Commitment Schedule attached hereto.

"Committed Loan" means a loan made or to be made by a Bank pursuant to Section 2.01 or Section 2.18(f); provided that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Committed Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"Company" means Venator Group, Inc. (formerly known as Woolworth Corporation), a New York corporation, and its successors.

"Company's 1997 Form 10-K" means the Company's annual report on Form 10-K for the1997 Fiscal Year, as filed with the SEC pursuant to the Exchange Act.

"Company's Latest 10-Q" means the Company's quarterly report on Form 10-Q for the Fiscal Quarter ended October 31, 1998, as filed with the SEC pursuant to the Exchange Act.

"Consolidated Capital Expenditures" means, for any period, the gross additions to property, plant and equipment and other capital expenditures of the Company and its Consolidated Subsidiaries for such period, as the same are or would be set forth in the cash flow statement of the Company and its Consolidated Subsidiaries for such period (if such statement were prepared for such period), but excluding any such expenditures constituting a Business Acquisition permitted pursuant to Section 5.14 to the extent that the consideration paid by the Company and its Subsidiaries with respect thereto consists solely of common stock of the Company.

"Consolidated Debt" means at any date the Debt of the Company and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date in accordance with generally accepted accounting principles.

"Consolidated Tangible Net Worth" means at any date the consolidated shareholders' equity of the Company and its Consolidated Subsidiaries as of such date less their consolidated goodwill as of such date, adjusted to exclude the effect of any changes in the cumulative foreign currency translation adjustments.

"Continuing Director" means at any date a member of the Company's board of directors who was either (i) a member of such board twelve months prior to such date or (ii) nominated for election to such board by at least two-thirds of the Continuing Directors then in office.

"Credit Exposure" means, as to any Bank at any time:

(i) the amount of its Commitment (whether used or unused) at such time; or

(ii) if the Commitments have terminated in their entirety, the sum of (x) its Outstanding Committed Amount and (y) the aggregate outstanding principal amount of its Money Market Loans,

all determined at such time after giving effect to any prior assignments by or to such Bank pursuant to Section 8.06 or 9.06.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all non-contingent obligations (and, for purposes of Section 5.06 and the definition of Material Debt, all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (vii) all Guarantees by such Person of Debt of another Person (each such Guarantee to constitute Debt in an amount equal to the maximum amount of such other Person's Debt Guaranteed thereby).

"Debt Incurrence" means the incurrence or issuance of any Debt by the Company or any of its Subsidiaries other than (i) the Loans, the Swingline Loans and the Reimbursement Obligations, (ii) other Debt of the Company incurred under bank loan facilities and letter of credit facilities for the purpose of financing working capital and capital expenditures, (iii) Debt secured by a Lien permitted by Section 5.06(a)(ii), (iv) Debt owed to the Company or any Subsidiary, (v) Debt of any Subsidiary permitted by Section 5.09 and (vi) Debt of the Company not described in any of the foregoing clauses but only to the extent the Net Cash Proceeds from the incurrence or issuance thereof, in the aggregate, do not exceed $5,000,000.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Documentation Agent" means Bank of America in its capacity as documentation agent for the credit facility provided hereunder.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided that, when used in Section 2.17 with respect to any action to be taken by or with respect to the LC Agent, the term "Domestic Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the LC Office of the LC Agent is located.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Company and the Administrative Agent; provided that any Bank may so designate separate Domestic Lending Offices for its Base Rate Loans, on the one hand, and its CD Loans, on the other hand, in which case all references herein to the Domestic Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Domestic Loans" means CD Loans or Base Rate Loans or both.

"Domestic Reserve Percentage" has the meaning set forth in Section 2.07(b).

"EBIT" means, for any period, the sum of (i) the consolidated net income of the Company and its Consolidated Subsidiaries for such period plus (ii) to the extent deducted in determining such consolidated net income, the sum of (A) Interest Expense, (B) income taxes, (C) the after-tax effect of any extraordinary non-cash losses (or minus the after-tax effect of any extraordinary non-cash gains), (D) the before-tax effect of any non-recurring non-cash losses that are not classified as extraordinary losses (or minus the before-tax effect of any non- recurring non-cash gains that are not classified as extraordinary gains) and (E) any pre-tax loss (or minus any pre-tax gain) on the sale of any ownership or leasehold interest in real property, subject to the provisions of Section 1.02(b).

"EBITDA" means, for any period, (i) EBIT for such period plus (ii) to the extent deducted in determining consolidated net income for such period, depreciation and amortization.

"Effective Date" has the meaning set forth in Section 3.01.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, injunctions, permits, licenses and agreements relating to the protection of the environment, to the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, hazardous or toxic substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances or wastes or the clean-up or other remediation thereof.

"Equity Issuance" means any issuance of equity securities, or any sale or other transfer of treasury stock, by the Company or any of its Subsidiaries, other than (i) equity securities issued to, or treasury stock sold or transferred to, the Company or any of its Subsidiaries, (ii) common stock of the Company issued as consideration for a Business Acquisition permitted pursuant to Section 5.14 and (iii) equity securities of the Company issued pursuant to employee stock plans in an aggregate amount not to exceed $5,000,000.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Company, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any Subsidiary, are treated as a single employer under subsection (b), (c), (m) or (o) of Section 414 of the Internal Revenue Code.

"Escrow Account" has the meaning set forth in Section 5.17(b).

"Escrow Agent" has the meaning set forth in Section 5.17(b).

"Escrow Agreement" has the meaning set forth in Section 5.17(b).

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Company and the Administrative Agent.

"Euro-Dollar Loan" means a Committed Loan which bears interest at a Euro-Dollar Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election.

"Euro-Dollar Margin" has the meaning set forth in Section 2.07(c).

"Euro-Dollar Rate" means a rate of interest determined pursuant to Section 2.07(c) on the basis of an Adjusted London Interbank Offered Rate.

"Euro-Dollar Reference Banks" means the principal London offices of The Bank of New York, Bank of America and Morgan.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.07(c).

"Event of Default" has the meaning set forth in Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Existing Standby Letters of Credit" means the standby letters of credit listed on Schedule 1.01(c).

"Extension of Credit" means the making of a Loan or a Swingline Loan or the issuance or extension of a Letter of Credit.

"Facility Fee Rate" has the meaning set forth in Section 2.09.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next

succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to The Bank of New York on such day on such transactions as determined by the Administrative Agent.

"Final Disposition Date" means, with respect to any Real Property Held For Sale, the date identified as such by the Company to the Banks prior to the Effective Date with respect to such Real Property Held For Sale.

"Fiscal Quarter" means a fiscal quarter of the Company.

"Fiscal Year" means a fiscal year of the Company. A Fiscal Year is identified by the calendar year which includes approximately eleven months of such Fiscal Year (e.g., Fiscal Year 1998 refers to the Fiscal Year that ended on January 30, 1999).

"Fixed Charge Coverage Ratio" means, at the last day of any Fiscal Quarter, the ratio of (i) the sum of EBIT plus 1/3 of Annual Rent Expense, in each case for the four consecutive Fiscal Quarters then ended to (ii) the sum of Interest Expense plus 1/3 of Annual Rent Expense, in each case for the same four consecutive Fiscal Quarters.

"Fixed Rate Loan" means any loan except a Loan that bears interest at the Base Rate.

"Foreign Subsidiary" means any Subsidiary organized under the laws of a jurisdiction, and conducting substantially all its operations, outside the United States.

"Group of Loans" or "Group" means at any time a group of Committed Loans consisting of (i) all Committed Loans to the same Borrower which are Base Rate Loans at such time, (ii) all Euro-Dollar Loans to the same Borrower which have the same Interest Period at such time or (iii) all CD Loans to the same Borrower which have the same Interest Period at such time; provided that if a Committed Loan of any particular Bank is converted to or made as a Base Rate Loan pursuant to Section 8.02 or 8.05, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such

Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantee Agreement" means the Guarantee Agreement dated as of the Effective Date among the initial Subsidiary Guarantors and the Administrative Agent, substantially in the form of Exhibit H, as amended from time to time.

"Guarantor" means the Company, in respect of its obligations under Article 10, and any Subsidiary Guarantor, and "Guarantors" means all of them.

"Immaterial Subsidiary" means at any time any Subsidiary that (i) does not hold any material patents, trademarks or other intellectual property, (ii) on a consolidated basis, together with its Subsidiaries, holds assets with an aggregate fair market value of less than $2,000,000, (iii) on a consolidated basis, together with its Subsidiaries, does not account for more than 1% of the consolidated revenues of the Company and its Consolidated Subsidiaries and (iv) on a consolidated basis, together with its Subsidiaries, does not have consolidated net income in excess of $500,000. The determinations in clauses (ii), (iii) and (iv) shall be made on the basis of the financial statements most recently delivered by the Company to the Banks pursuant to Sections 5.01(a) or 5.01(b), as the case may be. The parties hereto acknowledge and agree that each of the trademarks listed on Schedule 1.01(a) is a material trademark.

"Indemnitee" has the meaning set forth in Section 9.03(b).

"Indenture" means the Indenture dated as of October 10, 1991 between the Company and The Bank of New York, as Trustee, as in effect on the Effective Date.

"Interest Expense" means, for any period, the consolidated interest expense (net of interest income) of the Company and its Consolidated Subsidiaries for such period, calculated in the same manner as the amounts shown as "interest expense, net" under the heading "Interest expense" on page F-4 of the Company's 1997 Form 10-K, subject to the provisions of Section 1.02(b).

"Interest Period" means: (1) with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Committed Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

(2) with respect to each CD Loan, a period commencing on the date of borrowing specified in the applicable Notice of Committed Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending 30, 60, 90 or 180 days thereafter, as the Borrower may elect in the applicable notice; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

(3) with respect to each Money Market LIBOR Loan, the period commencing on the date such Loan is made and ending such whole number of months thereafter as the Borrower may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

(4) with respect to each Money Market Absolute Rate Loan, the period commencing on the date such Loan is made and ending such number of days thereafter (but not less than 14 days) as the Borrower may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

"Investment' means any investment in any Person, whether by means of share purchase, capital contribution, loan, time deposit, Guarantee or otherwise.

"Invitation for Money Market Quotes" means an Invitation for Money Market Quotes substantially in the form of Exhibit D hereto.

"LC Agent" means The Bank of New York in its capacities as letter of credit agent in connection with the letter of credit facility provided hereunder and as the issuer of the letters of credit issued or to be issued hereunder, and its successors in such capacities; provided that, for purposes of Section 2.17 only, when used to refer to the issuer of the Existing Standby Letter of Credit in the face amount of $250,000 issued by KeyBank National Association for the benefit of Richman Brothers, "LC Agent" means KeyBank National Association, and its successors in such capacity.

"LC Collateral Account" has the meaning set forth in the Security Agreement; provided that, at any time prior to the execution of the Security Agreement, "LC Collateral Account" shall mean a collateral account established pursuant to arrangements satisfactory to the LC Agent and the Administrative Agent.

"LC Exposure" means, with respect to any Bank at any time, an amount equal to its Pro Rata Share of the Aggregate LC Exposure at such time.

"LC Fee Rate" has the meaning set forth in the Pricing Schedule.

"LC Indemnitees" has the meaning set forth in Section 2.17(m).

"LC Office" means, with respect to the LC Agent, for any Letter of Credit, the office at which the LC Agent books such Letter of Credit.

"Lead Arrangers" means J.P. Morgan Securities Inc., BNY Capital Markets, Inc. and NationsBank Montgomery Securities LLC in their respective capacities as lead arrangers for the credit facility provided hereunder.

"Letter of Credit" means a letter of credit issued or to be issued hereunder by the LC Agent, and any Existing Standby Letter of Credit.

"LIBOR Auction" means a solicitation of Money Market Quotes setting forth Money Market Margins based on the London Interbank Offered Rate pursuant to Section 2.03.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of the Loan Documents, the Company or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset. The issuance of trade letters of credit for the account of the Company or any of its Subsidiaries to finance the purchase of inventory whereby title documents to the related goods are consigned to the order of the letter of credit issuer shall not be considered to create a "Lien" on inventory for the purposes of the Loan Documents. In addition, the parties hereto acknowledge and agree that precautionary UCC-1 filings made with respect to obligations of the Company or any of its Subsidiaries under operating leases do not constitute a "Lien".

"Loan" means a Committed Loan or a Money Market Loan and "Loans" means Committed Loans or Money Market Loans or any combination of the foregoing. The term "Loan" does not include a Swingline Loan.

"Loan Documents" means this Agreement, the Guarantee Agreement, the Collateral Documents, the Notes and the Swingline Note.

"London Interbank Offered Rate" has the meaning set forth in Section 2.07(c).

"Major Casualty Proceeds" means (i) the aggregate insurance proceeds received in connection with one or more related events by the Company or any of its Subsidiaries under any Property Insurance Policy or (ii) any award or other cash compensation with respect to any one or more related condemnations of property (or any transfer or disposition of property in lieu of condemnation) received by the Company or any of its Subsidiaries if, in the case of either clause (i) or (ii), the amount of such aggregate insurance proceeds or award or other cash compensation exceeds $500,000.

"Material Adverse Effect" means a material adverse effect on (i) the business, operations or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole, (ii) the ability of any Obligor to perform any payment obligation of such Obligor under the Loan Documents or (iii) the ability of any Bank Party to enforce any rights or remedies under the Loan Documents with respect to the Collateral or any payment obligation of any Obligor under the Loan Documents.

"Material Debt" means Debt (other than the Loans, Swingline Loans and Reimbursement Obligations) of the Company and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $5,000,000.

"Material Plan" means at any time a Plan (or any two or more Plans, each of which has Unfunded Liabilities) having aggregate Unfunded Liabilities in excess of $5,000,000.

"Money Market Absolute Rate" has the meaning set forth in Section 2.03(d).

"Money Market Absolute Rate Loan" means a loan made or to be made by a Bank pursuant to an Absolute Rate Auction.

"Money Market Lending Office" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Money Market Lending Office by notice to the Company and the Administrative Agent; provided that any Bank may from time to time by notice to the Company and the Administrative Agent designate separate Money

Market Lending Offices for its Money Market LIBOR Loans, on the one hand, and its Money Market Absolute Rate Loans, on the other hand, or for its Loans to different Borrowers, in which case all references herein to the Money Market Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Money Market LIBOR Loan" means a loan made or to be made by a Bank pursuant to a LIBOR Auction (including such a loan bearing interest at the rate applicable to Base Rate Loans by reason of clause (a) of Section 8.01).

"Money Market Loan" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"Money Market Margin" has the meaning set forth in Section 2.03(d).

"Money Market Quote" means an offer by a Bank to make a Money Market Loan in accordance with Section 2.03 substantially in the form of Exhibit E hereto.

"Money Market Quote Request" means a Money Market Quote Request substantially in the form of Exhibit C hereto.

"Moody's" means Moody's Investors Service, Inc., and its successors.

"Morgan" means Morgan Guaranty Trust Company of New York.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Net Cash Proceeds" means:

(i) with respect to any Asset Sale (including for this purpose any disposition that would be an Asset Sale but for clause (iv) of the definition of Asset Sale), an amount equal to the cash proceeds received by the Company or any of its Subsidiaries from or in respect of such Asset Sale (including any cash proceeds received as income or other proceeds of any noncash proceeds of such Asset Sale or any amounts described in clause (z) in excess of amounts actually paid pursuant to post-closing purchase price adjustments), less (w) any expenses reasonably incurred by such Person in respect of such Asset Sale, (x) the amount of any Debt secured by

a Lien on any asset disposed of in such Asset Sale and discharged from the proceeds thereof (and required to be so discharged by the terms of such Debt), (y) any taxes actually paid or to be payable by such Person (as estimated by a senior financial or accounting officer of the Company, giving effect to the overall tax position of the Company and its Subsidiaries) in respect of such Asset Sale and (z) any amounts constituting post-closing purchase price adjustments in respect of such Asset Sale, to the extent a reserve has been established with respect thereto in accordance with GAAP,

(ii) with respect to any Debt Incurrence (including for this purpose any incurrence or issuance of Debt that would be a Debt Incurrence but for clause (vi) of the definition of Debt Incurrence), an amount equal to the cash proceeds received by the Company or any of its Subsidiaries in respect thereof less any customary fees and commissions and expenses reasonably incurred by them in respect thereof,

(iii) with respect to any Equity Issuance, an amount equal to the cash proceeds received by the Company or any of its Subsidiaries in respect thereof less any customary fees and commissions and expenses reasonably incurred by them in respect thereof; and

(iv) with respect to the occurrence of the Refinancing Date, an amount equal to the amount on deposit in the Escrow Account on such Date (after giving effect to any withdrawals made therefrom on such Date the proceeds of which have been applied to repay or repurchase any 7% Debentures then outstanding).

"New Subordinated Debt" means any Debt of the Company described in clauses (i) or (ii) of the definition of Debt and incurred after the Effective Date which (i) has a final maturity no earlier than December 31, 2002, (ii) requires no scheduled principal payments thereof prior to December 31, 2002, (iii) is not Guaranteed by any Person other than a Subsidiary Guarantor, (iv) is subordinated (and the Guarantees of which are subordinated) to the obligations of the Company (and any applicable Subsidiary Guarantor) under the Loan Documents on customary capital market terms approved by the bank affiliate of each Lead Arranger and (v) permits (and the Guarantees of which permit) the Company (and any applicable Subsidiary Guarantor) to create, incur, assume or suffer to exist

Liens securing the obligations of the Obligors under the Loan Documents upon any of its property, assets or revenues, whether now owned or hereafter acquired, without any restrictions (including without limitation any requirement to equally and ratably secure any such Debt (or Guarantee thereof)).

"Notes" means promissory notes of a Borrower, substantially in the form of Exhibit A hereto, evidencing such Borrower's obligation to repay the Loans made to it, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" means a Notice of Committed Borrowing or a Notice of Money Market Borrowing.

"Notice of Committed Borrowing" has the meaning set forth in Section 2.02.

"Notice of Interest Rate Election" has the meaning set forth in Section 2.08.

"Notice of Money Market Borrowing" has the meaning set forth in Section 2.03(f).

'Notice of Swingline Borrowing" has the meaning set forth in Section 2.18(b).

"Obligor" means any Borrower or any Subsidiary Guarantor, and "Obligors" means all of them.

"Other Refinancing" means any issuance for cash proceeds by the Company of Other Refinancing Debt or New Subordinated Debt, but solely to the extent the cash proceeds thereof are applied contemporaneously by the Company to refinance the Debt set forth on Schedule 1.01(b).

"Other Refinancing Debt" means any Debt of the Company described in clauses (i) or (ii) of the definition of Debt and incurred after the Effective Date which (i) has a final maturity no earlier than December 31, 2002, (ii) requires no scheduled principal payments thereof prior to December 31, 2002, (iii) is not Guaranteed by any Person and (iv) permits the Company to create, incur, assume or suffer to exist Liens securing the obligations of the Obligors under the Loan Documents upon any of its property, assets or revenues, whether now owned or hereafter acquired, without any restrictions (including without limitation any requirement to equally and ratably secure any such Debt).

"Outstanding Committed Amount" means, with respect to any Bank at any time, the sum of (i) the aggregate outstanding principal amount of its Committed Loans, (ii) its Pro Rata Share of the aggregate outstanding principal amount of the Swingline Loans (if any) and (iii) its LC Exposure, all determined at such time after giving effect to any prior assignments by or to such Bank pursuant to Section 8.06 or 9.06(c).

"Parent" means, with respect to any Bank Party, any Person controlling such Bank Party.

"Participant" has the meaning set forth in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Pledge Agreement" means the Pledge Agreement to be entered into among the Company, the Subsidiary Guarantors and the Administrative Agent, substantially in the form of Exhibit G, as amended from time to time, pursuant to which (and to additional foreign pledge agreements referred to therein) each Obligor party thereto shall pledge the capital stock of each Subsidiary held by such Obligor, subject to the exceptions and limitations set forth therein.

"Pricing Schedule" means the Pricing Schedule attached hereto.

"Prime Rate" means a rate of interest per annum equal to the rate of interest publicly announced from time to time in New York City by The Bank of New York as its prime commercial lending rate, such rate to be adjusted automatically (without notice) on the effective date of any change in such publicly announced rate.

"Pro Rata Share" means, with respect to any Bank at any time, a fraction the numerator of which is the amount of such Bank's Commitment at such time (or, if the Commitments have terminated in their entirety, such Bank's Commitment as in effect immediately prior to such termination) and the denominator of which is the Total Commitments at such time (or, if the Commitments have terminated in their entirety, Total Commitments as in effect immediately prior to such termination).

"Property Insurance Policy" means any insurance policy maintained by the Company or any of its Subsidiaries covering losses with respect to tangible real or personal property or improvements, but excluding coverage for losses from business interruption.

"Real Property Held For Sale" means each ownership interest in real property held by the Company or any Subsidiary and identified by the Company to the Banks prior to the Effective Date.

"Reduction Event" means (i) any Asset Sale, (ii) any Debt Incurrence (other than a 7% Debentures Refinancing or an Other Refinancing), (iii) any Equity Issuance, (iv) the receipt by the Company or any Subsidiary of Major Casualty Proceeds or (v) the occurrence of the Refinancing Date; provided that an event described in clause (iv) hereof shall not give rise to a Reduction Event (x) so long as at the time of receipt of the relevant Major Casualty Proceeds, no Default has occurred and is continuing and (y) to the extent that (1) within ten Domestic Business Days after receipt of such Major Casualty Proceeds, the Company shall have delivered to the Administrative Agent the certificate referred to in Section 5.01(g)(x) with respect thereto, (2) within 90 days after receipt of such Major Casualty Proceeds, the Company shall have delivered to the Administrative Agent the certificate referred to in Section 5.01(g)(y) with respect thereto and (3) within 270 days after receipt of such Major Casualty Proceeds, the Company shall have actually expended such Major Casualty Proceeds to purchase or repair property, plant and equipment so that the Reduction Event, if any, occurring pursuant to clause (iv) hereof by reason of the receipt of such Major Casualty Proceeds shall be deemed to occur on (A) the tenth Domestic Business Day following receipt thereof, as to the amount thereof, if no certificate with respect thereto has been delivered by the Company to the Administrative Agent pursuant to Section 5.01(g)(x), (B) the 90th day following receipt thereof, as to the amount thereof not committed to be expended for the purchase or repair of property, plant and equipment in the certificate with respect thereto delivered by the Company to the Administrative Agent pursuant to Section 5.01(g)(y), or if no such certificate has been so delivered by such time and (C) the 270th day following receipt thereof, as to the amount thereof not so expended on or prior to such day. The description of any transaction as falling within the above definition does not affect any limitation on such transaction imposed by Article 5 of this Agreement.

"Reference Banks" means the CD Reference Banks or the Euro-Dollar Reference Banks, as the context may require, and "Reference Bank" means any one of such Reference Banks.

"Refinancing Date" means the first date on which no 7% Debentures are outstanding.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Reimbursement Obligation" means any obligation of a Borrower to reimburse the LC Agent pursuant to Section 2.17 for amounts paid by the LC Agent in respect of drawings under Letters of Credit issued upon the request and for the account of such Borrower, including any portion of any such obligation to which a Bank has become subrogated pursuant to paragraph (1) of Section 2.17(j).

"Requesting Banks" means at any time one or more Banks having at least 15% of the aggregate amount of the Commitments.

"Required Banks" means at any time Banks having at least 66 2/3% of the aggregate amount of the Credit Exposures at such time.

"Required Escrow Amount" has the meaning set forth in Section 5.17(b).

"Responsible Officer" means, with respect to any Obligor, its chief operating officer, its chief financial officer, its general counsel, its treasurer, any assistant treasurer or any other officer whose duties include the administration of this Agreement.

"Restricted Payment" means (i) any dividend or other distribution on any shares of the Company's capital stock (except dividends payable solely in shares of its capital stock of the same class) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Company's capital stock or (b) any option, warrant or other rights to acquire shares of the Company's capital stock (but not including payments of principal, premium (if any) or interest made pursuant to the terms of convertible debt securities prior to conversion).

"S&P" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., and its successors.

"SEC" means the Securities and Exchange Commission.

"Security Agreement" means the Security Agreement to be entered into among the Company, the Subsidiary Guarantors and the Administrative Agent, substantially in the form of Exhibit F, as amended from time to time.

"7% Debentures" means the 7% Notes due June 1, 2000 in the aggregate principal amount of $200,000,000 issued by the Company pursuant to the Indenture.

"7% Debentures Refinancing" means any issuance for cash proceeds by the Company of any New Subordinated Debt, but only to the extent that the Net Cash Proceeds thereof (i) together with the Net Cash Proceeds of any prior issuances of New Subordinated Debt that constitute a 7% Debentures Refinancing, do not exceed $200,000,000 and (ii) are applied by the Company to repay or repurchase the 7% Debentures or are deposited in the Escrow Account in accordance with the provisions of Section 5.17(b).

"Subsidiary" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Company.

"Subsidiary Borrowers" means eVenator, Inc., a Delaware corporation, Venator Group Retail, Inc., a New York corporation, Team Edition Apparel, Inc., a Florida corporation, Northern Reflections Inc., a Delaware corporation, Venator Group Specialty, Inc., a New York corporation, The San Francisco Music Box Company, a California corporation, Foot Locker Europe B.V., a Netherlands corporation, Foot Locker Japan K.K., a Japanese corporation, Venator Group Australia Limited, an Australian corporation and Venator Group Canada Inc., a Canadian corporation.

"Subsidiary Guarantor" means each Subsidiary that from time to time is a party to the Guarantee Agreement.

"Swingline Bank" means The Bank of New York, in its capacity as the Swingline Bank under the swingline facility described in Section 2.18, and its successors in such capacity.

"Swingline Commitment" means the obligation of the Swingline Bank to make Swingline Loans in an aggregate principal amount at any one time outstanding not to exceed the lesser of (i) $40,000,000 and (y) 10% of the Total Commitments at such time.

"Swingline Loan" means a loan made by the Swingline Bank pursuant to Section 2.18(a).

"Swingline Loan Availability Period" means the period from and including the Effective Date to but excluding the Swingline Maturity Date.

"Swingline Maturity Date" means the day that is 30 days before the Termination Date.

"Swingline Note" means a promissory note of a Borrower, substantially in the form of Exhibit B hereto, evidencing the obligation of such Borrower to repay the Swingline Loans made to it.

"Target Date" means the first date on which (i) the Loans to the Company are expressly rated at least BBB- by S&P and at least Baa3 by Moody's and (ii) the Total Commitments do not exceed $350,000,000.

"Temporary Cash Investment" means any Investment in (i) direct obligations of the United States or any agency thereof or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated at least A- 1 by S&P and at least P-1 by Moody's, (iii) time deposits with, including certificates of deposit issued by, any office located in the United States of any Bank or any bank or trust company which is organized or licensed under the laws of the United States or any State thereof and has capital, surplus and undivided profits aggregating at least $1,000,000,000, (iv) repurchase agreements with respect to securities described in clause (i) above entered into with an office of a bank or trust company meeting the criteria specified in clause (iii) above or (v) in the case of Investments made by a Foreign Subsidiary, Investments substantially similar to those described in clauses (i) through (iv) and denominated in the local currency of the jurisdiction in which such Foreign Subsidiary conducts its operations; provided in each case that such Investment matures within one year after it is acquired by the Company or a Subsidiary.

"Termination Date" means April 9, 2002, or, if such day is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day.

"Total Commitments" means, at any time, the aggregate amount of the Commitments (whether used or unused) at such time.

"Total Usage" means, at any time, the sum of (i) the aggregate outstanding principal amount of all Loans and Swingline Loans and (ii) the Aggregate LC Exposure, all determined at such time.

"UCP" means the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States thereof and the District of Columbia, but excluding its territories and possessions.

Section 1.02. Accounting Terms and Determinations. (a) Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Company's independent public accountants) with the most recent audited consolidated financial statements of the Company and its Consolidated Subsidiaries delivered to the Banks; provided that if the Company notifies the Administrative Agent that the Company wishes to amend any provision hereof to eliminate the effect of any change in generally accepted accounting principles on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Banks wish to amend any provision hereof for such purpose), then such provision shall be applied on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such provision is amended in a manner satisfactory to the Company and the Required Banks.

(b) For purposes of determining compliance with the provisions of Sections 5.08 on any date prior to January 29, 2000, "EBIT" for the relevant period shall be "EBIT" for the period from and including January 31, 1999 to and including

the then most recently ended Fiscal Quarter, annualized on a simple arithmetic basis. For purposes of determining compliance with the provisions of Sections 5.10 on the last day of any Fiscal Quarter ended prior to January 29, 2000, "EBIT" and "Interest Expense" for the relevant period shall be "EBIT" or "Interest Expense", as the case may be, for the period from and including January 31, 1999 to and including the last day of such Fiscal Quarter, and "Annual Rent Expense" shall be $136,250,000 (for purposes of determining compliance on the last day of the first Fiscal Quarter 1999), $272,500,000 (for purposes of determining compliance on the last day of the second Fiscal Quarter 1999) and $408,750,000 (for purposes of determining compliance on the last day of the third Fiscal Quarter 1999), which amounts constitute the total rent expense (net of sublease income) of the Company and its Consolidated Subsidiaries for the Fiscal Year 1998 included in the projections of financial performance of the Company set forth in the $500,000,000 Senior Credit Facility Amendment Confidential Information Memorandum dated February, 1999 multiplied by 1/4, 1/2 and 3/4, respectively.

Section 1.03. Types of Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to a single Borrower by one or more Banks pursuant to Article 2 on the same date, all of which Loans are of the same type (subject to Article 8) and, except in the case of Base Rate Loans, have the same Interest Period or initial Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of Article 2 under which participation therein is determined (i.e., a "Committed Borrowing" is a Borrowing under Section 2.01 in which all Banks participate in proportion to their Commitments, while a "Money Market Borrowing" is a Borrowing under Section 2.03 in which the Bank participants are determined on the basis of their bids).

ARTICLE 2

The Credits

Section 2.01. Commitments to Lend. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrowers pursuant to this Section from time to time on and after the Effective Date and prior to the Termination Date; provided that, immediately after each such loan is made (and after giving effect to any substantially concurrent application of the proceeds thereof to repay outstanding Loans and Swingline Loans):

(i) such Bank's Outstanding Committed Amount shall not exceed its Commitment;

(ii) the Total Usage shall not exceed the Total Commitments; and

(iii) subject to Section 3.02(c), the aggregate outstanding principal amount of Loans to the Company and Swingline Loans does not exceed $50,000,000.

Each Borrowing under this Section shall be in an aggregate principal amount of $15,000,000 or any larger multiple of $1,000,000; provided that (x) any such Borrowing may be in an aggregate amount equal to the aggregate unused amount of the Commitments and (y) if such Borrowing is made on the Swingline Maturity Date, such Borrowing may be in the aggregate amount of the Swingline Loans outstanding on such date. Each such Borrowing shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits and subject to Section 2.11, the Borrowers may borrow under this Section, prepay Loans to the extent permitted by Section 2.13, and reborrow under this Section at any time prior to the Termination Date.

Section 2.02. Notice of Committed Borrowing. (a) The Borrower shall give the Administrative Agent a notice substantially in the form of Exhibit J (a "Notice of Committed Borrowing") not later than 11:00 A.M. (New York City time) on (x) the date of each Base Rate Borrowing by it, (y) the second Domestic Business Day before each CD Borrowing by it and (z) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing by it, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(ii) the aggregate amount of such Borrowing,

(iii) whether the Loans comprising such Borrowing are to bear interest initially at the Base Rate, a CD Rate or a Euro-Dollar Rate, and

(iv) if such Borrowing is a CD Borrowing or EuroDollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Section 2.03. Money Market Borrowings. (a) The Money Market Option. In addition to Committed Borrowings pursuant to Section 2.01, any Borrower may, as set forth in this Section, request the Banks to make offers to make Money

Market Loans to such Borrower from time to time on or after the Target Date and prior to the Termination Date. The Banks may, but shall have no obligation to, make such offers and such Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section.

(b) Money Market Quote Request. When a Borrower wishes to request offers to make Money Market Loans under this Section, it shall transmit to the Administrative Agent by telex or facsimile transmission a Money Market Quote Request so as to be received no later than 11:00 A.M. (New York City time) on (x) the fifth Euro-Dollar Business Day prior to the date of Borrowing proposed therein, in the case of a LIBOR Auction or (y) the Domestic Business Day next preceding the date of Borrowing proposed therein, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective) specifying:

(i) the proposed date of Borrowing, which shall be a Euro-Dollar Business Day in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction,

(ii) the aggregate amount of such Borrowing, which shall be $15,000,000 or a larger multiple of $1,000,000,

(iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(iv) whether the Money Market Quotes requested are to set forth a Money Market Margin or a Money Market Absolute Rate.

A Borrower may request offers to make Money Market Loans for more than one Interest Period in a single Money Market Quote Request. No Money Market Quote Request by any Borrower shall be given within five Euro-Dollar Business Days (or such other number of days as the Company and the Administrative Agent may agree) of any other Money Market Quote Request by any Borrower.

(c) Invitation for Money Market Quotes. Promptly upon receipt of a Money Market Quote Request, the Administrative Agent shall send to the Banks by telex or facsimile transmission an Invitation for Money Market Quotes, which shall constitute an invitation by the Borrower to each Bank to submit Money Market Quotes offering to make the Money Market Loans to which such Money Market Quote Request relates in accordance with this Section.

(d) Submission and Contents of Money Market Quotes. (i) Each Bank may submit a Money Market Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Money Market Quotes. Each Money Market Quote must comply with the requirements of this subsection (d) and must be submitted to the Administrative Agent by telex or facsimile transmission at its offices specified in or pursuant to Section 9.01 not later than (x) 2:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) 9:30 A.M. (New York City time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective); provided that Money Market Quotes submitted by the Administrative Agent (or any affiliate of the Administrative Agent) in the capacity of a Bank may be submitted, and may only be submitted, if the Administrative Agent or such affiliate notifies the Borrower of the terms of the offer or offers contained therein not later than (x) one hour prior to the deadline for the other Banks, in the case of a LIBOR Auction or (y) 15 minutes prior to the deadline for the other Banks, in the case of an Absolute Rate Auction. Subject to Article 3 and 6, any Money Market Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Borrower.

(ii) Each Money Market Quote shall be in substantially the form of Exhibit E hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Bank, (x) must be $5,000,000 or a larger multiple of $1,000,000, (y) may not exceed the principal amount of Money Market Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Money Market Loans for which offers being made by such quoting Bank may be accepted,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "Money Market Margin") offered for each such Money Market Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such base rate,

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "Money Market Absolute Rate") offered for each such Money Market Loan, and

(E) the identity of the quoting Bank.

A Money Market Quote may set forth up to five separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Money Market Quotes.

(iii) Any Money Market Quote shall be disregarded if it:

(A) is not substantially in conformity with Exhibit E hereto or does not specify all of the information required by subsection (d)(ii);

(B) contains qualifying, conditional or similar language, except an aggregate limitation permitted by subsection (d)(ii)(B)(z);

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Money Market Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(e) Notice to Borrower. The Administrative Agent shall promptly notify the Borrower of the terms (x) of any Money Market Quote submitted by a Bank that is in accordance with subsection (d) and (y) of any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Bank with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Administrative Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Administrative Agent's notice to the Borrower shall specify (A) the aggregate principal amount of Money Market Loans for which offers have been received for each Interest Period specified in the related Money Market Quote Request, (B) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case may be, so offered and (C) if applicable, limitations on the aggregate principal amount of Money Market Loans for which offers in any single Money Market Quote may be accepted.

(f) Acceptance and Notice by Borrower. Not later than 10:30 A.M. (New York City time) on (x) the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the Borrower shall notify the Administrative Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "Notice of Money Market Borrowing") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept any Money Market Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request,

(ii) the principal amount of each Money Market Borrowing must be $15,000,000 or a larger multiple of $1,000,000,

(iii) acceptance of offers may only be made on the basis of ascending Money Market Margins or Money Market Absolute Rates, as the case may be,

(iv) the Borrower may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement, and

(v) immediately after such Money Market Borrowing is made (and after giving effect to any substantially concurrent application of the proceeds thereof to repay outstanding Loans and Swingline Loans), (1) the Total Usage shall not exceed the Total Commitments and (2) the aggregate outstanding principal amount of Loans to the Company shall not exceed $50,000,000.

(g) Allocation by Administrative Agent. If offers are made by two or more Banks with the same Money Market Margins or Money Market Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Money Market Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Banks as nearly as possible (in multiples of $1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Administrative Agent of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

Section 2.04. Notice to Banks; Funding of Loans. (a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 1:00 P.M. (New York City time) on the date of each Borrowing, each Bank participating therein shall make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article 3 has not been satisfied (which determination may, in the case of Section 3.03(c), be based in part on information supplied by the LC Agent on the date of such Borrowing as to the Aggregate LC Exposure on such date), the Administrative Agent shall (i) apply the funds so received from the Banks to repay all Swingline Loans (if any) then outstanding, together with interest accrued thereon and any other associated expenses, and (ii) make the remainder of such funds available to the Borrower not later than 2:00 P.M. (New York City time) at the Administrative Agent's aforesaid address.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.04 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

Section 2.05. Notes. (a) Each Borrower's obligation to repay the Loans made to it by each Bank shall be evidenced by a single Note of such Borrower payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans at any time.

(b) Each Bank may, by notice to a Borrower and the Administrative Agent, request that such Borrower's obligation to repay such Bank's Loans of a particular type to such Borrower be evidenced by a separate Note in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to the "Note" of such Borrower payable to the order of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Notes, the Administrative Agent shall forward such Notes to such Bank. Each Bank shall record the date and amount of each Loan made by it to each Borrower and the date and amount of each payment of principal made with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note of any Borrower, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each of its Loans to such Borrower then outstanding; provided that neither the failure by any Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of any such Borrower under any Loan Documents. Each Bank is hereby irrevocably authorized by each Borrower so to endorse such Borrower's Note payable to the order of such Bank and to attach to and make a part of such Note a continuation of any such schedule as and when required.

Section 2.06. Maturity of Loans; Mandatory Prepayments of Loans. (a) Each Committed Loan shall mature, and the principal amount thereof shall be due and payable, on the Termination Date.

(b) Each Money Market Loan included in any Money Market Borrowing shall mature and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

(c) On each date on which the Commitments are permanently reduced pursuant to subsection (a), (b) or (c) of Section 2.11, the Borrowers shall prepay

outstanding Loans, and shall cash collateralize Letters of Credit (without duplication, in the case of any reduction of the Commitments pursuant to Section 2.11(c), of any prepayment or cash collateralization made by the Borrowers pursuant to subsection (d)) in such amounts so that, after giving effect to such prepayments and such cash collateralization, the Total Usage shall not exceed the Total Commitments as then reduced. In determining Total Usage on any date for purposes of this subsection (c), Aggregate LC Exposure shall be reduced by an amount equal to the amount on deposit in the LC Collateral Account on such day (immediately prior to giving effect to any deposits made therein on such day pursuant to the immediately preceding sentence).

(d) To the extent the terms of any Debt issued by the Company or any of its Subsidiaries after the Effective Date (including without limitation any New Subordinated Debt) would otherwise require the prepayment or repurchase (or offer to repurchase) of such Debt upon receipt by the Company or any of its Subsidiaries of cash proceeds of any Asset Sales (or any disposition of assets excluded from the definition of Asset Sale pursuant to clauses (i) through (iv) thereof) or any Major Casualty Proceeds (or any proceeds excluded from the definition of Major Casualty Proceeds pursuant to clauses (i) or (ii) thereof) but for the provisions of this subsection (d), upon receipt by the Company or any of its Subsidiaries of such cash proceeds, the Borrowers will prepay Loans and cash collateralize Letters of Credit in an amount equal to the amount that is necessary in order to excuse the Company or any of its Subsidiaries from prepaying or repurchasing (or offering to repurchase) such Debt.

(e) During each Clean-Down Period there shall be at least fifteen consecutive days on which the sum of (i) the aggregate outstanding principal amount of all Committed Loans plus (ii) the aggregate outstanding principal amount of all Swingline Loans plus (iii) the aggregate amount of Reimbursement Obligations (excluding, for this purpose, any Reimbursement Obligation that is not yet overdue pursuant to Section 2.17(i)) does not exceed $50,000,000. The Borrowers will prepay Loans to the extent necessary to comply with the immediately preceding sentence. For purposes of this subsection (e), "Clean-Down Period" means each period from and including the first day of the fourth Fiscal Quarter of each Fiscal Year to and including the last day of such Fiscal Quarter.

(f) The prepayments and the cash collateralization (if applicable) to be made pursuant to subsections (c), (d) and (e) shall be effected as follows: first, the Company shall prepay any Swingline Loans then outstanding, until all Swingline Loans have been paid in full, second, the Borrowers shall prepay any Committed Loans then outstanding, until all Committed Loans have been paid in full, third, the Borrowers shall deposit immediately available funds in the LC

Collateral Account, until an amount equal to the then Aggregate LC Exposure has been deposited in the LC Collateral Account and fourth, the Borrowers shall prepay any Money Market Loans then outstanding (in the order in which they were made), until all Money Market Loans have been paid in full. Each Borrower making a prepayment pursuant to this subsection (f) shall give the Agent at least three Euro-Dollar Business Days' notice of such prepayment required.

Section 2.07. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due or is converted, at a rate per annum equal to the Base Rate plus the Base Rate Margin, in each case for such day. Subject to Section 2.06, such interest shall be payable for each calendar month in arrears on the last Domestic Business Day thereof and, with respect to the principal amount of any Base Rate Loan converted to a CD Loan or a Euro-Dollar Loan, on the date such principal amount is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to such Base Rate Loan for such day.

"Base Rate Margin" means a rate per annum determined in accordance with the Pricing Schedule.

(b) Each CD Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the CD Margin for such day plus the Adjusted CD Rate applicable to such Interest Period; provided that if any CD Loan or any portion thereof shall, as a result of clause (2)(b) of the definition of Interest Period, have an Interest Period of less than 30 days, such portion shall bear interest for each day during such Interest Period at the rate applicable to Base Rate Loans for such day. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 90 days, 90 days after the first day thereof. Any overdue principal of or interest on any CD Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the higher of (i) the sum of the CD Margin for such day plus the Adjusted CD Rate applicable to such Loan immediately before such payment became due and (ii) the rate applicable to Base Rate Loans for such day.

"CD Margin" means a rate per annum determined in accordance with the Pricing Schedule.

The "Adjusted CD Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

ACDR = Adjusted CD Rate
CDBR = CD Base Rate
DRP = Domestic Reserve Percentage
AR = Assessment Rate

* The amount in brackets being rounded upward, if necessary, to the next higher 1/100 of 1%

The "CD Base Rate" applicable to any Interest Period is the rate of interest determined by the Administrative Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the prevailing rates per annum bid at 10:00 A.M. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period by two or more New York certificate of deposit dealers of recognized standing for the purchase at face value from each CD Reference Bank of its certificates of deposit in an amount comparable to the principal amount of the CD Loan of such CD Reference Bank to which such Interest Period applies and having a maturity comparable to such Interest Period.

"Domestic Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in New York City having a maturity comparable to the related Interest Period and in an amount of $100,000 or more. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"Assessment Rate" means for any day the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. 327.4(a) (or any successor provision) to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin for such day plus the Adjusted London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, three months after the first day thereof.

"Euro-Dollar Margin" means a rate per annum determined in accordance with the Pricing Schedule.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(d) Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% plus the Euro-Dollar Margin for such day plus

the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (x) the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than three months as the Administrative Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to each of the Euro-Dollar Reference Banks are offered to such Euro-Dollar Reference Bank in the London interbank market for the applicable period determined as provided above by (y) 1.00 minus the Euro-Dollar Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 2% plus the Base Rate for such day) and (ii) the sum of 2% plus the Euro-Dollar Margin for such day plus the Adjusted London Interbank Offered Rate applicable to such Loan immediately before such payment became due.

(e) Subject to Section 8.01, each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07(c) as if the related Money Market LIBOR Borrowing were a Committed Euro-Dollar Borrowing) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.03. Each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day.

(f) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) Each Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Administrative Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01 shall apply.

Section 2.08. Method of Electing Interest Rates. (a) The Loans included in each Committed Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Committed Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of subsection (d) below and Article 8), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to CD Loans as of any Domestic Business Day or to Euro-Dollar Loans as of any Euro-Dollar Business Day;

(ii) if such Loans are CD Loans, the Borrower may elect to convert such Loans to Base Rate Loans or Euro-Dollar Loans or elect to continue such Loans as CD Loans for an additional Interest Period, in each case effective on the last day of the then current Interest Period applicable to such Loans; or

(iii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or CD Loans or elect to continue such Loans as Euro-Dollar Loans for an additional Interest Period, in each case effective on the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "Notice of Interest Rate Election") to the Administrative Agent at least three Euro-Dollar Business Days before the conversion or continuation selected in such notice is to be effective (unless the relevant Loans are to be converted from Domestic Loans to Domestic Loans of the other type or continued as Domestic Loans of the same type for an additional Interest Period, in which case such notice shall be delivered to the Administrative Agent at least three Domestic Business Days before such conversion or continuation is to be effective). A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each $15,000,000 or any larger multiple of $1,000,000.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Group are to be converted, the new type of Loans and, if such new Loans are CD Loans or Euro-Dollar Loans, the duration of the initial Interest Period applicable thereto; and

(iv) if such Loans are to be continued as CD Loans or Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of Interest Period.

(c) Upon receipt of a Notice of Interest Rate Election from the Borrower pursuant to subsection (a) above, the Administrative Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If the Borrower fails to deliver a timely Notice of Interest Rate Election to the Administrative Agent for any Group of CD Loans or Euro-Dollar Loans, such Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto.

(d) The Borrower shall not be entitled to elect to convert any Committed Loans to, or continue any Committed Loans for an additional Interest Period as, CD Loans or Euro-Dollar Loans if a Default shall have occurred and be continuing when the Borrower delivers notice of such election to the Administrative Agent or when such conversion or continuation would otherwise be effective.

Section 2.09. Facility Fees. The Company shall pay to the Administrative Agent for the account of each Bank a facility fee, calculated for each day at the Facility Fee Rate for such day, on the amount of such Bank's Credit Exposure on such day. Such facility fees shall accrue for each day from and including the Effective Date to but excluding the day on which the Credit Exposures are reduced to zero and shall be payable quarterly in arrears on each September 19, December 19, March 19 and June 19 and on the day on which the Credit Exposures are reduced to zero.

"Facility Fee Rate" means a rate per annum determined daily in accordance with the Pricing Schedule.

Section 2.10. Optional Termination or Reduction of Commitments. (a) The Company may, without premium or penalty, upon at least three Domestic Business Days' notice to the Administrative Agent, (i) terminate the Commitments at any time, if no Bank has an Outstanding Committed Amount at such time or (ii) ratably reduce the Commitments from time to time, in each case by an aggregate amount of at least $15,000,000; provided that immediately after such reduction:

(x) no Bank's Outstanding Committed Amount shall exceed its Commitment as so reduced;

(y) the Total Usage shall not exceed the Total Commitments; and;

(y) the aggregate outstanding principal amount of the Swingline Loans shall not exceed the Swingline Commitment (after giving effect to any reduction thereof pursuant to Section 2.11(d)).

Upon any such termination or reduction of the Commitments, the Administrative Agent shall promptly notify each Bank of such termination or reduction.

(b) The Company may, upon at least three Domestic Business Days' notice to the Administrative Agent, terminate the Swingline Commitment at any time, if no Swingline Loans are outstanding at such time.

(c) If the Company wishes to replace this Agreement with another credit agreement at any time, the Company may, on the date when such other credit agreement becomes effective, terminate the Commitments hereunder and prepay any and all Committed Loans and Swingline Loans then outstanding hereunder; provided that:

(i) the Company notifies each Bank as to the possibility of such termination and such prepayment (if any) at least three Euro-Dollar Business Days prior thereto;

(ii) the Company gives definitive notice of such termination and such prepayment (if any) to the Administrative Agent before 10:00 A.M. (New York City time) on the date of such termination;

(iii) all Committed Loans, Swingline Loans and Reimbursement Obligations outstanding on the date of such termination (together with accrued interest thereon) are paid in full on such date;

(iv) in connection with any prepayment of Committed Loans or Swingline Loans on such date, the Company complies with the requirements of subsections (a) and (b) of Section 2.13, Section 2.15 and subsection (d) of Section 2.18 in all respects except the timing of definitive notice of such prepayment; and

(v) no Letter of Credit issued hereunder remains outstanding after the date of such termination unless the LC Agent shall have agreed to allow such Letter of Credit to remain outstanding after the Commitments (and the Banks' participations in such Letter of Credit) terminate.

Section 2.11. Mandatory Reduction of Commitments. (a) On February 15, 2000, the Commitments will be reduced to $300,000,000.

(b) On the fifth Euro-Dollar Business Day after the date on which the Company or any of its Subsidiaries receives any Net Cash Proceeds in respect of any Reduction Event, the Total Commitments shall be permanently reduced by an amount equal to such Net Cash Proceeds, until the Total Commitments do not exceed $350,000,000; provided that if the Net Cash Proceeds in respect of any Reduction Event is less than $5,000,000, no such permanent reduction shall be required until the Net Cash Proceeds with respect to such Reduction Event, together with the Net Cash Proceeds with respect to all other Reduction Events in respect of which no permanent reduction under this subsection (b) shall have theretofore been made, is equal to at least $5,000,000.

(c) To the extent the terms of any Debt issued by the Company or any of its Subsidiaries after the Effective Date (including without limitation any New Subordinated Debt) would otherwise require the prepayment or repurchase (or offer to repurchase) of such Debt upon receipt by the Company or any of its Subsidiaries of cash proceeds of any Asset Sale (or any disposition of assets excluded from the definition of Asset Sale pursuant to clauses (i) through (iv) thereof) or any Major Casualty Proceeds (or any proceeds excluded from the definition of Major Casualty Proceeds pursuant to clauses (i) or (ii) thereof) but for the provisions of this subsection (c), upon receipt by the Company or any of its Subsidiaries of such cash proceeds, the Commitments shall be permanently reduced by an amount equal to the amount that is necessary in order to excuse the Company or any of its Subsidiaries from prepaying or repurchasing (or offering to repurchase) such Debt.

(d) On any date on which the Commitments are reduced pursuant to Section 2.11, the Swingline Commitment will be reduced by such amount as shall be necessary so that, after giving effect to such reduction, the Swingline Commitment shall not exceed 10% of the Total Commitments as so reduced.

Section 2.12. Mandatory Termination of Commitments. (a) The Commitments shall terminate on the Termination Date and any Committed Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

(b) The Swingline Commitment shall terminate on the Swingline Maturity Date and any Swingline Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

Section 2.13. Optional and Mandatory Prepayments. (a) The Borrower may upon at least one Domestic Business Day's notice to the Administrative Agent, prepay the Base Rate Loans (or any Money Market Borrowing bearing interest at the Base Rate by reason of clause (a) of Section 8.01) in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Base Rate Loans of the several Banks (or the Money Market Loans included in such Money Market Borrowing).

(b) Subject to Section 2.15, the Borrower may, upon at least two Domestic Business Days' notice to the Administrative Agent, in the case of a Group of CD Loans or upon at least three Euro-Dollar Business Days' notice to the Administrative Agent, in the case of a Group of Euro-Dollar Loans, prepay the Loans comprising such a Group, in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Group.

(c) In connection with any substitution of Banks pursuant to Section 8.06, the Borrower may prepay the Loans of the Bank being replaced, as provided in clause (ii) of Section 8.06.

(d) Except as provided in Sections 2.06 and 2.13(a), the Borrower may not prepay all or any portion of the principal amount of any Money Market Loan prior to the maturity thereof.

(e) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

Section 2.14. General Provisions as to Payments. (a) The Borrowers shall make (i) each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01 and (ii) each payment of Reimbursement Obligations and any other amounts payable in connection with the Letters of Credit in accordance with the provisions of Section 2.17. The Administrative Agent will promptly distribute to each Bank its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or Swingline Loans or of fees or of Reimbursement Obligations shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, any Euro-Dollar Loans or Money Market LIBOR Loan shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, any Money Market Absolute Rate Loan shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day. If the date for any payment of principal or any Reimbursement Obligation is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due from such Borrower to the Banks hereunder that such Borrower will not make such payment in full, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that such payment shall not have been so made, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.15. Funding Losses. If a Borrower makes any payment of principal with respect to any Fixed Rate Loan or any such Loan is converted to a Base Rate Loan (pursuant to Article 2, 6 or 8 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.07(d), or if a Borrower fails to borrow or prepay any Fixed Rate Loans or fails to continue any CD Loan or Euro- Dollar Loans for an additional Interest Period or fails to convert any outstanding Loans to CD Loans or Euro-Dollar Loans, in each case after notice of such borrowing, prepayment, continuation or conversion has been given to any Bank in accordance with Section 2.04(a), 2.06(f), 2.08(c) or 2.13(e), such Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, continue or convert, provided that such Bank shall have delivered to such Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.16. Computation of Interest and Fees. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and facility fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.17. Letters of Credit.

(a) Issuance of Letters of Credit. The LC Agent agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit for the account of any Borrower from time to time during the period from and including the Effective Date to but excluding the date that is 30 days before the Termination Date; provided that, immediately after each such Letter of Credit is issued:

(i) the Aggregate LC Exposure shall not exceed $160,000,000 (of which the aggregate amount attributable to standby Letters of Credit will not exceed $60,000,000);

(ii) the aggregate face amount of all Letters of Credit issued for the account of the Company (other than Letters of Credit with respect to which any Subsidiary Borrower is a co-account party) will not exceed $60,000,000;

(iii) in the case of each Bank, its Outstanding Committed Amount shall not exceed its Commitment; and

(iv) the Total Usage shall not exceed the Total Commitments.

Upon the issuance by the LC Agent of each Letter of Credit pursuant to this subsection (a), the LC Agent shall be deemed, without further action by any party hereto, to have sold to each Bank and each Bank shall be deemed, without further action by any party hereto, to have purchased from the LC Agent, a participation in such Letter of Credit, on the terms set forth in this Section, equal to such Bank's Pro Rata Share thereof. In addition, on the Effective Date, the LC Agent shall be deemed, without further action by any party hereto, to have sold to each Bank, and each Bank shall be deemed, without further action by any party hereto, to have purchased from the LC Agent, a participation in each Existing Standby Letter of Credit, on the terms set forth in this Section, equal to such Bank's Pro Rata Share thereof.

(b) Expiry Dates. No Letter of Credit shall have an expiry date later than the fifth Domestic Business Day prior to the Termination Date. Subject to the preceding sentence:

(i) each Letter of Credit shall, when issued, have an expiry date on or before the first anniversary of the date on which it is issued; and

(ii) the expiry date of any Letter of Credit may, at the request of the Borrower, be extended from time to time for a period not exceeding one year so long as the LC Agent agrees to so extend such Letter of Credit (or, in the case of an "evergreen" Letter of Credit, its right to give a notice to prevent the extension thereof expires) no earlier than three months before the then existing expiry date thereof.

(c) Notice of Proposed Issuance. The Borrower shall give the LC Agent and the Administrative Agent at least one Domestic Business Day's prior notice specifying the date each Letter of Credit is to be issued and describing the proposed terms of such Letter of Credit and the nature of the transactions proposed to be supported thereby.

(d) Conditions to Issuance. The LC Agent shall not issue any Letter of Credit unless:

(i) such Letter of Credit shall be satisfactory in form and reasonably satisfactory in substance to the LC Agent,

(ii) the Borrower shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the LC Agent shall have reasonably requested,

(iii) the LC Agent shall have determined (based on information supplied by the Administrative Agent on the date of such issuance as to the amounts specified in subsection (a) of this Section other than the Aggregate LC Exposure) that the limitations specified in subsection (a) of this Section will not be exceeded immediately after such Letter of Credit is issued, and

(iv) the LC Agent shall not have been notified in writing by the Borrower, the Administrative Agent or the Required Banks that any condition specified in clause (c), (d) or (e) of Section 3.03 is not satisfied on the date such Letter of Credit is to be issued.

(e) Notice of Proposed Extensions of Expiry Dates. The LC Agent shall give the Administrative Agent at least one Domestic Business Day's notice prior to extending the expiry date of any Letter of Credit (or, in the case of an "evergreen" Letter of Credit, allowing it to be extended), specifying (i) the date on which such extension is to be made and (ii) the date to which such expiry date is to be so extended. The LC Agent shall not extend (or allow the extension of) the expiry date of such Letter of Credit if it shall have been notified by the Borrower or the Administrative Agent (at the request of the Required Banks) that any condition specified in clause (d) or (e) of Section 3.03 is not satisfied on the date of such extension (or, in the case of an "evergreen" Letter of Credit, the day when the LC Agent's right to give a notice preventing such extension expires).

(f) Notice of Actual Issuances, Extensions and Amounts Available for Drawing. Promptly upon issuing any Letter of Credit or extending the expiry date of any Letter of Credit (or allowing the expiry date of any "evergreen" Letter of Credit to be extended), the LC Agent will notify the Administrative Agent of the date of such Letter of Credit, the amount thereof, the beneficiary or beneficiaries thereof and the expiry date or extended expiry date thereof. Within three Domestic Business Days after the end of each calendar month, the LC Agent shall notify the Administrative Agent and each Bank of (i) the daily average aggregate amount available for drawings (whether or not conditions for drawing thereunder have been satisfied) under all Letters of Credit outstanding during such month, (ii) the aggregate amount of letter of credit fees accrued during such month pursuant to subsection (g) of this Section, (iii) each Bank's Pro Rata Share of such accrued letter of credit fees and (iv) the aggregate undrawn amount of all Letters of Credit outstanding at the end of such month.

(g) Fees. The Company shall pay to the LC Agent, for the account of the Banks ratably in accordance with their respective Pro Rata Shares, a letter of credit fee for each day at the LC Fee Rate on the aggregate amount available for drawings (whether or not conditions for drawing thereunder have been satisfied) under all Letters of Credit outstanding on such day. Such letter of credit fee shall be payable quarterly in arrears on the last Domestic Business Day of each calendar quarter and on the fifth Domestic Business Day before the Termination Date (or any earlier date on which the Commitments shall have terminated in their entirety and no Letters of Credit are outstanding). Promptly upon receiving any payment of such fee, the LC Agent will distribute to each Bank its Pro Rata Share thereof. In addition, the Company shall pay to the LC Agent for its own account fronting fees and reasonable expenses in the amounts and at the times agreed between the Company and the LC Agent.

(h) Drawings. Upon receipt from the beneficiary of any Letter of Credit of a demand for payment under such Letter of Credit, the LC Agent shall determine in accordance with the terms of such Letter of Credit whether such demand for payment should be honored. If the LC Agent determines that any such demand for payment should be honored, the LC Agent shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing under such Letter of Credit. The LC Agent shall thereupon notify the Borrower of the amount of such drawing paid by it.

(i) Reimbursement and Other Payments by the Borrower. (1) If any amount is drawn under any Letter of Credit, the Borrower irrevocably and unconditionally agrees to reimburse the LC Agent for all amounts paid by the LC Agent upon such drawing, together with any and all reasonable charges and expenses which the LC Agent may pay or incur relative to such drawing and interest on the amount drawn at the Federal Funds Rate for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (x) at or before 1:00 P.M. (New York City time) on the date the LC Agent notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (New York City time) on such date, or (y) at or before 10:00 A.M. (New York City time) on the first Domestic Business Day after the date such notice is given, if such notice is given after 10:00 A.M. (New York City time) on such date; provided that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (New York City time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the LC Agent, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (New York City time) on such day and such payment is actually made at or before 3:00 P.M. (New York City time) on such day.

(2) In addition, the Borrower agrees to pay to the LC Agent interest on any and all amounts not paid by the Borrower when due hereunder with respect to a Letter of Credit, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, payable on demand, at a rate per annum equal to the sum of 2% plus rate applicable to Base Rate Loans for such day.

(3) Each payment to be made by the Company or any Borrower pursuant to this subsection (i) shall be made to the LC Agent in Federal or other funds immediately available to it at its address referred to in Section 9.01.

(j) Payments by Banks with Respect to Letters of Credit. (1) If the Borrower fails to reimburse the LC Agent as and when required by subsection (i) above for all or any portion of any amount drawn under a Letter of Credit, the LC Agent may notify each Bank of such unreimbursed amount and request that each Bank reimburse the LC Agent for such Bank's Pro Rata Share thereof. Upon receiving such notice from the LC Agent, each Bank shall make available to the LC Agent, at its address referred to in Section 9.01, an amount equal to such Bank's share of such unreimbursed amount as set forth in such notice, in Federal or other funds immediately available to the LC Agent, by 3:00 P.M. (New York City time) on the Domestic Business Day following such Bank's receipt of such notice from the LC Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Bank at the Federal Funds Rate for such day. Upon payment in full thereof, such Bank shall be subrogated to the rights of the LC Agent against the Borrower to the extent of such Bank's Pro Rata Share of the related Reimbursement Obligation (including interest accrued thereon). Nothing in this subsection (j) shall affect any rights any Bank may have against the LC Agent for any action or omission for which the LC Agent is not indemnified under subsection (n) of this Section.

(2) If any Bank fails to pay any amount required to be paid by it pursuant to clause (1) of this subsection (j) on the date on which such payment is due, interest shall accrue on such Bank's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Bank makes such payment, whether before or after judgment, at a rate per annum equal to the Federal Funds Rate for such day. Any payment made by any Bank after 3:00 P.M. (New York City time) on any Domestic Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Domestic Business Day.

(3) If the Borrower shall reimburse the LC Agent for any drawing with respect to which any Bank shall have made funds available to the LC Agent in

accordance with clause (1) of this subsection (j), the LC Agent shall promptly upon receipt of such reimbursement distribute to such Bank its Pro Rata Share thereof, including interest, to the extent received by the LC Agent.

(k) Exculpatory Provisions. Each Borrower's obligations under this Section shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the LC Agent, any Bank, the beneficiary of any Letter of Credit or any other Person. The Borrower assumes all risks of the acts or omissions of any beneficiary of any Letter of Credit with respect to its use of such Letter of Credit. None of the LC Agent, the Banks and their respective officers, directors, employees and agents shall be responsible for, and the obligations of each Bank to make payments to the LC Agent and of the Borrower to reimburse the LC Agent for drawings pursuant to this Section (other than obligations resulting solely from the gross negligence or willful misconduct of the LC Agent) shall not be excused or affected by, among other things, (i) the use which may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (ii) the validity, sufficiency or genuineness of documents presented under any Letter of Credit or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged (and notwithstanding any assertion to such effect by the Borrower); (iii) payment by the LC Agent against presentation of documents to it which do not comply with the terms of the relevant Letter of Credit; (iv) any dispute between or among the Borrower or the Company or any of its other Subsidiaries, the beneficiary of any Letter of Credit or any other Person or any claims or defenses whatsoever of the Borrower or any other Person against the beneficiary of any Letter of Credit; (v) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower or the Company and its Subsidiaries taken as a whole; (vi) any breach of this Agreement by any party hereto (except, in the case of the LC Agent, a breach resulting solely from its gross negligence or willful misconduct); (vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing; (viii) the fact that a Default shall have occurred and be continuing; or (ix) the fact that the Termination Date shall have passed or the Commitments shall have terminated. The LC Agent shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. Any action taken or omitted by the LC Agent or any Bank under or in connection with any Letter of Credit and the related drafts and documents, if done without willful misconduct or gross negligence, shall be binding upon the Borrower and shall not place the LC Agent or any Bank under any liability to the Borrower.

(l) Reliance, Etc. The LC Agent shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Company set forth in the last sentence of Section 3.03 to establish whether the conditions specified in clauses (c), (d) and (e) of Section 3.03 are met in connection with any issuance or extension of a Letter of Credit, unless the LC Agent shall have been notified to the contrary by the Administrative Agent or the Required Banks (in which event the LC Agent shall be fully protected in relying on such notice). The rights and obligations of the LC Agent under each Letter of Credit issued by it shall be governed by the provisions thereof and the provisions of the UCP and/or the Uniform Commercial Code referred to therein or otherwise applicable thereto.

(m) Indemnification by the Borrower. The Borrower agrees to indemnify and hold harmless each Bank and the LC Agent (collectively, the "LC Indemnitees") from and against any and all claims and damages, losses, liabilities, costs or expenses (including, without limitation, the reasonable fees and disbursements of counsel) which any such LC Indemnitee may reasonably incur (or which may be claimed against any such LC Indemnitee by any Person whatsoever) by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit or any actual or proposed use of any Letter of Credit, including any claims, damages, losses, liabilities, costs or expenses which the LC Agent may incur by reason of or in connection with the failure of any Bank to fulfill or comply with its obligations to the LC Agent hereunder; provided that the Borrower shall not be required to indemnify the LC Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Agent in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) the LC Agent's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit (unless such payment is enjoined or otherwise prevented by order of a court or other governmental authority). Nothing in this subsection (m) is intended to change the obligations of the Borrower under any other provision of this Section.

(n) Indemnification by the Banks. The Banks shall, ratably in accordance with their respective Pro Rata Shares, indemnify the LC Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower or any Guarantor) against any cost, expense (including fees and disbursements of counsel), claim, demand, action, loss or liability (except such as result from the LC Agent's gross negligence or willful misconduct or the LC Agent's failure to pay, unless such payment is enjoined or otherwise prevented by order of a court or other governmental

authority, under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit) that any such indemnitee may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnitee under this Agreement.

(o) Dual Capacities. In its capacity as a Bank, the LC Agent shall have the same rights and obligations under this Section as any other Bank.

Section 2.18. Swingline Loans. (a) Swingline Commitment. The Swingline Bank agrees, on the terms and conditions set forth in this Agreement, to make loans to the Company pursuant to this Section from time to time during the Swingline Loan Availability Period; provided that immediately after each such loan is made (and after giving effect to any substantially concurrent application of the proceeds thereof to repay outstanding Loans):

(i) the aggregate outstanding principal amount of the Swingline Loans shall not exceed the Swingline Commitment,

(ii) in the case of each Bank, its Outstanding Committed Amount shall not exceed its Commitment, and

(iii) the Total Usage shall not exceed the Total Commitments.

Each loan under this Section shall (x) be in a principal amount not less than $500,000 and shall be in a multiple of $100,000 and (y) bear interest on the outstanding principal amount thereof for each day from the date such loan is made until it becomes due at such rate or rates per annum (which shall in no event be greater than the rate applicable to Base Rate Loans for such day), and be payable on such dates, as shall be agreed upon from time to time by the Company and the Swingline Bank. Within the foregoing limits and subject to Section 2.11(d), the Company may borrow under this Section, repay Swingline Loans and reborrow under this Section at any time during the Swingline Loan Availability Period. If the Swingline Bank and the Company are unable, for any reason, to agree on the interest rate or interest payment date or dates applicable to any Swingline Loan, the Swingline Bank shall not be obligated to make, and the Company shall not be obligated to borrow, such Swingline Loan. The Swingline Loans shall be evidenced by the Swingline Note.

(b) Notice of Swingline Borrowing. The Company shall give the Swingline Bank notice (a "Notice of Swingline Borrowing") not later than 2:00 P.M. (New York City time) on the date of each borrowing of a Swingline Loan, specifying (i) the date of such borrowing, which shall be a Domestic Business Day, and (ii) the principal amount of such Swingline Loan.

(c) Funding of Swingline Loans. Not later than 3:00 P.M. (New York City time) on the date of each borrowing of a Swingline Loan, the Swingline Bank shall, unless the Swingline Bank determines that any applicable condition specified in Article 3 (which determination may, in the case of Section 3.03(c), be based in part on information supplied by the LC Agent on the date of such borrowing as to the Aggregate LC Exposure on such date and on information supplied by the Administrative Agent as to the aggregate outstanding principal amount of the Loans on such date) has not been satisfied, make available the amount of such Swingline Loan, in Federal or other funds immediately available in New York City, to the Company at the Swingline Bank's address referred to in Section 9.01.

(d) Optional Prepayment of Swingline Loans. The Company may prepay the Swingline Loans in whole at any time, or from time to time in part in a principal amount of at least $500,000, by giving notice of such prepayment to the Swingline Bank not later than 2:00 P.M. (New York City time) on the date of prepayment and paying the principal amount to be prepaid (together with (i) interest accrued thereon to the date of prepayment and (ii) the loss or expense (if any) resulting from such prepayment which is incurred by the Swingline Bank (or by an existing or prospective participant in the Swingline Loans) and documented by the Swingline Bank) to the Swingline Bank at its address referred to in Section 9.01, in Federal or other funds immediately available in New York City, not later than 3:00 P.M. on the date of prepayment.

(e) Mandatory Prepayment of Swingline Loans. (i) On the date of each Borrowing pursuant to Section 2.01 or 2.03, the Company shall prepay all Swingline Loans then outstanding, together with (x) interest accrued thereon to the date of prepayment and (y) the loss or expense (if any) resulting from such prepayment which is incurred by the Swingline Bank (or by an existing or prospective participant in the Swingline Loans) and documented by the Swingline Bank.

(ii) On each date on which the Swingline Commitment is reduced pursuant to Section 2.11(d), the Company shall prepay outstanding Swingline Loans in such amounts such that, after giving effect to such prepayments, the aggregate outstanding principal amount of the Swingline Loans will not exceed the Swingline Commitment as then reduced.

(f) Refunding Unpaid Swingline Loans. The Swingline Bank may at any time, by notice to the Banks (including the Swingline Bank, in its capacity as a Bank), require each Bank to pay to the Swingline Bank an amount equal to such Bank's Pro Rata Share of the aggregate unpaid principal amount of the Swingline

Loans then outstanding. Such notice shall specify the date on which such payments are to be made, which shall be the first Domestic Business Day after such notice is given. Not later than 12:00 Noon (New York City time) on the date so specified, each Bank shall pay the amount so notified to it to the Swingline Bank at its address referred to in Section 9.01, in Federal or other funds immediately available in New York City. The amount so paid by each Bank shall constitute a Base Rate Loan to the Company; provided that, if the Banks are prevented from making such Loans to the Company by the provisions of the United States Bankruptcy Code or otherwise, the amount so paid by each Bank shall constitute a purchase by it of a participation in the unpaid principal amount of the Swingline Loans (and interest accruing thereon after the date of such payment). Each Bank's obligation to make such payment to the Swingline Bank under this subsection (f) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank or any other Person may have against the Swingline Bank or the Company, (ii) the occurrence or continuance of a Default or the termination of the Commitments, (iii) any adverse change in the condition (financial or otherwise) of the Company or any other Person, (iv) any breach of this Agreement by any Obligor or any other Bank or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided that no Bank shall be obligated to make any payment to the Swingline Bank under this subsection (f) with respect to a Swingline Loan made by the Swingline Bank at a time when the Swingline Bank has determined that a Default had occurred and was continuing.

ARTICLE 3
Conditions

Section 3.01. Effective Date. This Amended Agreement shall become effective on the date (the "Effective Date") on which all of the conditions set forth in Section 3 of Amendment No. 4 shall have been satisfied. The Administrative Agent shall promptly notify the Company and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02. Consequences of Effectiveness. (a) On the Effective Date, without further action by any of the parties thereto, the Existing Credit Agreement will be automatically amended and restated to read as this Amended Agreement reads.

(b) Each Loan outstanding under the Existing Credit Agreement on the Effective Date shall mature as specified in this Amended Agreement. The interest rates determined in accordance with Section 2.07 of this Amended Agreement shall be effective on the Effective Date; provided that (i) the interest rate applicable to each CD Loan outstanding on the Effective Date for each remaining day during the then current Interest Period applicable thereto shall be the rate per annum equal to the sum of the CD Margin (as defined in this Amended Agreement) for such day plus the Adjusted CD Rate applicable to such Loan for such Interest Period (as determined pursuant to Section 2.07(b) of the Existing Credit Agreement) and (ii) the interest rate applicable to each Euro-Dollar Loan outstanding on the Effective Date for each remaining day during the then current Interest Period applicable thereto shall be the rate per annum equal to the sum of the Euro-Dollar Margin (as defined in this Amended Agreement) for such day plus the Adjusted London Interbank Offered Rate applicable to such Loan for such Interest Period (as determined pursuant to Section 2.07(c) of the Existing Credit Agreement). Facility fees and letter of credit fees accrued under the Existing Credit Agreement and unpaid as of the Effective Date will be payable on the first date on which fees are payable in accordance with Section 2.09.

(c) The parties hereto acknowledge and agree that, on and as of the Effective Date, there are Loans made to the Company pursuant to the Existing Credit Agreement and outstanding under this Amended Agreement in an aggregate principal amount equal to $250,000,000 and that the Interest Period applicable to such Loans ends on March 30, 1999. On March 30, 1999, the Company shall repay Loans made to it in an aggregate principal amount such that, after giving effect to such repayment, the aggregate outstanding principal amount of Loans to the Company shall not exceed $50,000,000.

(d) On and after the Effective Date, the rights and obligations of the parties hereto shall be governed by the provisions hereof. The rights and obligations of the parties to the Existing Credit Agreement with respect to the period before the Effective Date shall continue to be governed by the provisions thereof as in effect before the Effective Date.

Section 3.03. Extensions of Credit. The obligation (i) of any Bank to make a Loan on the occasion of any Borrowing (other than a Loan pursuant to Section 2.18(f)), (ii) of the Swingline Bank to make any Swingline Loan and (iii) of the LC Agent to issue or extend (or allow the extension of) the expiry date of any Letter of Credit are each subject to the satisfaction of the following conditions:

(a) the fact that the Effective Date shall have occurred on or prior to March 19, 1999;

(b) receipt (i) by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or 2.03, (ii) by the Swingline Bank of a Notice of Swingline Borrowing as required by Section 2.18(b) or (iii) by the LC Agent of a notice of proposed issuance or extension as required by Section 2.17(c) or (e), as the case may be;

(c) the fact that, immediately after such Extension of Credit, the applicable limitations in Section 2.01, 2.03(f), 2.17(a) or 2.18(a), as the case may be, shall not be exceeded;

(d) the fact that, immediately before and after such Extension of Credit, no Default shall have occurred and be continuing; and

(e) the fact that each of the representations and warranties of the Obligors contained in the Loan Documents shall be true on and as of the date of such Extension of Credit.

Each Extension of Credit hereunder shall be deemed to be a representation and warranty by the Company on the date of such Extension of Credit as to the facts specified in clauses (c), (d) and (e) of this Section.

ARTICLE 4

Representations and Warranties

Each Borrower represents and warrants that:

Section 4.01. Corporate Existence and Power. Such Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by such Borrower of each Loan Document to which it is a party are within such Borrower's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or

official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

Section 4.03. Binding Effect. Each Loan Document to which such Borrower is a party (other than its Notes and its Swingline Note) constitutes a valid and binding agreement of such Borrower and each of its Notes and its Swingline Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of such Borrower, in each case enforceable in accordance with its terms.

Section 4.04. Financial Statements. (a) The consolidated balance sheet of the Company and its Consolidated Subsidiaries as of January 31, 1998 and the related consolidated statements of operations, cash flows and shareholders' equity for the Fiscal Year then ended, reported on by KPMG LLP and set forth in the Company's 1997 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such Fiscal Year.

(b) The unaudited condensed consolidated balance sheet of the Company and its Consolidated Subsidiaries as of October 31, 1998 and the related unaudited condensed consolidated statements of operations, cash flows and retained earnings for the nine months then ended, set forth in the Company's Latest Form 10-Q, a copy of which has been delivered to each of the Banks, fairly present, on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such nine-month period (subject to normal year-end adjustments).

(c) Since October 31, 1998 there has been no material adverse change in the business, financial position, results of operations or prospects of the Company and its Consolidated Subsidiaries, considered as a whole.

Section 4.05. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Company threatened against or affecting, the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect.

Section 4.06. Compliance with Laws. The Company and its Subsidiaries are in compliance in all material respects with all applicable laws, ordinances, rules, regulations and binding requirements of governmental authorities, except where (i) the necessity of compliance therewith is being contested in good faith by appropriate proceedings or (ii) failure to comply therewith could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 4.07. Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or made any amendment to any Plan, which has resulted or will result in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or in the incurrence of a requirement under Section 401(a)(29) of the Internal Revenue Code to post a bond or other security in order to retain the tax-qualified status of such Plan or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 4.08. Environmental Matters. To the knowledge of such Borrower, (i) the Company and its Subsidiaries are in material compliance with all applicable Environmental Laws, (ii) there are no claims, demands or investigations against the Company or any of its Subsidiaries by any governmental authority or other person or entity that may reasonably be expected to result in material liability for the clean up of materials that have been released into the environment and (iii) there are no conditions that are reasonably likely to result in such claims, demands or investigations against the Company or any of its Subsidiaries, except for failures to comply and liabilities which, in the aggregate, are unlikely to result in a Material Adverse Effect.

Section 4.09. Taxes. The Company and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any material assessment received by the Company or any Subsidiary, except taxes and assessments which are not yet delinquent or are being contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Company, adequate.

Section 4.10. Subsidiaries. (a) Each of the Company's corporate Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The Subsidiary Guarantors are all of the Subsidiaries of the Company on the Effective Date, other than Foreign Subsidiaries and Immaterial Subsidiaries.

Section 4.11. Not an Investment Company. Such Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4.12. Full Disclosure. All information (taken as a whole) heretofore furnished in writing by such Borrower to any Bank for purposes of or in connection with the Loan Documents or any transaction contemplated thereby is, and all such information hereafter furnished in writing by such Borrower to any Bank will be, true in all material respects on the date as of which such information is stated or certified. Any projections and pro forma financial information contained in any such writing will be based upon good faith estimates and assumptions believed by such Borrower to be reasonable at the time made, it being recognized by the Banks that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. Such Borrower has disclosed to the Banks in writing any and all facts which could reasonably be expected to result in a Material Adverse Effect (to the extent such Borrower can now reasonably foresee, utilizing reasonable assumptions and the information now actually known to the Company's Responsible Officers).

Section 4.13. Year 2000 Compliance. The Company has (i) initiated a review and assessment of all areas within the business and operations of the Company and each of its Subsidiaries that could reasonably be expected to be materially adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by it or any of its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis and (iii) to date, implemented such plan substantially in accordance with such timetable. The Company reasonably believes that all computer applications that are material to the business or operations of the Company or any of its Subsidiaries will on a timely basis be able to perform properly date-sensitive functions for all dates before and from and after January 1, 2000 (that is, be "Year 2000 Compliant") except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 4.14. Ranking. The Loans, the Swingline Loans and the Reimbursement Obligations of such Borrower rank (i) senior to any other Debt of such Borrower with respect to the Collateral pledged by such Borrower, (ii) pari passu with other unsecured Debt of such Borrower (other than any such Debt described in clause (iii)) with respect to any assets of such Borrower (other than the Collateral pledged by such Borrower) and (iii) senior to any other Debt of such Borrower which by its terms is subordinated thereto, including without limitation any New Subordinated Debt (or any Guarantee thereof, as the case may be).

ARTICLE 5

Covenants

The Company agrees that, so long as any Bank has any Credit Exposure hereunder, the Swingline Commitment remains in effect or any amount payable under the Swingline Note remains unpaid:

Section 5.01. Information. The Company will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of operations, cash flows and shareholders' equity for such Fiscal Year, setting forth in each case in comparative form the figures as of the end of and for the previous Fiscal Year, all reported on (without any qualification that would not be acceptable to the SEC for purposes of filings under the Exchange Act) by KPMG LLP or other independent public accountants of nationally recognized standing;

(b) as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated condensed balance sheet of the Company and its Consolidated Subsidiaries as of the end of such Fiscal Quarter, the related consolidated condensed statement of operations for such Fiscal Quarter and the related consolidated condensed statements of operations, cash flows and retained earnings for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in comparative form (i) in the case of such statement of operations, the figures for the corresponding Fiscal Quarter of the previous Fiscal Year and (ii) in the case of such statements of operations, cash flows and retained earnings, the figures for the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Company;

(c) as soon as available and in any event within 30 days after the end of each month of each Fiscal Year, a consolidated condensed balance sheet of the Company and its Consolidated Subsidiaries as of the end of such month and the related consolidated condensed statements of operations and cash flows for the portion of the Fiscal Year ended at the end of such month, all certified (subject to normal quarter-end and year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Company;

(d) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the Company's chief financial officer or chief accounting officer (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Sections 5.06 to 5.10, inclusive, and Sections 5.13 to 5.15, inclusive, on the date of such financial statements, (ii) setting forth (x) if such certificate is being delivered together with each set of financial statements referred to in clause (a) above, the names of each Subsidiary of the Company that is an Immaterial Subsidiary as of the last day of the Fiscal Year with respect to which such financial statements relate and the calculations required to establish that each such Subsidiary is an Immaterial Subsidiary and (y) if such certificate is being delivered together with each set of financial statements referred to in clause (b) above for any Fiscal Quarter of any Fiscal Year, the names of each Subsidiary of the Company that is an Immaterial Subsidiary as of the last day of the Fiscal Quarter with respect to which such financial statements relate and which was not listed as an Immaterial Subsidiary on previous certificates delivered by the Company pursuant to this subsection (d) together with financial statements for previous Fiscal Quarters of such Fiscal Year and the calculations required to establish that each such Subsidiary is an Immaterial Subsidiary and (iii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(e) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the firm of independent public accountants which reported on such statements (i) whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements and (ii) confirming the calculations set forth in the officer's certificate delivered simultaneously therewith pursuant to clause (d) above;

(f) as soon as practicable and in any event within 45 days after the first day of each Fiscal Year, the Company's operating plans and financial forecasts, including cash flow projections covering proposed fundings, repayments, additional advances, investments, capital expenditures and other cash receipts and disbursements, for such Fiscal Year;

(g) (x) within ten Domestic Business Days of receipt of any Major Casualty Proceeds that would constitute a Reduction Event but for the delivery of a certificate pursuant to this subsection, a certificate of the Company setting forth the amount of such Major Casualty Proceeds and the transaction giving rise to them and stating that the Company shall notify the Administrative Agent, within ninety days of receipt of such Major Casualty Proceeds of its determination as to whether such Major Casualty Proceeds (or any portion thereof) shall be expended for the purchase or repair of property, plant and equipment and (y) within 90 days of receipt of any Major Casualty Proceeds with respect to which the Company has delivered to the Administrative Agent a certificate pursuant to clause (x) of this subsection, a certificate of the Company setting forth the amount of such Major Casualty Proceeds that will be expended by the Company and its Subsidiaries for the purchase or repair of property, plant and equipment and a reasonably detailed plan of such purchase or repair;

(h) within ten Domestic Business Days after any Responsible Officer of the Company obtains knowledge of any Default, if such Default is then continuing, a certificate of the Company's chief financial officer or chief accounting officer setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(i) within ten Domestic Business Days after any Responsible Officer of the Company obtains knowledge of the commencement of an action, suit or proceeding against the Company or any Subsidiary before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of any Loan Document, a certificate of a Responsible Officer of the Company setting forth the nature of such pending or threatened action, suit or proceeding and such additional information with respect thereto as may be reasonably requested by any Bank;

(j) within ten Domestic Business Days after any Responsible Officer of the Company determines that any computer application that is material to the business or operations of the Company or any of its Subsidiaries will fail to be "Year 2000 Compliant" (as defined in Section 4.13) in all material respects and on a timely basis, a certificate of a Responsible Officer of the Company setting forth the details of such failure, the expected consequences thereof and the action which the Company is taking or proposes to take with respect thereto;

(k) within ten Domestic Business Days after any Responsible Officer of the Company obtains knowledge of any actual or proposed material change in any material contract arrangements between the Company or any of its Subsidiaries and any material vendors or suppliers, a certificate of a Responsible Officer of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(l) promptly upon the mailing thereof to the shareholders of the Company generally, copies of all financial statements, reports and proxy statements so mailed;

(m) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Company shall have filed with the SEC;

(n) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" defined in PBGC Regulations Sections 2615.11(a), .12(a), .14(a), .16(a), .17(a), .21(a), .22(a) or .23(a) with respect to any Plan, or, with respect to any Plan, gives or is required to give notice to the PBGC under Section 4043(b)(3) of ERISA or would be required to give notice under such Section but for the provisions of Section 4043(b)(2) of ERISA or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC, or that would be required to be given but for the provisions of Section 4043(b)(2); (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer, any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or makes any amendment to any Plan or which has resulted or will result in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or the incurrence of a requirement under Section 401(a)(29) of the Internal Revenue Code to post a bond or other security in order to retain the tax- qualified status of such Plan, a certificate of the Company's chief financial officer or chief accounting officer setting forth details as to such occurrence and action, if any, which the Company or applicable member of the ERISA Group has taken or proposes to take; and

(o) from time to time such additional information regarding the financial position or business of the Company and its Subsidiaries as the Administrative Agent, at the request of any Bank, may reasonably request.

Section 5.02. Maintenance of Property; Insurance. (a) The Company will keep, and will cause each Subsidiary to keep, all material properties useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) The Company will, and will cause each of its Subsidiaries to, maintain (either in the name of the Company or in such Subsidiary's own name) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts and against at least such risks (and with such risk retention) as are usually insured against in the same general area by companies of established repute engaged in the same or a similar business; provided that such risks may be covered by self-insurance programs consistent with past practice. The Company will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 5.03. Conduct of Business and Maintenance of Existence. The Company will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Company and its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business, except where failures to possess such rights, privileges and franchises could not, in the aggregate,

reasonably be expected to result in a Material Adverse Effect; provided that nothing in this Section shall prohibit (i) any merger or consolidation permitted under Section 5.11 or (ii) the termination of the existence of any Immaterial Subsidiary if the Company in good faith determines that such termination is in the best interests of the Company and is not materially disadvantageous to the Banks.

Section 5.04. Compliance with Laws. The Company will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and binding requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder), except where (i) the necessity of compliance therewith is being contested in good faith by appropriate proceedings or (ii) failures to comply therewith could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 5.05. Inspection of Property, Books and Records. The Company will keep, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to permit, representatives of any Bank at such Bank's expense, upon reasonable prior notice, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 5.06. Negative Pledge. (a) Neither the Company nor any Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except (subject to the last sentence of this subsection (a)):

(i) Liens existing on the date of this Agreement securing (i) any Debt described in clause (iv) of the definition of Debt outstanding on the date of this Agreement in an aggregate principal or face amount not exceeding $50,000,000 and listed on Schedule 5.06 and (ii) other Debt outstanding on the date of this Agreement in an aggregate principal or face amount not exceeding $10,000,000;

(ii) any Lien on any asset (or improvement thereon) securing Debt (including without limitation any Debt described in clause (iv) of the definition of Debt) incurred or assumed solely for the purpose of financing all or any part of the cost of acquiring such asset (or improvement thereon), provided that (x) such Lien attaches to such asset (or improvement thereon) concurrently with or within 90 days after the acquisition thereof and (y) the aggregate principal or face amount of Debt secured by Liens incurred in reliance on this clause (ii) shall not exceed $40,000,000;

(iii) any Lien existing on any asset of any corporation at the time such corporation becomes a Subsidiary and not created in contemplation of such event;

(iv) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Company or a Subsidiary and not created in contemplation of such event;

(v) any Lien existing on any asset prior to the acquisition (whether by purchase, merger or otherwise) thereof by the Company or a Subsidiary and not created in contemplation of such acquisition;

(vi) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Debt is not increased and is not secured by any additional assets;

(vii) Liens on amounts on deposit in the Escrow Account securing (x) the obligations of the Company under any New Subordinated Debt any portion of the proceeds of which have been deposited in the Escrow Account and (y) the payment to the Escrow Agent of amounts payable to it pursuant to the Escrow Agreement, on the terms permitted by Section 5.17(b);

(viii) Liens not securing Debt and consisting of (i) zoning restrictions, easements, covenants and other restrictions on the use of any interest of real property, minor irregularities or defects of title and similar encumbrances on any interest in real property incurred or suffered in the ordinary course of business, (y) statutory or contractual Liens of landlords, Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens, in each case incurred in the ordinary course of business for sums not yet due or the payment of which is not delinquent or which are being contested in good faith by appropriate proceedings and (z) Liens consisting of a mortgage on Store 1127 located in Miami, Florida and a mortgage on the Champs office located in Bradenton, Florida, in each case securing obligations of the Borrower outstanding on the Effective Date;

(ix) Liens (other than Liens described in clause (viii)) arising in the ordinary course of its business which (x) do not secure Debt, (y) do not secure any single obligation or series of related obligations in an amount exceeding $5,000,000 and (z) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business; and

(x) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt of any Subsidiary (other than a Subsidiary Borrower) permitted under Section 5.09; provided that the aggregate principal or face amount of Debt of all Subsidiaries secured by Liens incurred in reliance on this clause (x) shall not exceed $10,000,000.

Neither the Company nor any Subsidiary will create, assume or suffer to exist any Lien on any Collateral (or any asset that will constitute "Collateral" upon execution of the Collateral Documents), except as permitted by the Collateral Documents or any inventory now owned or hereafter acquired by it, other than (1) any Lien arising by operation of law and permitted by subsections (a)(viii) and (a)(ix) and (2) solely with respect to any Collateral, the Lien created under the Collateral Document pursuant to which such Collateral is purportedly pledged.

(b) Neither the Company nor any of its Subsidiaries will enter into any agreement with any Person which prohibits or limits the ability of the Company or any Subsidiary to create, incur, assume or suffer to exist any Lien securing the obligations of the Obligors under the Loan Documents upon any of its property, assets or revenues, whether now owned or hereafter acquired (any such agreement, a "Negative Pledge") and which is more restrictive than the Negative Pledge set forth in the Indenture; provided that nothing in this subsection (b) shall be construed to prohibit the Company or any of its Subsidiaries from entering in the ordinary course of business into supply contracts, purchase contracts and leaseholds with respect to real property containing in each case customary non- assignment provisions.

Section 5.07. Minimum Consolidated Tangible Net Worth. Consolidated Tangible Net Worth will at no time be less than the sum of (i) $940,000,000 plus (ii) for each Fiscal Quarter ended at or prior to such time (but after January 30, 1999), 50% of the consolidated net income of the Company and its Consolidated Subsidiaries for such Fiscal Quarter (if greater than zero).

Section 5.08. Leverage Ratio. On any date during any period set forth below, the ratio of (i)(x) Consolidated Debt on such date minus (y) solely if such date occurs prior to the Refinancing Date, the aggregate amount on deposit in the Escrow Account on such date to (ii) EBITDA for the period of four consecutive Fiscal Quarters ended on or most recently prior to such date, shall not exceed the ratio set forth below opposite such period:

Period	Maximum Ratio
From and including January 31, 1999 to but excluding last day of second fiscal quarter 1999	Not applicable
From and including last day of second fiscal quarter 1999 to but excluding last day of third fiscal quarter 1999	7.5:1
From and including last day of third fiscal quarter 1999 to but excluding last day of fourth fiscal quarter 1999	5.5:1
From and including last day of fourth fiscal quarter 1999 to but excluding last day of first fiscal quarter 2000	4.0:1
From and including last day of first fiscal quarter 2000 to but excluding last day of second fiscal quarter 2000	3.5:1
From and including last day of second fiscal quarter 2000 to but excluding last day of third fiscal quarter 2000	3.25:1
From and including last day of third fiscal quarter 2000 to but excluding last day of fourth fiscal quarter 2000	3.00:1
From and including last day of fourth fiscal quarter 2000 to but excluding last day of first fiscal quarter 2001	2.75:1
From and including last day of first fiscal quarter 2001 to but excluding last day of second fiscal quarter 2001	2.5:1
From and including last day of second fiscal quarter 2001 to but excluding last day of third fiscal quarter 2001	2.45:1
From and including last day of third fiscal quarter 2001 to but excluding last day of fourth fiscal quarter 2001	2.35:1
Thereafter	2.15:1

Section 5.09. Limitation on Debt of Subsidiaries. The total Debt of all Subsidiaries (excluding (i) Debt owed to the Company or to another Subsidiary, (ii) Debt under the Guarantee Agreement, (iii) Debt of any Subsidiary Guarantor consisting of a Guarantee of non-contingent reimbursement obligations of the Company under trade letters of credit (other than any Letter of Credit) which reimbursement obligations are outstanding no more than one Domestic Business Day, (iv) Debt of any Subsidiary Guarantor consisting of a Guarantee of New

Subordinated Debt, so long as the obligations of such Subsidiary Guarantor under such Guarantee are subordinated to the obligations of such Subsidiary Guarantor under the Loan Documents at least to the same extent as the obligations of the Company under such New Subordinated Debt, (v) Debt of any Subsidiary Guarantor consisting of a Guarantee of any unsecured Debt of the Company outstanding at January 30, 1999 and reflected on the balance sheet of the Company at January 30, 1999, so long as the obligations of such Subsidiary Guarantor under such Guarantee are subordinated to the obligations of such Subsidiary Guarantor under the Loan Documents on customary capital markets terms approved by the bank affiliate of each Lead Arranger and (vi) the Loans and the Swingline Loans made to any Subsidiary Borrower and the Reimbursement Obligations of any Subsidiary Borrower) will not at any time exceed $50,000,000.

Section 5.10. Fixed Charge Coverage Ratio. At the end of each Fiscal Quarter listed below, the Fixed Charge Coverage Ratio will not be less than the ratio set forth below opposite such Fiscal Quarter:

Fiscal Quarter	Minimum Ratio
First Fiscal Quarter 1999	.35:1
Second Fiscal Quarter 1999	.55:1
Third Fiscal Quarter 1999	.75:1
Fourth Fiscal Quarter 1999	1.0:1
First Fiscal Quarter 2000	1.0:1
Second Fiscal Quarter 2000	1.0:1
Third Fiscal Quarter 2000	1.0:1
Fourth Fiscal Quarter 2000	1.3:1
First Fiscal Quarter 2001	1.3:1
Second Fiscal Quarter 2001	1.3:1
Third Fiscal Quarter 2001	1.3:1
Fourth Fiscal Quarter 2001	1.4:1
First Fiscal Quarter 2002	1.4:1
Second Fiscal Quarter 2002	1.4:1

Section 5.11. Consolidations, Mergers and Sales of Assets. The Company will not, and will not permit any of its Subsidiaries to, consolidate or merge with or into any other Person; provided that (i) the Company may merge with another Person if (x) the Company is the corporation surviving such merger and (y) unless such other Person was a Subsidiary Guarantor immediately prior to giving effect to such merger, immediately after giving effect to such merger no Default shall have occurred and be continuing and (ii) any Subsidiary may merge with another Person if (x) a Subsidiary is the survivor to such merger, (y) if such Subsidiary was a Subsidiary Guarantor immediately prior to giving effect to such merger, the survivor to such merger is a Subsidiary Guarantor (and, if the survivor was not a Subsidiary Guarantor immediately prior to giving effect to such merger and is a Foreign Subsidiary, the Administrative Agent shall have received evidence reasonably satisfactory to it that the obligations of such Subsidiary Guarantor under the Guarantee Agreement shall be enforceable in the jurisdictions in which such Subsidiary Guarantor holds assets and conducts its operations) and (z) if such Subsidiary was a Subsidiary Borrower immediately prior to giving effect to such merger, such Subsidiary Borrower is the survivor to such merger. The Company and its Subsidiaries will not sell, lease or otherwise transfer, directly or indirectly (1) all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any other Person, (2) any assets of the Company or any Subsidiary Guarantor to any Subsidiary that is not a Subsidiary Guarantor, except in the ordinary course of business or (3) all or any substantial part of the Foot Locker Business or the Champs Business to any other Person; provided that the foregoing limitations shall not apply to sales of inventory or sales and other dispositions of surplus assets, in each case in the ordinary course of business. For purposes of this Section 5.11, "Foot Locker Business" means the operations of the Company and its Subsidiaries conducted in North America under the names "Foot Locker", "Lady Foot Locker", "Kids Foot Locker" and "World Foot Locker" (including the stock of any Subsidiary through which any such operations are conducted and the tangible and intangible assets held by any such Subsidiary) and "Champs Business" means the operations of the Company and its Subsidiaries conducted in North America under the name "Champs Sports" (including the stock of any Subsidiary through which any such operations are conducted and the tangible and intangible assets held by any such Subsidiary).

Section 5.12. Use of Proceeds. The proceeds of the Loans and the Swingline Loans made under this Agreement will be used by the Borrowers solely to finance their working capital and, until the Company has issued New Subordinated Debt for gross proceeds of not less than $350,000,000 in the aggregate, to finance Consolidated Capital Expenditures to the extent permitted under Section 5.13.

Section 5.13. Limitation on Capital Expenditures. (a) Consolidated Capital Expenditures will not, for any fiscal period set forth below, exceed the amount set forth below opposite such period:

Fiscal Period	Maximum Amount
Fiscal Year 1999	$ 175,000,000
Fiscal Year 2000	$ 150,000,000
Fiscal Year 2001	$ 150,000,000
From and including the first day of the first Fiscal Quarter 2002 to and including the last day of the second Fiscal Quarter 2002	$ 75,000,000

;provided that to the extent Consolidated Capital Expenditures for any fiscal period set forth above are less than the amount set forth above opposite such period, 50% of such unused amount may be carried over to the immediately succeeding fiscal period (or, in the case of any unused amount for the Fiscal Year 2001, 25%). Consolidated Capital Expenditures made in any fiscal period will be allocated first to reduce the amount set forth above opposite such period, and second, to reduce any amount carried over from the immediately preceding fiscal period.

(b) In addition to the restrictions set forth in subsection (a), Consolidated Capital Expenditures will not, for any fiscal period set forth below, exceed the amount set forth below opposite such period:

Fiscal Period	Maximum Amount
From and including the first day of the first Fiscal Quarter 1999 to and including the last day of the second Fiscal Quarter 1999	$114,000,000
From and including the first day of the third Fiscal Quarter 1999 to and including the last day of the fourth Fiscal Quarter 1999	$ 81,000,000
From and including the first day of the first Fiscal Quarter 2000 to and including the last day of the second Fiscal Quarter 2000	$ 99,00,000
From and including the first day of the third Fiscal Quarter 2000 to and including the last day of the fourth Fiscal Quarter 2000	$ 71,000,000
From and including the first day of the first Fiscal Quarter 2001 to and including the last day of the second Fiscal Quarter 2001	$ 91,000,000
From and including the first day of the third Fiscal Quarter 2001 to and including the last day of the fourth Fiscal Quarter 2001	$ 71,000,000
From and including the first day of the first Fiscal Quarter 2002 to and including the last day of the second Fiscal Quarter 2002	$ 56,000,000

;provided that to the extent Consolidated Capital Expenditures for any fiscal period set forth above consisting of the first two Fiscal Quarters of any Fiscal Year are less than the amount set forth above opposite such period, such unused amount may be carried over to the immediately succeeding fiscal period. Consolidated Capital Expenditures made in any fiscal period will be allocated first to reduce the amount set forth above opposite such period, and second, to reduce any amount carried over from the immediately preceding fiscal period.

Section 5.14. Investments and Business Acquisitions. Neither the Company nor any Subsidiary will hold, make or acquire any Investment in any Person or make any Business Acquisition other than:

(a) Investments in existence on the Effective Date in an aggregate amount not to exceed $1,000,000;

(b) (i) any Investment in Persons which are Subsidiaries immediately prior to the making of such Investment and (ii) any Investment in the Company; provided that any Investment by the Company or a Subsidiary Guarantor in a Subsidiary that is not a Subsidiary Guarantor shall be permitted pursuant to this clause (b) only if consummated in the ordinary course of business;

(c) Temporary Cash Investments (and, solely with respect to any amounts on deposit in the Escrow Account, such other Investments as shall be permitted by the terms of the Escrow Agreement); and

(d) any Investment not otherwise permitted by the foregoing clauses of this Section and any Business Acquisition if (x) the aggregate amount of any single such Investment or Business Acquisition (or series of related Investments or Business Acquisitions) does not exceed $10,000,000, (y) immediately after any such Investment or Business Acquisition is made or acquired, the aggregate amount (without duplication) of all Investments and Business Acquisitions made in reliance on this clause (d) does not exceed $50,000,000 and (z) solely with respect to any Business Acquisition, immediately after giving effect to such Business Acquisition, (1) the Company would be in pro forma compliance with the covenants set forth in Sections 5.08, 5.09, 5.10 and 5.13 (calculated giving effect to any Debt to be incurred or assumed by the Company and its Subsidiaries in connection with such Business Acquisition and assuming that such Business Acquisition was consummated in the first day of the most recent fiscal period with respect to which each covenant is calculated) and (2) together with the delivery of the financial statements pursuant to Section 5.01(c) with respect to the month in which such Business Acquisition was consummated, the Company shall have delivered to the Administrative Agent a certificate of a Responsible Officer certifying such pro forma compliance and showing in reasonable detail the calculation thereof.

Section 5.15. Restricted Payments. Neither the Company nor any Subsidiary will declare or make any Restricted Payment on any date (with respect to any proposed Restricted Payment, a "Measurement Date") unless (i) such Restricted Payment is declared or made after the last day of the first Fiscal Quarter of Fiscal Year 2000, (ii) immediately before and after giving effect thereto, no Default has occurred and is continuing, (iii) the Fixed Charge Coverage Ratio for the period of four consecutive Fiscal Quarters most recently ended prior to the relevant Measurement Date and with respect to which the Company has delivered the financial statements required to be delivered by it pursuant to Section 5.01(a) or (b), as the case may be, is at least 2.5:1 and (iv) the aggregate amount of Restricted Payments made since January 29, 2000 does not exceed 20% of the consolidated net income of the Company and its Consolidated Subsidiaries for the period from and including January 29, 2000 to and including the last day of the Fiscal Quarter most recently ended prior to the relevant

Measurement Date (treated as a single accounting period); provided that regardless of whether the conditions set forth in clauses (i) through (iv) are satisfied, the Company may make Restricted Payments consisting of (1) repurchases of its common stock pursuant to employee stock plans in an aggregate amount not to exceed $500,000 in any Fiscal Year and (2) payments in respect of shareholders rights plans in an aggregate amount not to exceed $1,500,000.

Section 5.16. New Subordinated Debt. (a) The Company will not issue any Debt securities in the capital markets on or after the Effective Date which rank pari passu with the Loans and the Swingline Loans made to the Company and the Reimbursement Obligations of the Company (determined without regard to the existence of the Lien on the Collateral created under the Collateral Documents) until the Company will have issued New Subordinated Debt for gross proceeds of not less than $350,000,000 in the aggregate.

(b) The Company will not, and will not permit any Subsidiary to, enter into any amendment or waiver of any agreement or instrument governing any New Subordinated Debt (or any Guarantee thereof) which (i) would increase the interest rate, shorten the final maturity or the weighted average life, or change the subordination provisions of such New Subordinated Debt (or Guarantee thereof) or make any of the covenants or events of default applicable to such New Subordinated Debt (or Guarantee thereof) more restrictive than the covenants or events of default applicable under this Agreement or (ii) could otherwise be reasonably expected to have an adverse effect on the Banks, without in each case the prior written consent of the Required Banks. The Company will not enter into any amendment or waiver of the Escrow Agreement which (i) would alter the provisions regarding the deposit, withdrawal, application or investment of amounts on deposit therein (including without limitation the timing or amount of any such deposit or withdrawal) or the creation or termination or release of any Liens on amounts on deposit therein or (ii) could otherwise be reasonably expected to have an adverse effect on the Banks, without in each case the prior written consent of the Required Banks.

(c) Neither the Company nor any Subsidiary will optionally prepay, redeem, purchase, acquire or make any other payment in respect of any New Subordinated Debt other than regularly scheduled payments of interest thereon.

Section 5.17. Refunding of the 7% Debentures; Escrow Arrangements. (a) On or prior to February 15, 2000, the Company shall have repaid or repurchased in full all outstanding 7% Debentures, together with accrued and unpaid interest thereon and all other amounts due and payable at such time with respect thereto (or shall have on deposit in the Escrow Account (as defined below) an amount equal to the aggregate principal amount of the 7% Debentures then outstanding) and, should such repayment, repurchase or deposit be made with the proceeds of any Debt, such Debt shall be New Subordinated Debt.

(b) The Company shall deposit into an escrow account (the "Escrow Account") established with a financial institution reasonably acceptable to the Company and the bank affiliate of each Lead Arranger (the "Escrow Agent") pursuant to an escrow agreement in form and substance reasonably satisfactory to the bank affiliate of each Lead Arranger (as amended from time to time in accordance with Section 5.16(b), the "Escrow Agreement"), the Net Cash Proceeds from the issuance by the Company of any New Subordinated Debt consummated prior to the Refinancing Date, until the amount deposited in the Escrow Account equals the aggregate principal amount of the 7% Debentures then outstanding (the "Required Escrow Amount"). The Net Cash Proceeds from the issuance by the Company of any New Subordinated Debt in excess of the Required Escrow Amount may be retained by the Company, subject to being applied as required by Sections 2.06 and 2.11 (to the extent contemplated thereby). The Escrow Agreement will provide that (i) amounts on deposit in the Escrow Account will be invested, at the direction of, if no Default shall have occurred and be continuing, the Company or, if a Default shall have occurred and be continuing, the Administrative Agent, in Temporary Cash Investments or such other Investments as shall have been approved by the bank affiliate of Lead Arranger, and, prior to the Refinancing Date, may be withdrawn only to repay or repurchase the 7% Debentures and (ii) on the Refinancing Date, amounts then on deposit in the Escrow Account (after giving effect to any withdrawals made therefrom on such Date the proceeds of which have been applied to repay or repurchase any 7% Debentures then outstanding) will be applied as required by Sections 2.06 and 2.11 (to the extent contemplated thereby) and any excess will be released to the Company (so long as the Escrow Agent has not received written notice from the trustee under the indenture pursuant to which the New Subordinated Debt, any portion of the proceeds of which have been deposited in the Escrow Account, was issued that a default has occurred and is then continuing thereunder). Amounts on deposit in the Escrow Account (and no other amounts or other assets) may be pledged to secure the obligations of the Company under the New Subordinated Debt any portion of the proceeds of which have been deposited in the Escrow Account; provided that the Lien securing such obligations on any amounts on deposit in the Escrow Account will automatically be released upon withdrawal of such amounts for the uses specified in the immediately preceding sentence so long as the Escrow Agent has not received written notice from such trustee that a default has occurred and is then continuing thereunder.

Section 5.18. Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, directly or indirectly, (i) pay any funds to or for the account of any Affiliate, (ii) make any investment in any Affiliate (whether by acquisition of stock or indebtedness, by loan, advance, transfer of property, guarantee or other agreement to pay, purchase or service, directly or indirectly, any Debt, or otherwise), (iii) lease, sell, transfer or otherwise dispose of any assets, tangible or intangible, to any Affiliate, or (iv) participate in, or effect, any transaction with any Affiliate, except in each case on an arms-length basis on terms at least as favorable to the Company or such Subsidiary as could have been obtained from a third party that was not an Affiliate; provided that the foregoing provisions of this Section shall not prohibit any such Person from declaring or paying any lawful dividend or other payment ratably in respect of all its capital stock of the relevant class so long as, after giving effect thereto, no Default shall have occurred and be continuing (including without limitation pursuant to Section 5.15).

Section 5.19. Additional Guarantors. The Company shall cause (x) any Person which becomes a Subsidiary (other than, subject to clause (z), any Foreign Subsidiary or any Immaterial Subsidiary) after the date hereof, (y) any Immaterial Subsidiary (other than, subject to clause (z), any Foreign Subsidiary) that ceases to be an Immaterial Subsidiary after the date hereof and (z) any Foreign Subsidiary and any Immaterial Subsidiary that has entered into, or is proposing to enter into, a Guarantee of any other Debt of the Company or any of its Subsidiaries, including without limitation any New Subordinated Debt, any Other Refinancing Debt or any Debt of the Company described in clause (v) of the parenthetical set forth in Section 5.09 (other than, with respect to any Foreign Subsidiary, any Guarantee of any Debt of any of its Subsidiaries that is a Foreign Subsidiary) to (i) enter into the Guarantee Agreement, (ii) become bound by the Pledge Agreement and the Security Agreement and, if applicable, enter into such additional agreements or instruments, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant a perfected first priority interest upon all of the Collateral purportedly pledged by such Subsidiary pursuant to the Pledge Agreement and the Security Agreement (subject to Liens on such Collateral permitted by the last sentence of Section 5.06(a)) and (iii) deliver such certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent, in each case within (x) ten days after the date on which the relevant event described in clauses (x), (y) or (z) occurs (or, if later, the date on which the Company must have satisfied the requirements set forth in Section 5.20), in the case of entering into the Guarantee Agreement and becoming bound by the Pledge Agreement and the Security Agreement and (y) within 30 days after the date on which the relevant event described in clauses (x), (y) or (z) occurs (or, if later, the date on which the Company must have satisfied the requirements set forth in Section 5.20), in the case of the other actions described in this Section.

Section 5.20. Collateral Documents. (a) On or prior to 90 days after the Effective Date, the Company will, and will cause each of its Subsidiaries (other than any Foreign Subsidiary or any Immaterial Subsidiary, unless any such Subsidiary has entered into, or is proposing to enter into, a Guarantee of any other Debt of the Company or any of its Subsidiaries, including without limitation any New Subordinated Debt, any Other Refinancing Debt or any Debt of the Company described in clause (v) of the parenthetical set forth in Section 5.09 (other than, with respect to any Foreign Subsidiary, any Guarantee of any Debt of any of its Subsidiaries that is a Foreign Subsidiary)) to (i) enter into the Pledge Agreement and the Security Agreement and, if applicable, enter into such additional agreements or instruments, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant a perfected first priority security interest in all of the Collateral purportedly pledged by the Company or such Subsidiary pursuant to the Pledge Agreement and the Security Agreement (subject to Liens on such Collateral permitted by the last sentence of Section 5.06(a)) and (ii) deliver such certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

(b) On or prior to 90 days after the Effective Date, the Company will, and will cause each of its Subsidiaries to, enter into mortgages and such other agreements, each in form and substance reasonably satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant the Administrative Agent, for the benefit of the Bank Parties, a perfected first priority mortgage Lien on each ownership interest in real property held by the Company or such Subsidiary and listed on Schedule 5.20(b) (subject to Liens on such Collateral permitted by Section 5.06(a)(viii)(z) and by the last sentence of Section 5.06(a)). If on the first date after the Final Disposition Date with respect to any Real Property Held For Sale the Company or any Subsidiary holds such Real Property Held For Sale (other than any Real Property Held For Sale constituting a leasehold interest in real property which has been subleased in its entirety by the Company or any of its Subsidiaries on or prior to the Final Disposition Date with respect thereto) then, within 90 days thereafter, the Company will, or will cause such Subsidiary to, enter into a mortgage and such other agreements, each in form and substance reasonably satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant the Administrative Agent, for the benefit of the Bank Parties, a perfected first priority mortgage Lien on such Real Property Held For Sale (subject to Liens on Collateral permitted by the last sentence of Section 5.06(a)). If at any time after the Effective Date the Company or any of its Subsidiaries (other than any Foreign Subsidiary) acquires any ownership interest in real property with a fair market value in excess of $2,000,000, the Company will, or will cause such Subsidiary to, enter into a mortgage and such other agreements, each in form and substance satisfactory to the Administrative Agent, as may be necessary or desirable in order to grant the Administrative Agent, for the benefit of the Bank Parties, a perfected first priority mortgage Lien on such ownership interest (subject to Liens on Collateral permitted by the last sentence of Section 5.06(a)); provided that neither the Company nor any of its Subsidiaries shall be required to grant any Lien pursuant to this Section so long as doing so would trigger a requirement to equally and ratably secure securities issued under the Indenture. Together with the execution of any mortgage pursuant to this subsection, the Company will, or will cause its Subsidiaries to, deliver such real property surveys, certificates, evidences of corporate or other organizational actions, notations and registrations, financing statements, opinions of counsel, powers of attorney and other documents relating thereto as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

ARTICLE 6

Defaults

Section 6.01. Events of Defaults. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) any Borrower shall fail (i) to pay any principal of any Loan, Swingline Loan or Reimbursement Obligation when due or (ii) to pay any interest on any Loan, Swingline Loan or Reimbursement Obligation, any fees or any other amount payable hereunder within two Domestic Business Days after the due date thereof;

(b) the Company shall fail to observe or perform any covenant contained in Sections 5.03 (as it relates to maintenance of existence) and Section 5.06 to 5.20, inclusive;

(c) any Obligor shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) or any other Loan Document for 30 days after written notice thereof has been given to the Company by the Administrative Agent at the request of any Requesting Banks;

(d) any representation, warranty, certification or statement made (or deemed made) by any Obligor in any Loan Document or in any certificate, financial statement or other document delivered pursuant to any Loan Document shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Company and/or any of its Subsidiaries shall fail to pay, when due or within any applicable grace period, any amount payable in respect of any Material Debt;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) any of the Company or one or more Subsidiaries (unless such Subsidiaries are Immaterial Subsidiaries) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any of its assets, or shall consent to any such relief or to the appointment of any such official or to any such official taking possession of any of its assets, or shall make a general assignment for the benefit of creditors, or shall state that it is unable to pay its debts generally as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Company or one or more Subsidiaries (unless such Subsidiaries constitute Immaterial Subsidiaries), in each case seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any of its assets, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $5,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to

terminate a Material Plan (except for any termination under Section 4041(b) of ERISA) shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer, any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of $5,000,000;

(j) a judgment or order for the payment of money in excess of $5,000,000 shall be rendered against the Company or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 10 days;

(k) any person or group of persons (within the meaning of Section 13 or 14 of the Exchange Act) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 20% or more of the outstanding shares of common stock of the Company; or Continuing Directors shall cease to constitute a majority of the board of directors of the Company;

(l) the Guarantee granted by any Subsidiary Guarantor pursuant to the Guarantee Agreement or the Guarantee granted by the Company pursuant to Article 10 hereof shall cease for any reason to be in full force and effect (other than a result of the release of such Guarantee with respect to any Subsidiary Guarantor or the Company, as the case may be, pursuant to the release provisions contained therein), or any Obligor shall so assert in writing; or

(m) (i) any Lien created by any Collateral Document shall at any time on or after such Collateral Document has been executed fail to constitute a valid and perfected Lien on all the Collateral purported to be subject thereto, securing the obligations purported to be secured thereby (other than (x) to the extent attributable to the failure of the Administrative Agent to maintain possession of any Collateral possession of which is necessary in order to perfect such Lien or (y) a result of the release of such Lien with respect to any Collateral pursuant to the release provisions contained in the relevant Collateral Document) or (ii) any Obligor shall so assert in writing;

then, and in every such event, the Administrative Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Company terminate the Commitments and the Swingline Commitment and they shall thereupon terminate, and (ii) if requested by Banks holding more than 50% in aggregate principal amount of the Loans, by notice to the Company declare the Loans and Swingline Loans (together with accrued interest thereon) to be, and the Loans and Swingline Loans (together with accrued interest thereon) shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower; provided that if any Event of Default specified in clause (g) or (h) above occurs with respect to any Borrower, then without any notice to any Borrower or any other act by the Administrative Agent or the Banks, the Commitments and the Swingline Commitment shall thereupon terminate and the Loans and Swingline Loans (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower.

Section 6.02. Notice of Default. The Administrative Agent shall give notice to the Company under Section 6.01(c) promptly upon being requested to do so by any Requesting Banks and shall thereupon notify all the Banks thereof.

Section 6.03. Cash Cover. The Borrowers agree, in addition to the provisions of Section 6.01, that upon the occurrence and during the continuance of any Event of Default, they shall, if requested by the LC Agent upon the instruction of the Required Banks, deposit in the LC Collateral Account an amount in immediately available funds equal to the aggregate amount available for drawing under all Letters of Credit then outstanding at such time, provided that, upon the occurrence of any Event of Default specified in clause (g) or (h) of Section 6.01 with respect to any Borrower, each Borrower shall deposit such amount forthwith without any notice or demand or any other act by the LC Agent or the Banks.

ARTICLE 7

The Administrative Agent, Lead Arrangers, Documentation Agent and

Co-Agents

Section 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Administrative Agent and the Lead Arrangers to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent or the Lead Arrangers by the terms thereof, together with all such powers as are reasonably incidental thereto.

Section 7.02. Agents and Affiliates. Each Bank acting as an Agent, Co-Agent, Lead Arranger or Swingline Bank in connection with the Loan Documents or the credit facility provided hereby shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not so acting. Each Bank so acting, and each of their respective affiliates, may accept deposits from, lend money to, and generally engage in any kind of business with, the Company or any Subsidiary or affiliate of the Company as if it were not so acting.

Section 7.03. Obligations of the Co-agents and Document Agent. The Co-Agents and Documentation Agent, in their capacities as such, shall have no duties, obligations or liabilities of any kind hereunder.

Section 7.04. Obligations of Administrative Agent and Lead Arrangers. The obligations of the Administrative Agent, the Lead Arrangers and the affiliates of each Lead Arranger under the Loan Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6.

Section 7.05. Consultation with Experts. The Administrative Agent, each Lead Arranger, the LC Agent and the affiliates of each Lead Arranger may consult with legal counsel (who may be counsel for any Obligor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 7.06. Liability of Agents and Lead Arrangers. None of the Documentation Agent, the Administrative Agent, any Lead Arranger, their respective affiliates or their respective directors, officers, agents or employees shall be liable for any action taken or not taken in connection herewith (i) with the

consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. None of the Documentation Agent, the Administrative Agent, any Lead Arranger, their respective affiliates or their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with any Loan Document or any Extension of Credit; (ii) the performance or observance of any of the covenants or agreements of any Obligor; (iii) the satisfaction of any condition specified in Article 3 except, in the case of the Administrative Agent, receipt of items required to be delivered to it; (iv) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; or (v) the existence, validity or sufficiency of any Collateral. The LC Agent shall not incur any liability by acting in reliance upon information supplied by the Administrative Agent as to the Total Usage at any time (including Loans to be made pursuant to Notices of Borrowing theretofore received by the Administrative Agent). The Administrative Agent shall not incur any liability by acting in reliance upon (i) information supplied to it by the LC Agent as to the Aggregate LC Exposure at any time or (ii) any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

Section 7.07. Indemnification. The Banks shall, ratably in accordance with their respective Credit Exposures, indemnify the Administrative Agent and the Lead Arrangers and their respective affiliates, directors, officers, agents and employees (to the extent not reimbursed by the Obligors) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with the Loan Documents or any action taken or omitted by such indemnitees thereunder.

Section 7.08. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Lead Arrangers or any Bank Party, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Lead Arrangers or any Bank Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.09. Successor Administrative Agent. The Administrative Agent may resign at any time by giving notice thereof to the Banks and the Company, such resignation to be effective when a successor Administrative Agent

is appointed pursuant to this Section and accepts such appointment. Upon receiving any such notice of resignation, the Required Banks shall have the right to appoint a successor Administrative Agent, subject to the approval of the Company (unless an Event of Default shall have occurred and be continuing at the time of such appointment, in which case the Company's approval will not be required). If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the other Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent.

Section 7.10. Administrative Agent's Fees. The Company shall pay to the Administrative Agent for its account, fees in the amounts and at the times previously agreed upon between the Company and the Administrative Agent.

ARTICLE 8

Change in Circumstances

Section 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any CD Loan, Euro-Dollar Loan or Money Market LIBOR Loan:

(a) the Administrative Agent is advised by the Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(b) in the case of CD Loans or Euro-Dollar Loans, Banks having 50% or more of the aggregate principal amount of the affected Loans advise the Administrative Agent that the Adjusted CD Rate or the Adjusted London Interbank Offered Rate, as the case may be, as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their CD Loans or Euro-Dollar Loans, as the case may be, for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Company and the Banks, whereupon until the Administrative Agent notifies the Company that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make CD Loans or Euro-Dollar Loans, or to continue such Loans for an additional Interest Period, as the case may be, or to convert outstanding Loans into CD Loans or Euro-Dollar Loans, as the case may be, shall be suspended and (ii) each outstanding CD Loan or Euro-Dollar Loan, as the case may be, shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of any affected Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such affected Borrowing is a CD Borrowing or Euro-Dollar Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such affected Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

Section 8.02. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans to any Borrower and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Company, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans to such Borrower, to continue Euro-Dollar Loans to such Borrower for an additional Interest Period or to convert outstanding Loans of such Borrower into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding to such

Borrower shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 8.03. Increased Cost and Reduced Return. (a) If on or after (x) the date hereof, in the case of any Committed Loan or Swingline Loan or Letter of Credit or any obligation to make Committed Loans or Swingline Loans or participate in Letters of Credit or (y) the date of the related Money Market Quote, in the case of any Money Market Loan, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) or the Swingline Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (i) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve Percentage and (ii) with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, insurance assessment (excluding, with respect to any CD Loan, any such requirement reflected in an applicable Assessment Rate) or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or the Swingline Bank or shall impose on any Bank (or its Applicable Lending Office) or the Swingline Bank or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans, its Note, its Swingline Loans, its Swingline Note, its obligation to make Fixed Rate Loans or Swingline Loans or its obligation to participate in any Letter of Credit and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan, or participating in any Letter of Credit or increase the cost to the Swingline Bank of making or maintaining any Swingline Loan or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) or the Swingline Bank under this Agreement or under its Note or Swingline Note with respect thereto, by an amount deemed by such Bank or the Swingline Bank to be material, then, within 15 days after receiving a request by such Bank or the Swingline Bank for compensation under this subsection, accompanied by a certificate complying with subsection (e) of this Section (with a copy to the Administrative Agent), the relevant Borrower shall, subject to subsection (f) of this Section, pay to such Bank or the Swingline Bank such additional amount or amounts as will compensate such Bank or the Swingline Bank for such increased cost or reduction.

(b) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the LC Agent with any request or directive (whether or not having the force of law) made on or after the date of this Agreement by any such authority, central bank or comparable agency, shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against any Letter of Credit issued by the LC Agent or shall impose on the LC Agent any other condition affecting its Letters of Credit or its obligation to issue Letters of Credit and the result of any of the foregoing is to increase the cost to the LC Agent of issuing any Letter of Credit or to reduce the amount of any sum received or receivable by the LC Agent under this Agreement with respect thereto, by an amount deemed by the LC Agent to be material, then, within 15 days after demand by the LC Agent (with a copy to the Administrative Agent), the relevant Borrower shall pay to the LC Agent such additional amount or amounts as will compensate the LC Agent for such increased cost or reduction.

(c) If any Bank, the Swingline Bank or the LC Agent shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank, the Swingline Bank or the LC Agent, as the case may be (or its Parent), as a consequence of its obligations hereunder to a level below that which such Bank, the Swingline Bank or the LC Agent, as the case may be (or its Parent), could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material, then from time to time, within 15 days after receiving a request by such Bank, the Swingline Bank or the LC Agent, as the case may be, for compensation under this subsection, accompanied by a certificate complying with subsection (e) of this Section (with a copy to the Administrative Agent), the Company shall, subject to subsection (f) of this Section, pay to such Bank, the Swingline Bank or the LC Agent, as the case may be, such additional amount or amounts as will compensate it (or its Parent) for such reduction.

(d) Each Bank, the Swingline Bank and the LC Agent will promptly notify the Company and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle it to compensation pursuant to this Section and will designate a different Applicable Lending Office or LC Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in its judgment, be otherwise disadvantageous to it. If a Bank, the Swingline Bank or the LC Agent fails to notify the Company of any such event within 180 days after such event occurs, it shall not be entitled to compensation under this Section for any effect of such event arising more than 180 days before it does notify the Company thereof.

(e) Each request by a Bank, the Swingline Bank or the LC Agent for compensation under this Section shall be accompanied by a certificate, signed by one of its authorized employees, setting forth in reasonable detail (i) the basis for claiming such compensation, (ii) the additional amount or amounts to be paid to it hereunder and (iii) the method of calculating such amount or amounts, which certificate shall be conclusive in the absence of manifest error. In determining such amount, such Bank, the Swingline Bank or the LC Agent may use any reasonable averaging and attribution methods.

(f) Notwithstanding any other provision of this Section, none of the Banks, the Swingline Bank and the LC Agent shall be entitled to compensation under subsection (a), (b) or (c) of this Section if it is not then its general practice to demand compensation in similar circumstances under comparable provisions of other credit agreements.

Section 8.04. Taxes. (a) For purposes of this Section 8.04, the following terms have the following meanings:

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by any Borrower pursuant to the Loan Documents, and all liabilities with respect thereto, excluding (i) in the case of each Bank Party, taxes imposed on or measured by its income, and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which it is organized or qualified to do business (but only if the taxes are imposed solely because such Bank Party is qualified to do business in such jurisdiction without regard to any Loan) or in which its principal executive office is located or in which its Applicable Lending Office or LC Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments other than such withholding tax imposed as a result of a change in treaty, law or regulation occurring after a Bank first becomes subject to this Agreement.

"Other Taxes" means any present or future stamp, documentary or mortgage recording taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to the Loan Documents or from the execution, delivery or enforcement of, or otherwise with respect to, the Loan Documents.

(b) Each payment by a Borrower to or for the account of any Bank Party under any Loan Document shall be made without deduction for any Taxes or Other Taxes; provided that, if a Borrower shall be required by law to deduct any Taxes or Other Taxes from any such payment, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such Bank Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions, (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) such Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The relevant Borrower agrees to indemnify each Bank Party for the full amount of any Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Bank Party and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, provided that such Borrower shall not indemnify any Bank Party for any penalties or interest on any Taxes or Other Taxes accrued during the period between the 15th day after such Bank Party has received a notice from the jurisdiction asserting such Taxes or Other Taxes and such later day on which such Bank Party has informed such Borrower of the receipt of such notice. This indemnification shall be paid within 15 days after such Bank Party makes demand therefor.

(d) Each Bank Party organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank Party listed on the signature pages hereof and on or prior to the date on which it becomes a Bank Party in the case of each other Bank Party, and from time to time thereafter if requested in writing by the Company (but only so long as such Bank Party remains lawfully able to do so), shall provide the Company with Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service,

certifying that such Bank Party is entitled to benefits under an income tax treaty to which the United States is a party which exempts such Bank Party from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank Party or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Bank Party has failed to provide the Company with the appropriate form as required by Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank Party shall not be entitled to indemnification under Section 8.04(b) or (c) with respect to Taxes (including penalties, interest and expenses) imposed by the United States; provided that if a Bank Party, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrowers shall take such steps as such Bank Party shall reasonably request to assist such Bank Party to recover such Taxes.

(f) If any Borrower is required to pay additional amounts to or for the account of any Bank Party pursuant to this Section 8.04, then such Bank Party will change the jurisdiction of its Applicable Lending Office or LC Office if, in the judgment of such Bank Party, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank Party.

(g) If a Bank Party receives a notice from a taxing authority asserting any Taxes or Other Taxes for which any Borrower is required to indemnify such Bank Party under Section 8.04(c), it shall furnish to such Borrower a copy of such notice no later than 90 days after the receipt thereof. If such Bank Party has failed to furnish a copy of such notice to such Borrower within such 90-day period as required by this Section 8.04(g), such Borrower shall not be required to indemnify such Bank Party for any such Taxes or Other Taxes (including penalties, interest and expenses thereon) arising between the 90th day after such Bank Party has received such notice and the day on which such Bank Party has furnished to such Borrower a copy of such notice.

Section 8.05. Base Rate Loans Substituted for Affected Fixed Rate Loans. If (i) the obligation of any Bank to make or maintain Euro-Dollar Loans to any Borrower has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04 with respect to its CD Loans or Euro-Dollar Loans to any Borrower and, in either case, the Company shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the

Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Company that the circumstances giving rise to such suspension or demand for compensation no longer exist, all Loans to such Borrower which would otherwise be made by such Bank as (or continued as or converted into) CD Loans or Euro-Dollar Loans, as the case may be, shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related CD Loans or Euro-Dollar Loans of the other Banks). If such Bank notifies the Company that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a CD Loan or Euro-Dollar Loan, as the case may be, on the first day of the next succeeding Interest Period applicable to the related CD Loans or Euro-Dollar Loans of the other Banks.

Section 8.06. Substitution of Bank. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04, the Company shall have the right, with the assistance of the Administrative Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to replace such Bank. Any substitution under this Section 8.06 may be accomplished, at the Company's option, either (i) by the replaced Bank assigning its rights and obligations hereunder to the replacement bank or banks pursuant to Section 9.06(c) at a mutually agreeable price or (ii) by the Company prepaying all outstanding Loans from the replaced Bank and terminating its Commitment on a date specified in a notice delivered to the Administrative Agent and the replaced Bank at least three Euro-Dollar Business Days before the date so specified (and compensating such Bank for any resulting funding losses as provided in Section 2.15) and concurrently the replacement bank or banks assuming a Commitment in an amount equal to the Commitment being terminated and making Loans in the same aggregate amount and having the same maturity date or dates, respectively, as the Committed Loans being prepaid, all pursuant to documents reasonably satisfactory to the Administrative Agent (and in the case of any document to be signed by the replaced Bank, reasonably satisfactory to such Bank). No such substitution shall relieve the Borrowers of their obligation to compensate and/or indemnify the replaced Bank as required by Sections 8.03 and 8.04 with respect to the period before it is replaced and to pay all accrued interest, accrued fees and other amounts owing to the replaced Bank hereunder.

ARTICLE 9

Miscellaneous

Section 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of any Borrower, the LC Agent, the Swingline Bank or the Administrative Agent, at its address, facsimile number or telex number set forth on the signature pages hereof, (b) in the case of any Lead Arranger or its affiliate, at its address, facsimile number or telex number set forth on the signature pages hereof, (c) in the case of any Bank, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (d) in the case of any party, such other address, facsimile number or telex number as such party may hereafter specify for such purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, three Domestic Business Days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iv) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Administrative Agent under Article 2 or Article 8 and notices to the LC Agent or the Swingline Bank under Article 2 shall not be effective until received.

Section 9.02. No Waivers. No failure or delay by any Bank Party in exercising any right, power or privilege under any Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in the Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Indemnificaiton. (a) The Company shall pay (i) all reasonable out-of-pocket expenses of the Lead Arrangers and their affiliates, including reasonable fees and disbursements of special counsel, in connection with the negotiation and preparation of the Loan Documents, (ii) all reasonable out-of-pocket expenses of the Lead Arrangers, the Administrative Agent and the affiliates of each Lead Arranger, including reasonable fees and disbursements of special counsel and reasonable fees and disbursements of accountants and any other advisors to the Lead Arrangers, the Administrative Agent and the affiliates of each Lead Arranger, in connection with the administration of the Loan Documents, any waiver or consent thereunder or any amendment thereof or any

Default or alleged Default thereunder, and the allocated cost of internal counsel of each Bank Party in connection with any waiver or consent under the Loan Documents or any amendment thereof and (iii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Lead Arrangers and each Bank Party including (without duplication) the fees and disbursements of special counsel and the allocated cost of internal counsel and the fees and disbursements of accountants and any other advisors to the Lead Arrangers or any Bank Party, in connection with any collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Company agrees to indemnify each Bank Party, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of the Loan Documents or any actual or proposed use of proceeds of Loans or Letters of Credit hereunder; provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

Section 9.04. Sharing of Set-offs. (a) Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest that has become due with respect to the Loans held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest that has become due with respect to the Loans held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Loans held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Loans held by the Banks shall be shared by the Banks pro rata.

(b) Each Bank further agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by it or for its account which is greater than the proportion received in respect of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of any other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of the other Banks, and

such other adjustments shall be made, as may be required so that all such payments of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of the Banks shall be shared by them pro rata.

(c) Nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the relevant Borrower other than its indebtedness hereunder.

(d) Each Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Loan, Swingline Loan or Reimbursement Obligation, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of such Borrower in the amount of such participation.

Section 9.05. Amendments and Waivers. (a) Any provision of this Agreement, the Notes or the Swingline Note may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrowers and the Required Banks (and, if the rights or duties of the Administrative Agent, the LC Agent, the Swingline Bank, or the Lead Arrangers and their affiliates are affected thereby, by the Administrative Agent, the LC Agent, the Swingline Bank, or the Lead Arrangers and their affiliates, as the case may be); provided that no such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or Swingline Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or Swingline Loan or any fees hereunder or for the termination of any Commitment, (iv) reduce the principal of or rate of interest on any Reimbursement Obligation, (v) postpone the date fixed for payment by the Borrower of any Reimbursement Obligation or extend the expiry date of any Letter of Credit to a date later than the fifth Domestic Business Day prior to the Termination Date, (vi) unless signed by the Swingline Bank, increase the Swingline Commitment, postpone the date fixed for termination of the Swingline Commitment or otherwise affect any of its rights and obligations, (vii) release the Company from its obligations under Article 10 hereof, or (vii) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement (including without limitation subsection (b) of this Section 9.05).

(b) Any provision of the Collateral Documents or the Guarantee Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor party thereto and the Administrative Agent with the consent of the Required Banks; provided that no such amendment or waiver shall, unless signed by each Obligor party thereto and the Administrative Agent with the consent of all the Banks, (i) effect or permit a release of all or substantially all of the Collateral, or (ii) release all or substantially all of the Obligors from their obligations under the Guarantee Agreement or permit termination of the Guarantee Agreement, except in each case as expressly permitted by the terms thereof.

Section 9.06. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that no Borrower may assign or otherwise transfer any of its rights under this Agreement without the prior written consent of each Bank, the LC Agent and the Swingline Bank; provided that (w) upon the consummation of any Asset Sale (or any sale or other disposition described in clause (iv) of the definition of Asset Sale) permitted by the terms of this Agreement and consisting of the disposition of all of the capital stock of a Subsidiary Borrower (any such transaction, a "Subsidiary Borrower Asset Sale"), (x) if applicable, application of the proceeds of such Subsidiary Borrower Asset Sale in accordance with the provisions of this Agreement, (y) release of such Subsidiary Borrower from its obligations under any Guarantee of any other Debt of the Company or any of its Subsidiaries (including without limitation any New Subordinated Debt, any Other Refinancing Debt or any Debt of the Company described in clause (v) of the parenthetical set forth in Section 5.09 of this Agreement) (or automatic termination of the obligations of such Subsidiary Borrower under any such Guarantee) and (z) repayment in full of all outstanding Loans made to such Subsidiary Borrower and all Reimbursement Obligations owed by such Subsidiary Borrower and cancellation or termination of all Letters of Credit issued for its account (or the assumption on the terms set forth in this Agreement by the Company or any other Borrower under the Credit Agreement of the reimbursement obligations with respect to such Letters of Credit), such Subsidiary Borrower shall be released from its obligations hereunder (and such release shall not require the consent of any Bank Party).

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans or all or any part of its LC Exposure. If any Bank grants a participating interest to a Participant, whether or not upon notice to any of the Borrowers or the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, such Bank shall remain the holder of its Loans or LC Exposure, as the case may be, and the Borrowers and the

Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrowers hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii), (iv) or (v) of Section 9.05(a) or clause (i) or (ii) of Section 9.05(b) without the consent of the Participant. Each Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 8 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part (equivalent to an initial Commitment of not less than $5,000,000) of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit I hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consents of the Company, the LC Agent, the Swingline Bank and the Administrative Agent (which consents shall not be unreasonably withheld); provided that (i) such consents shall not be required if the Assignee is an affiliate of such transferor Bank or was a Bank immediately prior to such assignment or if, at the time of the proposed assignment, an Event of Default has occurred and is continuing; (ii) such assignment may, but need not, include rights of the transferor Bank in respect of outstanding Money Market Loans and (iii) the $5,000,000 minimum amount specified above for a partial assignment of the transferor Bank's rights and obligations shall not apply if the Assignee was a Bank immediately prior to such assignment. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder (and its Commitment shall be reduced) to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Administrative Agent and the Borrowers shall make appropriate

arrangements so that, if required, new Notes are issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500; provided that the Company shall pay such administrative fee if such assignment is required by the Company pursuant to Section 8.06. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Bank or Swingline Bank may at any time assign all or any portion of its rights under this Agreement and its Notes or Swingline Notes, as the case may be, to a Federal Reserve Bank. No such assignment shall release the transferor Bank or Swingline Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

Section 9.07. No-Reliance on Margin Stock. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 9.08. Governing Law; Submission to Jurisdiction. (a) Each Letter of Credit and Section 2.17 shall be subject to the UCP, and, to the extent not inconsistent therewith, the laws of the State of New York.

(b) SUBJECT TO CLAUSE (a) OF THIS SECTION, EACH LOAN DOCUMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(c) Each Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to any Loan Document or the transactions contemplated thereby. Each Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying

of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 9.09. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR TRANSACTIONS CONTEMPLATED THEREBY.

Section 9.11. Judgment Currency. If for the purposes of enforcing the obligations of any Borrower hereunder it is necessary to convert a sum due from such Person in U.S. dollars ("dollars") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent and the Banks could purchase dollars with such currency at or about 11:00 A.M. (New York City time) on the Domestic Business Day preceding that on which final judgment is given. The obligations in respect of any sum due to the Agent and the Banks hereunder shall, notwithstanding any adjudication expressed in a currency other than dollars, be discharged only to the extent that on the Domestic Business Day following receipt by the Agent and the Banks of any sum adjudged to be so due in such other currency the Agent and the Banks may in accordance with normal banking procedures purchase dollars with such other currency; if the amount of dollars so purchased is less than the sum originally due to the Agent and the Banks in dollars, each Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such adjudication, to indemnify the Agent and the Banks against such loss, and if the amount of dollars so purchased exceeds the sum originally due to the Agent and the Banks, it shall remit such excess to such Borrower.

ARTICLE 10

Guaranty

Section 10.01. The Guaranty. The Company hereby unconditionally guarantees the full and punctual payment when due (whether at stated maturity, upon acceleration or otherwise) of the principal of and interest on each Loan made to any Subsidiary Borrower pursuant to this Agreement, and the full and punctual payment of all other amounts payable by any Subsidiary Borrower under the Loan Documents to which it is a party. Upon failure by any Subsidiary Borrower to pay punctually any such amount when due, the Company shall forthwith on demand pay the amount not so paid at the place and in the manner specified in this Agreement.

Section 10.02. Guaranty Unconditional. The obligations of the Company under this Article 10 shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of any Subsidiary Borrower under the Loan Documents to which it is a party, by operation of law or otherwise;

(b) any modification or amendment of or supplement to any Loan Document;

(c) any release, impairment, non-perfection or invalidity of any direct or indirect security for any obligation of any Subsidiary Borrower under any Loan Document to which it is a party;

(d) any change in the corporate existence, structure or ownership of any Subsidiary Borrower, or any bankruptcy, insolvency, reorganization or other similar proceeding affecting any Subsidiary Borrower or its assets or any resulting release or discharge of any obligation of any Subsidiary Borrower contained in any Loan Document to which it is a party;

(e) the existence of any claim, set-off or other rights which the Company may have at any time against any Subsidiary Borrower, the Administrative Agent, any Lender or any other Person, whether in connection with the Loan Documents or any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(f) any invalidity or unenforceability relating to or against any Subsidiary Borrower for any reason of any Loan Document to which it is a party, or any provision of applicable law or regulation purporting to prohibit the payment by any Subsidiary Borrower of the principal of or interest on any of its Notes or any other amount payable by it under any Loan Document to which it is a party; or

(g) any other act or omission to act or delay of any kind by any Subsidiary Borrower, the Administrative Agent, any Lender or any other Person or any other circumstance whatsoever which might, but for the provisions of this Section, constitute a legal or equitable discharge of the Company's obligations hereunder.

Section 10.03. Discharge Only Upon Payment In Full; Reinstatement In Certain Circumstances. The Company's obligations under this Article 10 shall remain in full force and effect until the Commitments shall have terminated, all Letters of Credit shall have terminated or been canceled (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent) and the principal of and interest on the Loans and the Swingline Loans made to each Subsidiary Borrower, the Reimbursement Obligations of each Subsidiary Borrower and all other amounts payable by each Subsidiary Borrower under the Loan Documents shall have been paid in full. If at any time any payment of the principal of or interest on any Loan or Swingline Loan made to any Subsidiary Borrower or any Reimbursement Obligation of such Subsidiary Borrower or other amount payable by such Subsidiary Borrower under the Loan Documents is rescinded or must be otherwise restored or returned upon the bankruptcy, insolvency or reorganization of such Subsidiary Borrower or otherwise, the Company's obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made at such time.

Section 10.04. Waiver by the Company. The Company irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Subsidiary Borrower or any other Person.

Section 10.05. Subrogation. Upon making full payment with respect to any obligation of any Subsidiary Borrower under this Article 10, the Company shall be subrogated to the rights of the payee against such Subsidiary Borrower with respect to such obligation; provided that the Company shall not enforce any payment by way of subrogation against such Subsidiary Borrower so long as (i) any Lender has any Commitment hereunder, (ii) any Letter of Credit is outstanding or (iii) any amount payable by any Subsidiary Borrower hereunder remains unpaid.

Section 10.06. Stay of Acceleration. If acceleration of the time for payment of any amount payable by any Subsidiary Borrower under the Loan Documents is stayed upon any bankruptcy, insolvency or reorganization of such Subsidiary Borrower or otherwise, all such amounts otherwise subject to acceleration under the terms of this Agreement shall nonetheless be payable by the Company hereunder forthwith on demand by the Administrative Agent made at the request of the Required Lenders.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VENATOR GROUP, INC.

By_____
Name:
Title:
233 Broadway
New York, New York 10279-0003
Facsimile number: 212-553-2094

eVENATOR, INC.

By_____
Name:
Title:

VENATOR GROUP RETAIL, INC.

By_____
Name:
Title:

TEAM EDITION APPAREL, INC.

By_____
Name:
Title:

NORTHERN REFLECTIONS INC.

By_____
Name:
Title:

VENATOR GROUP SPECIALTY, INC.

By_____
Name:
Title:

THE SAN FRANCISCO MUSIC BOX COMPANY

By_____
Name:
Title:

FOOT LOCKER EUROPE B.V.

By_____
Name:
Title:

FOOT LOCKER JAPAN K.K.

By_____
Name:
Title:

VENATOR GROUP AUSTRALIA LIMITED

By_____
Name:
Title:

VENATOR GROUP CANADA INC.

By_____
Name:
Title:

J.P. MORGAN SECURITIES INC.,
as Lead Arranger

By_____
Name:
Title:

BNY CAPITAL MARKETS, INC.,
as Lead Arranger

By_____
Name:
Title:

NATIONSBANK MONTGOMERY LLC,
as Lead Arranger

By_____
Name:
Title:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By_____
Name:
Title:

BANK OF AMERICA NATIONAL TRUST
& SAVINGS ASSOCIATION,
as Documentation Agent and a Bank

By_____
Name:
Title:

NATIONSBANK, N.A.

By_____
Name:
Title:

THE BANK OF NEW YORK

By_____
Name:
Title:

THE BANK OF NOVA SCOTIA,
as Co-Agent and a Bank

By_____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY, as Co-Agent and a Bank

By_____
Name:
Title:

TORONTO DOMINION (NEW YORK), INC.,
as Co-Agent and a Bank

By_____
Name:
Title:

COMMERZBANK AG, NEW YORK BRANCH

By_____
Name:
Title:

By_____
Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By_____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK BRANCH
AND/OR CAYMAN ISLANDS BRANCH

By_____
Name:
Title:

By_____
Name:
Title:

KEYBANK NATIONAL ASSOCIATION

By_____
Name:
Title:

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By_____
Name:
Title:

UNION BANK OF CALIFORNIA, N.A.

By_____
Name:
Title:

THE BANK OF NEW YORK, as Administrative
Agent, LC Agent and Swingline Bank

By_____
Name:
Title:

COMMITMENT SCHEDULE

Bank	Commitment
Morgan Guaranty Trust Company of New York	$ 60,000,000
NationsBank, N.A.	$ 51,600,000
The Bank of New York	$ 51,600,000
The Bank of Nova Scotia	$ 37,600,000
Bank of Tokyo-Mitsubishi Trust Company	$ 37,600,000
Toronto Dominion (New York), Inc.	$ 29,600,000
Bank of America National Trust & Savings Association	$24,000,000
Commerzbank AG, New York and/or Grand Cayman Branches	$ 20,000,000
Credit Lyonnais New York Branch	$ 20,000,000
Deutsche Bank AG, New York and/or Cayman Island Branch	$ 20,000,000
KeyBank National Association	$ 20,000,000
Wells Fargo Bank, N.A.	$ 20,000,000
Union Bank of California, N.A.	$ 8,000,000
Total	$400,000,000

PRICING SCHEDULE

The "Euro-Dollar Margin", "LC Fee Rate", "CD Margin" and "Facility Fee Rate" for any day are the respective percentages per annum set forth in the table below in the applicable row under the column corresponding to the Pricing Level that applies on such day (subject to the sentence immediately following such table):

Pricing Level	Level I	Level II	Level III	Level IV	Level V	Level VI	Level VII
Euro-Dollar Margin and LC Fee Rate							
If Utilization is 50% or less	.3500	.6250	.9500	1.6500	2.0000	2.1250	2.2500
If Utilization exceeds 50%	.4750	.8750	1.2000	1.9000	2.2500	2.5000	2.7500
CD Margin							
If Utilization is 50% or less	.4750	.7500	1.0750	1.7750	2.1250	2.250	2.3750
If Utilization exceeds 50%	.6000	1.0000	1.3250	2.0250	2.3750	2.6250	2.8750
Facility Fee Rate	.1500	.2500	.3000	.3500	.5000	.7500	1.000

On any date after October 31, 1999, each rate per annum set forth in the table above shall be increased by 0.50% if such date is prior to the Refinancing Date and the aggregate amount on deposit in the Escrow Account on such date is less than the Required Escrow Amount.

"Base Rate Margin" means, on any day, (i) the Euro-Dollar Margin for such day minus (i) 1.00%.

For purposes of this Schedule, the following terms have the following meanings:

"Level I Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A2 or higher by S&P and P2 or higher by Moody's and (ii) the Loans are expressly rated BBB or higher by S&P and Baa2 or higher by Moody's.

"Level II Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A3 or higher by S&P and P3 or higher by Moody=s and (ii) the Loans are expressly rated BBB- or higher by S&P and Baa3 or higher by Moody's.

"Level III Pricing" applies on any day on which (i) the Borrower's commercial paper is rated A3 or higher by S&P and P3 or higher by Moody's and (ii) the Loans are expressly rated (A) BB+ or higher by S&P and Baa3 or higher by Moody's or (B) BBB- or higher by S&P and Ba1 or higher by Moody's.

"Level IV Pricing" applies on any day on which the Loans are expressly rated BB+ or higher by S&P and Ba1 or higher by Moody's.

"Level V Pricing" applies on any day on which the Loans are expressly rated BB or higher by S&P and Ba2 or higher by Moody's.

"Level VI Pricing" applies on any day on which Loans are expressly rated BB- or higher by S&P and Ba3 or higher by Moody's.

"Level VII Pricing" applies on any day if no other Pricing Level applies on such day.

"Pricing Level" refers to the determination of which of Level I Pricing, Level II Pricing, Level III Pricing, Level IV Pricing, Level V Pricing, Level VI Pricing or Level VII Pricing applies on any day.

"Utilization" means at any date the percentage equivalent of a fraction (i) the numerator of which is the Total Usage at such date, after giving effect to any borrowing or repayment on such date, and (ii) the denominator of which is the Total Commitments at such date, after giving effect to any reduction of the Commitments on such date. For purposes of this Schedule, if for any reason any Bank has any Credit Exposure after the Commitments terminate, the Utilization on and after the date of such termination shall be deemed to exceed 50%.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the unsecured commercial paper of the Borrower without third-party credit enhancement or the Loans made to the Borrower, as the case may be. Any rating assigned to any other commercial paper or other debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

Schedule 1.01(a)

MATERIAL TRADEMARKS

Actra
AfterThoughts
Athletic Shoe Factory
Authentic Northern Experience
The Bargain Shop
Champs Sports
Colorado
Cottage Essentials
Eastbay
Element Boreal
Foot Locker
Foot Locker Athletic Club
Going to the Game
Kids Foot Locker
Kinney
Lady Foot Locker
Loon Design
Northern Elements
Northern Getaway
Northern Reflections
Northern Traditions
Randy River
Referee Design
Reflet Boreal
Reflexions
The San Francisco Music Box Company
The San Francisco Music Box & Gift Company
Venator Group
Vestiaire Sportif
Village Wheels
Weekend Edition
Williams the Shoemen
Woolco
Woolworth
World Foot Locker

Schedule 1.01(b)

DEBT THAT MAY BE REFINANCED

	Issuance Date	Original Amount	Interest Rate	Maturity Date	Balance O/S Jan. 30, 1999
$200 Million 30-Year Note	01/16/92	$ 200,000,000	8.50%	01/15/22	$ 200,000,000
$200 Million 5-Year Note	06/08/95	$ 200,000,000	7.00%	06/01/00	$ 200,000,000
$50 Million 6-Year Note	10/05/95	$ 50,000,000	6.98%	10/15/01	$ 50,000,000
$40 Million 7-Year Note	10/13/95	$ 40,000,000	7.00%	10/15/02	$ 40,000,000
				Total	$ 490,000,000

Schedule 1.01(c)

EXISTING STANDBY LETTERS OF CREDIT

Banks	Beneficiary	Standby Amount	Expiry Date
Key Bank	Richman Brothers	$ 250,000	11/01/99
Bank of New York	Kemper Insurance	$ 14,500,000	01/31/00
Bank of New York	Travelers Insurance	$ 12,831,397	07/27/99
	Total	$ 27,581,397	

Schedule 5.06

EXISTING CAPITAL LEASES

Junction City Distribution Center.....	$13,371,386
Point of Sale Equipment.....	$ 3,881,952
Footlocker Stores.....	$ 179,231
Capital Leases entered into prior to 1998.....	$ 6,177,774
Capital Leases entered into in 1998.....	$ 1,977,100
Total	$25,587,443

Schedule 5.20(b)

REAL PROPERTY TO BE MORTGAGED

Store #	City	State	Value	Gross Book Value
1127	Miami	FL	$ 2,130,000	$ 1,835,000
Office/Warehouse	Camp Hill	PA	$ 6,700,000	$ 7,219,000
Champs Office	Bradenton	FL	$ 6,000,000	$ 6,828,000
Milton Warehouse	Milton	ONT	$ 4,725,000	$ 6,650,000
		Total	$ 19,555,000	$ 22,532,000

EXHIBIT A

NOTE

New York, New York
March __ , 1999

For value received, VENATOR GROUP, INC., a New York corporation (the "Borrower"), promises to pay to the order of _____ (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date thereof provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of The Bank of New York, One Wall Street, 18 North, New York, New York.

All Loans made by the Bank, the respective types thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that neither the failure of the Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of the Borrower hereunder or of the Borrower or any other Obligor under any Loan Document.

This note is one of the Notes referred to in the Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among the Borrower, the Banks party thereto, Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof, the acceleration of the maturity hereof and the basis upon which this Note is guaranteed and secured.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

VENATOR GROUP, INC.

By _____
Name:
Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Amount of Principal Repaid	Notation Made By

EXHIBIT B

SWINGLINE NOTE

New York, New York
March __, 1999

For value received, VENATOR GROUP, INC., a New York corporation (the "Borrower"), promises to pay to the order of THE BANK OF NEW YORK (the "Swingline Bank") the unpaid principal amount of each Swingline Loan made by the Swingline Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Swingline Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of The Bank of New York, One Wall Street, 18 North, New York, New York.

All Swingline Loans made by the Swingline Bank and all repayments of the principal thereof shall be recorded by the Swingline Bank and, if the Swingline Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Swingline Loan then outstanding may be endorsed by the Swingline Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that neither the failure of the Swingline Bank to make any such recordation or endorsement, nor any error therein, shall affect the obligations of the Borrower hereunder or of the Borrower or any other Obligor under any Loan Document.

This note is the Swingline Note referred to in the Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among the Borrower, the Banks party thereto, Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof, the acceleration of the maturity hereof and the basis upon which this Note is guaranteed and secured.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

VENATOR GROUP, INC.

By_____
Name:
Title:

Swingline Note (cont'd)

SWINGLINE LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Swingline Loan	Amount of Principal Repaid	Notation Made By

EXHIBIT C

FORM OF MONEY MARKET QUOTE REQUEST

[Date]

To: The Bank of New York, as Administrative Agent
One Wall Street
18 North
New York, New York 10286

From: Venator Group, Inc.

Re: Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended from time to time, the "Credit Agreement") among Venator Group, Inc., the Banks party thereto, the Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent (the "Administrative Agent"), LC Agent and Swingline Bank and the Lead Arrangers party thereto.

We hereby give notice pursuant to Section 2.03 of the Credit Agreement that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Date of Borrowing: _____

Principal Amount 1/	Interest Period 2/
$	

- ----------

1 Amount must be $15,000,000 or a larger multiple of $1,000,000.

2 Not less than one month (LIBOR Auction) or not less than 14 days (Absolute Rate Auction), subject to the provisions of the definition of Interest Period.

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Terms used herein have the meanings assigned to them in the Credit Agreement.

VENATOR GROUP, INC.

By_____
Name:
Title:

EXHIBIT D

FORM OF INVITATION FOR MONEY MARKET QUOTES

To: [Name of Bank]

Re: Invitation for Money Market Quotes to Venator Group, Inc. (the "Borrower")

Pursuant to Section 2.03 of the Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among the Borrower, the Banks party thereto, the Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent (the "Administrative Agent"), LC Agent and Swingline Bank and the Lead Arrangers party thereto (as further amended from time to time, the "Credit Agreement"), we are pleased on behalf of the Borrower to invite you to submit Money Market Quotes to the Borrower for the following proposed Money Market Borrowing(s):

Date of Borrowing: _____

Principal Amount	Interest Period
$	

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Please respond to this invitation by no later than [2:00 P.M.] [9:30 A.M.] (New York City time) on [date].

Terms used herein have the meanings assigned to them in the Credit Agreement.

THE BANK OF NEW YORK,
as Administrative Agent

By_____
Authorized Officer

EXHIBIT E

FORM OF MONEY MARKET QUOTE

To: The Bank of New York,
as Administrative Agent

Re: Money Market Quote to Venator Group, Inc. (the "Borrower")

In response to your invitation on behalf of the Borrower dated _____, _____, we hereby make the following Money Market Quote on the following terms:

1. Quoting Bank: _____

2. Person to contact at Quoting Bank:

_____

3. Date of Borrowing: _____*/

4. We hereby offer to make Money Market Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount**/	Interest Period***/	Money Market [Margin****/	[Absolute Rate*****/]
$			

[Provided, that the aggregate principal amount of Money Market Loans for which the above offers may be accepted shall not exceed$_____.]**/

_____

* As specified in the related Invitation.

** Principal amount bid for each Interest Period may not exceed principal amount requested. Specify aggregate limitation if the sum of the individual offers exceeds the amount the Bank is willing to lend. Bids must be made for $5,000,000 or a larger multiple of $1,000,000.

[Notes continued on following page]

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among Venator Group, Inc., the Banks party thereto, the Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent (the "Administrative Agent"), LC Agent and Swingline Bank and the Lead Arrangers party thereto (as amended from time to time, the "Credit Agreement"), irrevocably obligates us to make the Money Market Loan(s) for which any offer(s) are accepted, in whole or in part.

Terms used herein have the meanings assigned to them in the Credit Agreement.

Very truly yours,

[NAME OF BANK]

Dated:_____

By:_____
Authorized Officer

_____

*** Not less than one month or not less than 14 days, as specified in the related Invitation. No more than five bids are permitted for each Interest Period.

**** Margin over or under the London Interbank Offered Rate determined for the applicable Interest Period. Specify percentage (to the nearest 1/10,000 of 1%) and specify whether "PLUS" or "MINUS".

***** Specify rate of interest per annum (to the nearest 1/10,000th of 1%).

EXHIBIT F

SECURITY AGREEMENT

AGREEMENT dated as of _____, 1999 among Venator Group, Inc. a New York corporation (with its successors, the "Company"), each of the Subsidiaries of the Company listed on the signature pages hereof and each other Subsidiary of the Company that may from time to time become a party hereto in accordance with Section 20 (each, with its successors, a "Subsidiary Guarantor") and The Bank of New York, as Administrative Agent (with its successors, the "Administrative Agent").

W I T N E S S E T H :

WHEREAS, the Company, the banks party thereto (the "Banks"), the co- agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto are parties to a Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, the Subsidiary Guarantors and the Administrative Agent are parties to a Guarantee Agreement dated as of March 19, 1999 (as amended from time to time, the "Guarantee Agreement"); and

WHEREAS, pursuant to Section 5.20 of the Credit Agreement, the Company has agreed to enter into, and to cause each of its Subsidiaries (other than any Foreign Subsidiary or any Immaterial Subsidiary) to enter into, a Security Agreement substantially in the form hereof; and

WHEREAS, in consideration of the financial and other support that the Company has provided, and such financial and other support as the Company may in the future provide, to the Subsidiary Guarantors, the Subsidiary Guarantors are willing to enter into this Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein. The following additional terms, as used herein, have the following respective meanings:

"Collateral" has the meaning specified in Section 3.

"Designated Foreign Jurisdiction" means, with respect to each Obligor, any jurisdiction outside the United States where such Obligor conducts its operations on and as of the date on which such Obligor becomes a party to this Agreement.

"General Intangibles" means, with respect to each Obligor, all "general intangibles" (as defined in the UCC) now owned or hereafter acquired by such Obligor and consisting of copyrights, copyright licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses, rights in other intellectual property, goodwill, trade names, service marks, trade secrets, and any rights of such Obligor under any contract or agreement with respect to any of the foregoing.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement.

"Hedging Obligations" means, with respect to each Obligor, all obligations of such Obligor under any Hedging Agreement between such Obligor and any Bank Party (or any affiliate of any Bank Party).

"LC Collateral Account" has the meaning specified in Section 5(a).

"Liquid Investments" has the meaning specified in Section 5(c).

"Obligor" means the Company or any Subsidiary Guarantor, and "Obligors" means all of them.

"Patents" means, with respect to each Obligor, (i) all letters patent of the United States or any other country held by such Obligor, all registrations and recordings thereof, and all applications by such Obligor for letters patent of the United States or any other country, including registrations, recordings and applications in the PTO or in any similar office or agency of the United States or any other country or any political subdivision thereof, including those described in the Perfection Certificate of such Obligor, and (ii) all reissues, continuations, continuations-in-part or extensions thereof.

"Patent License" means, with respect to each Obligor, any written agreement now or hereafter in existence granting to such Obligor any right to practice any invention on which a patent (including without limitation a Patent of any other Obligor) is in existence.

"Patent Security Agreement" means a Patent Security Agreement executed and delivered by an Obligor in favor of the Administrative Agent, for the benefit of the Secured Parties, substantially in the form of Exhibit B to this Agreement, as the same may be amended from time to time.

"Perfection Certificate" means, with respect to each Obligor, a certificate substantially in the form of Exhibit A hereto, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Administrative Agent, and duly executed by a Responsible Officer of such Obligor.

"Proceeds" means, with respect to each Obligor, all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, collateral pledged by such Obligor, including without limitation all claims of such Obligor against third parties for loss of, damage to or destruction of, or any past, present or future dilution, infringement or unauthorized use of, unfair competition with, or violation of intellectual property rights in connection with or injury to, any such collateral or for injury to the goodwill associated with any of the foregoing, in each case whether now existing or hereafter arising.

"PTO" means the United States Patent and Trademark Office.

"Secured Obligations" means, with respect to each Obligor, (i) all principal of and interest and premium (if any) on any Loan or Swingline Loan payable by such Obligor under, or any Note or Swingline Note issued by such Obligor pursuant to, the Credit Agreement (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Obligor, whether or not allowed or allowable as a claim in any such proceeding), (ii) all Reimbursement Obligations of such Obligor with respect to any Letter of Credit issued pursuant to the Credit Agreement and all interest payable by such Obligor thereon (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Obligor, whether or not allowed or allowable as a claim in any such proceeding), (iii) if such Obligor is a Subsidiary Guarantor, all

amounts payable by such Obligor under the Guarantee Agreement, (iv) all other amounts payable by such Obligor under the Loan Documents, (v) all Hedging Obligations of such Obligor, and (vi) any amendments, restatements, renewals, extensions or modifications of any of the foregoing; provided that the Secured Obligations of each Subsidiary Guarantor described in clause (iii) above and any amendment, restatement, renewal, extension or modification thereof described in clause (vi) above (collectively, with respect to each Subsidiary Guarantor, such Subsidiary Guarantor's "Subsidiary Guaranteed Obligations"), shall be subordinate and junior in rank with respect to payment to the other Secured Obligations of such Subsidiary Guarantor for purposes of this Security Agreement. Pursuant to the proposed Amendment No. 4 to the Existing Credit Agreement, upon satisfaction of the conditions precedent set forth therein, the Credit Agreement will be amended and restated to include certain Subsidiaries of the Company as borrowers under the Credit Agreement, and the parties hereto agree that, upon effectiveness of such amendment and restatement, for purposes of the definition of "Secured Obligations", the term "Obligors" will mean the Company, any of its Subsidiaries that are borrowers under the Credit Agreement and the Subsidiary Guarantors, and "Obligor" will mean any one of them.

"Secured Parties" means the Banks, the LC Agent, the Swingline Bank, the Administrative Agent and the Lead Arrangers.

"Security Interests" means the security interests in the Collateral granted hereunder securing the Secured Obligations.

"Specified Trademarks" means, with respect to each Obligor (i) the Trademarks listed on Schedule 2B under such Obligor's name and (ii) any other Trademark held by such Obligor registrered or to be registered by such Obligor in the United States or any Trademark held by such Obligor and constituting the name of a store used by such Obligor outside the United States.

"Specified Trademark License" means, with respect to each Obligor, any Trademark License held by such Obligor with respect to any Specified Trademark held by such Obligor.

"Trademarks" means, with respect to each Obligor, (i) all trademarks, trade names, corporate names, company names, business names, logos, other source or business identifiers, designs and general intangibles of like nature held by such Obligor, and all applications in connection therewith, including registrations, recordings and applications in the PTO or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including those described in the Perfection

Certificate of such Obligor, (ii) all extensions or renewals thereof and (iii) the goodwill of the business symbolized by any of the foregoing.

"Trademark License" means, with respect to each Obligor, any written agreement now or hereafter in existence granting to such Obligor any right to use a Trademark (including without limitation a Trademark of any other Obligor).

"Trademark Security Agreement" means a Trademark Security Agreement executed and delivered by an Obligor in favor of the Administrative Agent, for the benefit of the Secured Parties, substantially in the form of Exhibit C to this Agreement, as the same may be amended from time to time.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the State of New York; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

Section 2. Representations and Warranties. Each Obligor represents and warrants as follows:

(a) Such Obligor has good and marketable title to all of the Collateral, free and clear of any Liens other than Liens permitted under Section 5.06(a)(ix) of the Credit Agreement.

(b) Such Obligor has not performed any acts which could reasonably be expected to prevent the Administrative Agent from enforcing any of the terms of this Agreement or which would limit the Administrative Agent in any such enforcement. Other than Patent Security Agreements, Trademark Security Agreements, financing statements or other similar or equivalent documents or instruments with respect to the Security Interests, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral of such Obligor and consisting of Patents, Patent Licenses, Specified Trademarks and Specified Trademark Licences is on file or of record in any jurisdiction or office (including without limitation the PTO) in the United States or in any Designated Foreign Jurisdiction with respect to such Obligor and in which such filing or recording would be effective to perfect a Lien on such Collateral. No Collateral of such Obligor is in the possession of any Person (other than such Obligor) asserting

any claim thereto or security interest therein, except that the Administrative Agent or its designee may have possession of such Collateral as contemplated hereby.

(c) Such Obligor has delivered its Perfection Certificate to the Administrative Agent. The information specified therein is correct and complete. Within 60 days after the date hereof, such Obligor shall furnish to the Administrative Agent file search reports from the PTO confirming that a filing with respect to each Patent and Patent License listed on Schedule 2A and held by such Obligor on the date hereof and each Specified Trademark of such Obligor on the date hereof and naming the Administrative Agent as secured party has been made; provided that any failure of an Obligor timely to furnish any such report caused by delay by the relevant office to respond to a request shall not constitute a default by such Obligor of its obligations hereunder.

(d) Schedule 2A (as supplemented from time to time in accordance with Section 4(c)) lists all Patents and Patent Licenses held by such Obligor. Schedule 2B (as supplemented from time to time in accordance with Section 4(c)) lists all Specified Trademarks held by such Obligor and all Specified Trademark Licenses held by such Obligor.

(e) The Security Interests in the Collateral of such Obligor constitute valid security interests under the UCC securing the Secured Obligations of such Obligor. When UCC financing statements in the form specified in Exhibit A shall have been filed in the offices specified in the Perfection Certificate of such Obligor, the Security Interests shall constitute perfected security interests in the Collateral of such Obligor in which a security interest may be perfected by filing under the UCC (but excluding in any event any Collateral of such Obligor described in the succeeding sentences of this subsection (e)), prior to all other Liens and rights of others therein. When a Patent Security Agreement of such Obligor has been recorded with the PTO, such Security Interests shall constitute perfected Security Interests in all right, title and interest of such Obligor in the Patents listed in Schedule 1 to such Agreement, prior to all other Liens and rights of others therein. When a Trademark Security Agreement of such Obligor has been recorded with the PTO, such Security Interests shall constitute perfected Security Interests in all right, title and interest of such Obligor in the Trademarks listed in Schedule 1 to such Agreement, prior to all other Liens and rights of others therein.

Section 3. The Security Interests. (a) In order to secure the full and punctual payment of its Secured Obligations in accordance with the terms thereof, each Obligor grants to the Administrative Agent for the ratable benefit of the Secured Parties a continuing security interest in and to all of the following property of such Obligor, whether now owned or existing or hereafter

acquired or arising and regardless of where located (all being collectively referred to as the "Collateral" of such Obligor):

(i) General Intangibles;

(ii) Patents and Patent Licenses;

(iii) Trademarks and Trademark Licenses;

(iv) The LC Collateral Account, all cash deposited therein from time to time, and any Liquid Investments made pursuant to Section 5(c);

(v) All books and records (including, without limitation, computer programs, printouts and other computer materials and records) of such Obligor pertaining to any of its Collateral described in clauses (i) thorough (iv) hereof; and

(vi) All Proceeds of the Collateral described in clauses (i) through (v) hereof.

(b) The Security Interests are granted as security only and shall not subject the Administrative Agent or any Secured Party to, or transfer or in any way affect or modify, any obligation or liability of any Obligor with respect to any of the Collateral or any transaction in connection therewith.

Section 4. Further Assurances; Covenants. (a) Each Obligor will not change its name, identity or corporate structure in any manner or change the location of its chief executive office or chief place of business from the location described in the Perfection Certificate of such Obligor unless, in each case, such Obligor shall have given the Administrative Agent at least 30 days' prior notice thereof and delivered to the Banks an opinion of counsel at the cost and expense of such Obligor, in form and substance reasonably satisfactory to the Administrative Agent, to the effect that, after giving effect to such change in name, identity, corporate structure or location, the Security Interests in the Collateral of such Obligor shall remain perfected; provided that the provisions of the foregoing sentence shall not apply to any change in the location of the chief executive office of any Obligor from any location in New York City to any other location in New York City. Each Obligor shall not in any event change the location of any of its Collateral if such change would cause the Security Interests in such Collateral to lapse or cease to be perfected.

(b) Each Obligor will, from time to time, at its expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement,

recording or other paper and take any other action (including, without limitation, any filings of financing or continuation statements under the UCC and any additional of substitute filings with the PTO) that from time to time may be necessary or desirable, or that the Administrative Agent may request, in order to create, preserve, perfect, confirm or validate the Security Interests or to enable the Secured Parties to obtain the full benefits of this Agreement, or to enable the Administrative Agent to exercise and enforce any of its rights, powers and remedies hereunder with respect to any of the Collateral of such Obligor; provided that no Obligor shall be required to take any such action with respect to any Trademark that is not a Specified Trademark or any Trademark License that is not a Specified Trademark License. To the extent permitted by applicable law, each Obligor hereby authorizes the Administrative Agent to execute and file financing statements or continuation statements without such Obligor's signature appearing thereon. Each Obligor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. Each Obligor shall pay the costs of, or incidental to, any recording or filing of any financing or continuation statements or any filings with the PTO concerning the Collateral of such Obligor.

(c) Within 30 Domestic Business Days after the end of each Fiscal Quarter, each Obligor shall provide to the Administrative Agent (i) copies of all applications for (1) the registration of any Patent or any Patent License and (2) the registration of any Specified Trademark or Specified Trademark License filed by such Obligor during such Fiscal Quarter, (ii) a Patent Security Agreement executed by such Obligor with respect to each Patent or Patent License of such Obligor described in clause (1), (iii) a Trademark Security Agreement with respect to each Specified Trademark and Specified Trademark License described in clause (2) and (iv) a list of each Patent and Trademark that such Obligor has determined to abandon, or that such Obligor has determined not to maintain the registration of, during the immediately succeeding Fiscal Quarter, and a brief statement of the reasons on the basis on which such Obligor has made such determination (it being understood that nothing in this clause (iv) shall be construed to limit or modify in any manner the obligations of such Obligor under subsection (d) below). Upon delivery of a Patent Security Agreement or a Trademark Security Agreement by any Obligor, Schedule 2A or 2B, as the case may be, shall be deemed to have been amended to reflect the Patents and Patent Licenses or Specified Trademarks and Specified Trademark Licences with respect to which such Patent Security Agreement or a Trademark Security Agreement, as the case may be, relates. If an Obligor has filed no applications for the registration of any Patent, License, Specified Trademark or Specified Trademark License during any Fiscal Quarter, such Obligor shall, within 30 Domestic Business Days after the end of such Fiscal Quarter, provide a certificate to the Administrative Agent certifying the same.

(d) Each Obligor will take all steps which it reasonably determines are necessary and appropriate in the circumstances, including, without limitation, in any proceeding before the PTO, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of its material Patents and Specified Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability except, in each case, for such applications or registrations which such other Obligor determines in good faith are no longer useful or material to the business of such Obligor.

(e) In the event that any material Patent or Specified Trademark is infringed, misappropriated or diluted by a third party, the Obligor that holds such Patent or Trademark shall promptly notify the Administrative Agent after it learns thereof, if such infringement, misappropriation or dilution could reasonably be expected to have a Material Adverse Effect, and take such other actions as such Obligor shall reasonably deem appropriate under the circumstances, or as the Administrative Agent shall reasonably request, to protect such Patent or Specified Trademark, as the case may be.

(f) Each Obligor shall notify the Administrative Agent as soon as practicable if such Obligor knows that any application or registration relating to any material Patent or Specified Trademark may become abandoned or dedicated or of any determination or development (including the institution of, or any such determination or development in, any proceeding in the PTO or any court or tribunal) regarding such Obligor's ownership of any material Patent or Specified Trademark, its right to register the same, or to keep and maintain the same.

(g) Each Obligor will, promptly upon request, provide to the Administrative Agent all information and evidence it may reasonably request concerning its Collateral to enable the Administrative Agent to enforce the provisions of this Agreement.

Section 5. LC Collateral Account. (a) There is hereby established with the Administrative Agent an account (the "LC Collateral Account") on the books of The Bank of New York in the name and under the control of the Administrative Agent into which there shall be deposited from time to time the amounts required to be deposited therein by the Company pursuant to Sections 2.06(f) and 6.03 of the Credit Agreement or any other provision of the Loan Documents. Any income received by the Administrative Agent with respect to the balance from time to time standing to the credit of the LC Collateral Account, including any interest

or capital gains on Liquid Investments, shall remain, or be deposited, in the LC Collateral Account. All right, title and interest in and to the cash amounts on deposit from time to time in the LC Collateral Account together with any Liquid Investments from time to time made pursuant to subsection (c) hereof shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied thereto as hereinafter provided. If and when any portion of Aggregate LC Exposure on which any deposit in the LC Collateral Account was based (the "Relevant Contingent Exposure") shall become fixed (a "Direct Exposure") as a result of the payment by the LC Agent of a draft presented under a Letter of Credit, the amount of such Direct Exposure (but not more than the amount in the LC Collateral Account at the time) shall be withdrawn by the Administrative Agent from the LC Collateral Account and shall be paid to the Banks in accordance with their Pro Rata Share, and the Relevant Contingent Exposure shall thereupon be reduced by such amount. If at any time the amount in the LC Collateral Account exceeds the aggregate Relevant Contingent Exposure, the excess amount shall, so long as no Event of Default shall have occurred and be continuing, be promptly withdrawn by the Administrative Agent and paid to, or as directed by, the Company. If an Event of Default shall have occurred and be continuing, such excess amount shall be retained in the LC Collateral Account. If immediately available cash on deposit in the LC Collateral Account is not sufficient to make any distribution to, or as directed by, the Company referred to in this Section 5(a), the Administrative Agent shall cause to be liquidated as promptly as practicable such Liquid Investments in the LC Collateral Account designated by the Company as required to obtain sufficient cash to make such distribution and, notwithstanding any other provision of this Section 6, such distribution shall not be made until such liquidation has taken place.

(b) Upon the occurrence and continuation of an Event of Default, the Administrative Agent shall, if so instructed by the Required Banks, apply or cause to be applied (subject to collection) any or all of the balance from time to time standing to the credit of the LC Collateral Account in the manner specified in Section 9.

(c) Amounts on deposit in the LC Collateral Account shall be invested and re-invested from time to time in such Liquid Investments as the Company shall determine, which Liquid Investments shall be held in the name and be under the control of the Administrative Agent, provided that, if an Event of Default has occurred and is continuing, the Administrative Agent shall, if instructed by the Required Banks, determine the Liquid Investments in which such amounts are invested and re-invested and shall liquidate any such Liquid Investments and apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations in the manner specified in Section 9. For this purpose, "Liquid Investments" means Temporary Cash Investments of the type described in clauses

(i) through (iv) of the definition thereof; provided that (x) each Liquid Investment shall mature within 30 days after it is acquired by the Administrative Agent and (y) in order to provide the Administrative Agent, for the benefit of the Secured Parties, with a perfected security interest therein, each Liquid Investment shall be either:

(i) evidenced by negotiable certificates or instruments, or if non-negotiable then issued in the name of the Administrative Agent, which (together with any appropriate instruments of transfer) are delivered to, and held by, the Administrative Agent or an agent thereof (which shall not be the Company or any of its Affiliates) in the State of New York; or

(ii) in book-entry form and issued by the United States and as to which (in the opinion of counsel to the Administrative Agent) appropriate measures shall have been taken for perfection of the Security Interests in such Liquid Investments.

Section 6. General Authority. Each Obligor hereby irrevocably appoints the Administrative Agent its true and lawful attorney, with full power of substitution, in the name of such Obligor, the Administrative Agent, the Secured Parties or otherwise, for the sole use and benefit of the Secured Parties, but at such Obligor's expense, to the extent permitted by law to exercise, at any time and from time to time while an Event of Default has occurred and is continuing, all or any of the following powers with respect to all or any of the Collateral of such Obligor:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, transfer, assign or otherwise deal in or with the same or the proceeds or avails thereof, as fully and effectually as if the Administrative Agent were the absolute owner thereof,

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto, and

(e) in the case of any Patents or Trademarks or any other rights which constitute patents or trademarks under common law (all such patents and trademarks hereinafter being referred to as "Common Law Rights"), to execute and deliver any and all agreements, instruments,

documents, and papers as the Administrative Agent may reasonably require to evidence the Security Interests in any such Patent, Trademark or Common Law Rights and the goodwill and general intangibles of such Obligor relating thereto or represented thereby;

provided that the Administrative Agent shall give each Obligor not less than ten days' prior notice of the time and place of any sale or other intended disposition of any of its Collateral. The Administrative Agent and each Obligor agree that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the UCC.

Section 7. Remedies upon Event of Default. (a) If any Event of Default has occurred and is continuing, the Administrative Agent may exercise on behalf of the Secured Parties all rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) and, in addition, the Administrative Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (i) apply cash, if any, then held by it as Collateral as specified in Section 9 and (ii) if there shall be no such cash or if such cash shall be insufficient to pay all the Secured Obligations in full, sell the Collateral or any part thereof at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Administrative Agent may deem satisfactory. Any Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale). Each Obligor will execute and deliver such documents and take such other action as the Administrative Agent deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Administrative Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of any Obligor which may be waived, and each Obligor, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice (if any) of such sale required by Section 6 shall (A) in the case of a public sale, state the time and place fixed for such sale, and (B) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Administrative Agent may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may determine. The Administrative Agent shall not be obligated to make any such sale pursuant to any such notice. The Administrative

Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned ,subject to the Administrative Agent giving the notice required to be given pursuant to Section 6. In the case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the selling price is paid by the purchaser thereof, but the Administrative Agent shall not incur any liability in the case of the failure of such purchaser to take up and pay for the Collateral so sold and, in the case of any such failure, such Collateral may again be sold upon like notice. The Administrative Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(b) For the purpose of enforcing any and all rights and remedies under this Agreement the Administrative Agent may (i) require each Obligor to, and each Obligor agrees that it will, at its expense and upon the request of the Administrative Agent, forthwith assemble all or any part of its Collateral as directed by the Administrative Agent and make it available at a place designated by the Administrative Agent which is, in its opinion, reasonably convenient to the Administrative Agent and such Obligor, whether at the premises of such Obligor or otherwise, (ii) have access to and use such Obligor's books and records relating to the Collateral and (iii) prior to the disposition of the Collateral, prepare the Collateral for disposition in any manner and to the extent the Administrative Agent deems appropriate and, in connection with such preparation and disposition, use without charge any Trademark, Patent, copyright or technical process used by any Obligor. The Administrative Agent may also render any or all of the Collateral unusable at any Obligor's premises and may dispose of such Collateral on such premises without liability for rent or costs.

(c) Without limiting the generality of the foregoing, if any Event of Default has occurred and is continuing, (i) the Administrative Agent may license, or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Patents or Trademarks or Common Law Rights included in the Collateral throughout the world for such term or terms, on such conditions and in such manner as the Administrative Agent shall in its sole discretion determine, (ii) the Administrative Agent may (without assuming any obligations or liability thereunder), at any time and from time to time, enforce (and shall have the exclusive right to enforce) against any licensor, licensee or sublicensee all rights and remedies of any Obligor in, to and under any Patent Licenses or Trademark Licenses and take or refrain from taking any action under any thereof, and each Obligor hereby releases the Administrative Agent and

each of the other Secured Parties from, and agrees to hold the Administrative Agent and each of the other Secured Parties free and harmless from and against any claims arising out of, any lawful action so taken or omitted to be taken with respect thereto, except any such claim to the extent that it arises solely as the result of the gross negligence or willful misconduct of any Secured Party and (iii) upon request by the Administrative Agent, each Obligor will execute and deliver to the Administrative Agent a further power of attorney, in form and substance satisfactory to the Administrative Agent, for the implementation of any lease, assignment, license, sublicense, grant of option, sale or other disposition of a Patent, Trademark, Patent License or Trademark License. In the event of any such disposition pursuant to this Section, each Obligor shall supply its know-how and expertise relating to the manufacture and sale of the products bearing Trademarks or the products or services made or rendered in connection with Patents, and its customer lists and other records relating to such Patents or Trademarks and to the distribution of said products, to the Administrative Agent.

Section 8. Limitation on Duty of Administrative Agent in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Administrative Agent shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Administrative Agent shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Administrative Agent in good faith.

Section 9. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral pledged by any Obligor and any cash held in the LC Collateral Account shall be applied by the Administrative Agent in the following order of priorities:

first, to pay the expenses of such sale or other realization, including reasonable compensation to agents and counsel for the Administrative Agent, and all expenses, liabilities and advances incurred or made by the Administrative Agent in connection therewith, and any other unreimbursed expenses for which any Secured Party is to be reimbursed pursuant to the Credit Agreement (including without limitation Section 9.03(a) thereof) or Section 12 hereof and any unpaid fees owing to any Secured Party under the Loan Documents;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations of such Obligor (other than, in the case of any Subsidiary Guarantor, its Subsidiary Guaranteed Obligations) in accordance with the provisions of the Credit Agreement;

third, to the ratable payment of unpaid principal of, and reimbursement obligations constituting, the Secured Obligations of such Obligor (other than, in the case of any Subsidiary Guarantor, its Subsidiary Guaranteed Obligations);

fourth, in the case of any Subsidiary Guarantor, to the ratable payment of accrued but unpaid interest on its Subsidiary Guaranteed Obligations, until all such Secured Obligations shall have been paid in full;

fifth, in the case of any Subsidiary Guarantor, to the ratable payment of unpaid principal of, and reimbursement obligations constituting its Subsidiary Guaranteed Obligations, until all such Secured Obligations shall have been paid in full;

sixth, to pay ratably all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, to pay to such Obligor or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

The Administrative Agent may make distributions hereunder in cash or in kind or, on a ratable basis, in any combination thereof. For purposes of making any distribution hereunder, the principal amount of any Hedging Obligation shall be the amount of the relevant Obligor's Hedging Obligations due and payable at the time such distribution is made.

Section 10. Concerning the Administrative Agent. The provisions of Article 7 of the Credit Agreement shall inure to the benefit of the Administrative Agent in respect of this Agreement and shall be binding upon the parties to the Credit Agreement and the parties hereto in such respect. In furtherance and not in derogation of the rights, privileges and immunities of the Administrative Agent therein specified:

(a) The Administrative Agent is authorized to take all such action as is provided to be taken by it as Administrative Agent hereunder and all other action reasonably incidental thereto. As to any matters not expressly provided for herein

(including, without limitation, the timing and methods of realization upon the Collateral) the Administrative Agent shall act or refrain from acting in accordance with written instructions from the Required Banks or, in the absence of such instructions, in accordance with its discretion.

(b) The Administrative Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Security Interests in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder. The Administrative Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Agreement by any Obligor.

Section 11. Appointment of Co-Administrative Agents. At any time or times, in order to comply with any legal requirement in any jurisdiction, the Administrative Agent may appoint another bank or trust company or one or more other persons, either to act as co-agent or co-agents, jointly with the Administrative Agent, or to act as separate agent or agents on behalf of the Secured Parties with such power and authority as may be necessary for the effectual operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the discretion of the Administrative Agent, include provisions for the protection of such co-agent or separate agent similar to the provisions of Section 10).

Section 12. Expenses. If any Obligor fails to comply with the provisions of any Loan Document to which it is a party, such that the value of any Collateral or the validity, perfection, rank or value of any Security Interest is thereby diminished or potentially diminished or put at risk, the Administrative Agent if requested by the Required Banks may, but shall not be required to, effect such compliance on behalf of such Obligor, and such Obligor shall reimburse the Administrative Agent for the costs thereof on demand. All insurance expenses and all expenses of protecting, storing, warehousing, appraising, insuring, handling, maintaining, and shipping the Collateral, any and all excise, property, sales, and use taxes imposed by any state, federal, or local authority on any of the Collateral, or in respect of periodic appraisals and inspections of the Collateral to the extent the same may be requested by the Required Banks from time to time, or in respect of the sale or other disposition thereof shall be borne and paid by each Obligor; and if any Obligor fails to promptly pay any portion thereof when due, any Secured Party may, at its option, but shall not be required to, pay the same and charge such Obligor's account therefor, and such Obligor agrees to reimburse such Secured Party therefor on demand. All sums so paid or incurred by any Secured Party for any of the foregoing and any and all other sums for which any Obligor may become liable hereunder and all costs and

expenses (including attorneys' fees, legal expenses and court costs) reasonably incurred by any Secured Party in enforcing or protecting the Security Interests or any of their rights or remedies under this Agreement and, in each case, not paid in a timely manner shall, together with interest thereon until paid at the rate applicable to Base Rate Loans, be additional Secured Obligations hereunder.

Section 13. Termination of Security Interests; Release of Collateral. (a) Upon the repayment in full of all Secured Obligations (other than those described in clause (v) of the definition thereof and any amendments, restatements, renewals, extensions or modifications thereof), the termination of the Commitments under the Credit Agreement and the termination or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent), the Security Interests shall terminate and all rights to the Collateral of each Obligor shall revert to such Obligor.

(b) Upon the consummation of any Asset Sale (or any sale or other disposition described in clause (iv) of the definition of Asset Sale) permitted by the terms of the Credit Agreement and consisting of the disposition of any Collateral or of the capital stock of any Obligor other than the Company (any such transaction, a "Permitted Collateral Sale") the Security Interests in such Collateral or in the Collateral pledged by such Obligor, as the case may be (but not, in any case, in any Proceeds thereof) shall be released. Such release shall not be subject to the consent of any Bank, and the Administrative Agent shall be fully protected in relying on a certificate of an Obligor as to whether any particular transaction consummated by such Obligor constitutes a Permitted Collateral Sale.

(c) In addition to the release of Collateral effected by subsection (b), at any time and from time to time prior to the termination of the Security Interests, the Administrative Agent may release any of the Collateral with the prior written consent of the Required Banks; provided that the Administrative Agent may release of all or substantially all of the Collateral (for purposes of this subsection (c), as defined in the Credit Agreement) only with the prior written consent of all the Banks.

(d) Upon any termination of the Security Interests or release of Collateral in accordance with this Section, the Administrative Agent will, at the expense of the relevant Obligor, execute and deliver to such Obligor such documents as such Obligor shall reasonably request (including without limitation any reassignments) to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

Section 14. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party at its address or facsimile number set forth on the signature pages hereof or at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by facsimile, when transmitted to the facsimile number referred to in this Section and confirmation of receipt is received, or (ii) if given by any other means, when delivered at the address referred to in this Section.

Section 15. Waivers, Non-Exclusive Remedies. No failure on the part of the Administrative Agent to exercise, and no delay in exercising and no course of dealing with respect to, any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by the Administrative Agent of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other remedies provided by law.

Section 16. Successors and Assigns. This Agreement shall be binding upon each Obligor and its successors and permitted assigns. This Agreement is for the benefit of each Secured Party and its successors and permitted assigns, and in the event of an assignment of all or any of any Bank's interest in and to its rights and obligations under the Credit Agreement in accordance with the Credit Agreement, the assignor's rights hereunder, to the extent applicable to the indebtedness or obligation so assigned, shall automatically be transferred with such indebtedness or obligation.

Section 17. Changes in Writing. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor and the Administrative Agent, subject to the provisions of Section 9.05(b) of the Credit Agreement.

Section 18. New York Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

Section 19. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Parties in

order to carry out the intentions of the parties hereto as nearly as may be possible; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

Section 20. Additional Obligors. Any Subsidiary Guarantor may become an Obligor party hereto and bound hereby by executing a counterpart hereof and delivering the same to the Administrative Agent.

Section 21. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 22. Limitation on Collateral. Notwithstanding the foregoing, "Collateral" shall not include any General Intangibles or other rights arising under contracts which contain a valid and enforceable restriction on the grant of a security interest therein (other than any such restriction which is rendered ineffective pursuant to Section 9-318(4) of the UCC) to the extent such grant would constitute a violation of such restriction, unless and until any such restriction is removed, waived or no longer valid and enforceable. Each Obligor represents and warrants that none of the Trademarks listed on Schedule 1.01(b) is subject to any such restriction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VENATOR GROUP, INC.

By:_____
Name:
Title:

EASTBAY, INC.
eVENATOR, INC.
FOOT LOCKER JAPAN, INC.
NORTHERN REFLECTIONS INC.
RETAIL COMPANY OF GERMANY, INC.
THE RICHMAN BROTHERS COMPANY
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
THE SAN FRANCISCO MUSIC BOX COMPANY
VENATOR GROUP CORPORATE SERVICES, INC.
VENATOR GROUP HOLDINGS, INC.
VENATOR GROUP RETAIL, INC.
VENATOR GROUP SOURCING, INC.
VENATOR GROUP SPECIALITY, INC.

By:_____
Name:
Title:

THE BANK OF NEW YORK, as
Administrative Agent

By:_____
Name:
Title:

SCHEDULE 2A

Patents & Patent Licenses

[to come]

SCHEDULE 2B

Trademark & Trademark Licenses

[to come]

EXHIBIT A
TO SECURITY AGREEMENT

PERFECTION CERTIFICATE

The undersigned, an officer of [NAME OF OBLIGOR], a _____ corporation (the "Obligor"), hereby certify with reference to the Security Agreement dated as of _____, 1999 among Venator Group, Inc., the Obligor and the other Subsidiaries party thereto and The Bank of New York, as Administrative Agent (terms defined therein being used herein as therein defined), to the Secured Parties as follows:

1. Names. (a) The exact corporate name of the Obligor as it appears in its certificate of incorporation is as follows:

(b) Specified below is each other corporate name (including trade names or similar appellations) the Obligor has had in the last five years:

(c) Except as specified in Schedule 1, the Obligor has not changed its identity or corporate structure in any way within the past five years.

[Changes in identity or corporate structure would include mergers, consolidations and acquisitions, as well as any change in the form, nature or jurisdiction of corporate organization. If any such change has occurred, include in Schedule 1 the information required by paragraphs 1, 2 and 3 of this certificate as to each acquiree or constituent party to a merger or consolidation.]

2. Current Locations. (a) The chief executive office of the Obligor is located at the following address:

Mailing Address	County	State

(b) The following are all the places of business of the Obligor not identified above:

Mailing Address	County	State

3. Prior Locations. (a) Specified below is the information required by subparagraphs 2(a) and 2(b) above with respect to each location or place of business maintained by the Obligor at any time during the past five years:

4. UCC Filings. A duly signed financing statement on Form UCC-1 in substantially the form of Schedule 4(A) hereto has been delivered to the Administrative Agent for filing in the Uniform Commercial Code filing office in each jurisdiction identified in paragraph 2 hereof. .

5. Schedule of Filings. Attached hereto as Schedule 5 is a schedule setting forth filing information with respect to the filings described in paragraph 4 above.

6. Filing Fees. All filing fees and taxes payable in connection with the filings described in paragraph 6 above have been paid.

IN WITNESS WHEREOF, I have hereunto set my hand this __ day of _____, 1999.

By: _____
Title:

SCHEDULE 4(A)

DESCRIPTION OF COLLATERAL

[to include the description of "Collateral"
set forth in the Security Agreement and related definitions]

SCHEDULE 5

SCHEDULE OF FILINGS

Debtor	Filing Officer	File Number	Date of Filing 1/

1 Indicate lapse date, if other than fifth anniversary.

EXHIBIT B TO
SECURITY AGREEMENT

FORM OF PATENT SECURITY AGREEMENT

WHEREAS, [Name of Obligor], a _____ corporation (herein referred to as "Grantor") owns, or in the case of licenses, is a party to, the Patent Collateral (as defined below);

WHEREAS, Venator Group, Inc., the banks party thereto, the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto are parties to a Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, pursuant to the terms of a related Security Agreement dated as of _____, 1999 (as amended from time to time, the "Security Agreement") among Venator Group, Inc., its Subsidiaries party thereto and The Bank of New York, as Administrative Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, "Grantee"), Grantor has granted to Grantee for the benefit of such Secured Parties a continuing security interest in and to the assets of Grantor specified therein, including all right, title and interest of Grantor in and to the Patent Collateral, whether now owned or existing or hereafter acquired or arising, to secure the Secured Obligations (as defined in the Security Agreement) of Grantor;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant to Grantee, to secure the Secured Obligations, a continuing security interest in and to all of Grantor's right, title and interest in and to the following (all of the following items or types of property being herein collectively referred to as the "Patent Collateral"), whether now owned or existing or hereafter acquired or arising:

(i) each Patent (as defined in the Security Agreement) owned by Grantor, including, without limitation, each U.S. Patent and Patent application referred to in Schedule 1 hereto;

(ii) each Patent License (as defined in the Security Agreement), including, without limitation, each Patent License identified in Schedule 1 hereto; and

(iii) all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, any Patent Collateral described in clauses (i) and (ii), including without limitation all claims against third parties for loss of, damage to or destruction of, or any past, present or future dilution, infringement or unauthorized use of, unfair competition with, or violation of intellectual property rights in connection with or injury to, any such collateral or for injury to the goodwill associated with any of the foregoing, in each case whether now existing or hereafter arising.

Grantor hereby irrevocably constitutes and appoints Grantee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of Grantor or in its name, from time to time, in Grantee's discretion, so long as an Event of Default has occurred and is continuing, to take with respect to the Patent Collateral any and all appropriate action which is permitted under the Security Agreement.

The foregoing security interest is granted in conjunction with the security interests granted to Grantee pursuant to the Security Agreement. Grantor does hereby further acknowledge and affirm that the rights and remedies of Grantee with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, Grantor has caused this Patent Security Agreement to be duly executed by its officer thereunto duly authorized as of the ___th day of _____.

[NAME OF GRANTOR]

By:_____
Name:
Title:

Acknowledged:

THE BANK OF NEW YORK,
as Administrative Agent

By:_____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that _____, _____ of [NAME OF GRANTOR], personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that he signed, executed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said Company, for the uses and purposes therein set forth being duly authorized so to do.

GIVEN under my hand and Notarial Seal this __th day of _____.

[Seal]

_____
Signature of notary public
My Commission expires

Schedule 1
to Patent
Security Agreement

U.S. PATENT REGISTRATIONS

Registration No.	Registration Date	Mark

EXCLUSIVE PATENT LICENSES

Name of Agreement	Parties Licensor/Licensee	Date of Agreement	Subject Matter
As Licensee			
As Licensor			

EXHIBIT C TO

SECURITY AGREEMENT

FORM OF TRADEMARK SECURITY AGREEMENT

WHEREAS, [Name of Obligor], a _____ corporation (herein referred to as "Grantor") owns, or in the case of licenses, is a party to, the Trademark Collateral (as defined below);

WHEREAS, Venator Group, Inc., the banks party thereto, the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto are parties to a Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, pursuant to the terms of a related Security Agreement dated as of _____, 1999 (as amended from time to time, the "Security Agreement") among Venator Group, Inc., its Subsidiaries party thereto and The Bank of New York, as Administrative Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, "Grantee"), Grantor has granted to Grantee for the benefit of such Secured Parties a continuing security interest in and to the assets of Grantor specified therein, including all right, title and interest of Grantor in and to the Patent Collateral, whether now owned or existing or hereafter acquired or arising, to secure the Secured Obligations (as defined in the Security Agreement) of Grantor;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant to Grantee, to secure the Secured Obligations, a continuing security interest in all of Grantor's right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "Trademark Collateral"), whether now owned or existing or hereafter acquired or arising:

(i) each Trademark (as defined in the Security Agreement) owned by Grantor, including, without limitation, each U.S. Trademark registration and application referred to in Schedule 1 hereto, and the goodwill of the business symbolized by, each Trademark;

(ii) each Trademark License (as defined in the Security Agreement), including, without limitation, each Trademark License identified in Schedule 1 hereto; and

(iii) all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, any Trademark Collateral described in clauses (i) and (ii), including without limitation all claims against third parties for loss of, damage to or destruction of, or any past, present or future dilution, infringement or unauthorized use of, unfair competition with, or violation of intellectual property rights in connection with or injury to, any such collateral or for injury to the goodwill associated with any of the foregoing, in each case whether now existing or hereafter arising.

Grantor hereby irrevocably constitutes and appoints Grantee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of Grantor or in its name, from time to time, in Grantee's discretion, so long as an Event of Default has occurred and is continuing, to take with respect to the Trademark Collateral any and all appropriate action which is permitted under the Security Agreement.

The foregoing security interest is granted in conjunction with the security interests granted to Grantee pursuant to the Security Agreement. Grantor does hereby further acknowledge and affirm that the rights and remedies of Grantee with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, Grantor has caused this Trademark Security Agreement to be duly executed by its officer thereunto duly authorized as of the ___th day of _____.

[NAME OF GRANTOR]

By: _____
Name:
Title:

Acknowledged:

THE BANK OF NEW YORK,
as Administrative Agent

By:_____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that _____, _____ of [NAME OF GRANTOR], personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that he signed, executed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said Company, for the uses and purposes therein set forth being duly authorized so to do.

GIVEN under my hand and Notarial Seal this __th day of _____.

[Seal]

_____
Signature of notary public
My Commission expires

Schedule 1
to Trademark
Security Agreement

U.S. TRADEMARK REGISTRATIONS

Registration No.	Registration Date	Mark

EXCLUSIVE TRADEMARK LICENSES

Name of Agreement	Parties Licensor/Licensee	Date of Agreement	Subject Matter
As Licensee			
As Licensor			

EXHIBIT G

PLEDGE AGREEMENT

AGREEMENT dated as of _____, 1999 among Venator Group, Inc. a New York corporation (with its successors, the "Company"), each of the Subsidiaries of the Company listed on the signature pages hereof and each other Subsidiary of the Company that may from time to time become a party hereto in accordance with Section 23 (each, with its successors, a "Subsidiary Guarantor") and The Bank of New York, as Administrative Agent (with its successors, the "Administrative Agent").

W I T N E S S E T H :

WHEREAS, the Company, the banks party thereto (the "Banks"), the co- agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto are parties to a Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 (as amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, the Subsidiary Guarantors and the Administrative Agent are parties to a Guarantee Agreement dated as of March 19, 1999 (as amended from time to time, the "Guarantee Agreement"); and

WHEREAS, pursuant to Section 5.20 of the Credit Agreement, the Company has agreed to enter into, and to cause each of its Subsidiaries (subject to certain exceptions set forth in the Credit Agreement) to enter into, a Pledge Agreement substantially in the form hereof; and

WHEREAS, in consideration of the financial and other support that the Company has provided, and such financial and other support as the Company may in the future provide, to the Subsidiary Guarantors, the Subsidiary Guarantors are willing to enter into this Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein. The following additional terms, as used herein, have the following respective meanings:

"Cash Distributions" means dividends and other payments and distributions made upon or with respect to the Pledged Stock in cash.

"Collateral" has the meaning assigned to such term in Section 3(a).

"Direct Subsidiary" means, with respect to each Obligor, any Subsidiary of such Obligor whose capital stock or other equity interests are owned directly by such Obligor.

"Excluded Subsidiary" means, with respect to each Obligor, any Direct Subsidiary of such Obligor other than any such Direct Subsidiary which neither transacts any substantial portion of its business nor regularly maintains any substantial portion of its fixed assets within the United States, Canada or Germany. An "Excluded Subsidiary" shall cease to be an "Excluded Subsidiary" when the conditions set forth in the first sentence of Section 3(d) are satisfied.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement.

"Hedging Obligations" means, with respect to each Obligor, all obligations of such Obligor under any Hedging Agreement between such Obligor and any Bank Party (or any affiliate of any Bank Party).

"Issuer" means each Person listed on Schedule 1 and each Person that becomes a Direct Subsidiary (other than an Excluded Subsidiary) of any Obligor after the Effective Date.

"Obligor" means the Company or any Subsidiary Guarantor, and "Obligors" means all of them.

"Pledged Equity Interests" means (i) the Subsidiary Equity Interests and (ii) any other capital stock or other equity interests required to be pledged by the Obligor to the Administrative Agent under this Agreement pursuant to Sections 3(b), 3(c) or 3(d).

"Secured Obligations" means, with respect to each Obligor, (i) all principal of and interest and premium (if any) on any Loan or Swingline Loan

payable by such Obligor under, or any Note or Swingline Note issued by such Obligor pursuant to, the Credit Agreement (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Obligor, whether or not allowed or allowable as a claim in any such proceeding), (ii) all Reimbursement Obligations of such Obligor with respect to any Letter of Credit issued pursuant to the Credit Agreement and all interest payable by such Obligor thereon (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Obligor, whether or not allowed or allowable as a claim in any such proceeding), (iii) if such Obligor is a Subsidiary Guarantor, all amounts payable by such Obligor under the Guarantee Agreement, (iv) all other amounts payable by such Obligor under the Loan Documents, (v) all Hedging Obligations of such Obligor, and (vi) any amendments, restatements, renewals, extensions or modifications of any of the foregoing; provided that the Secured Obligations of each Subsidiary Guarantor described in clause (iii) above and any amendment, restatement, renewal, extension or modification thereof described in clause (vi) above (collectively, with respect to each Subsidiary Guarantor, such Subsidiary Guarantor's "Subsidiary Guaranteed Obligations"), shall be subordinate and junior in rank with respect to payment to the other Secured Obligations of such Subsidiary Guarantor for purposes of this Pledge Agreement. Pursuant to the proposed Amendment No. 4 to the Existing Credit Agreement, upon satisfaction of the conditions precedent set forth therein, the Credit Agreement will be amended and restated to include certain Subsidiaries of the Company as borrowers under the Credit Agreement, and the parties hereto agree that, upon effectiveness of such amendment and restatement, for purposes of the definition of "Secured Obligations", the term "Obligors" will mean the Company, any of its Subsidiaries that are borrowers under the Credit Agreement and the Subsidiary Guarantors, and "Obligor" will mean any one of them.

"Secured Parties" means the Banks, the LC Agent, the Swingline Bank, the Administrative Agent and the Lead Arrangers.

"Security Interests" means the security interests in the Collateral granted hereunder securing the Secured Obligations.

"Subsidiary Equity Interests" means, with respect to each Issuer listed on Schedule 1 hereto, the capital stock or other equity interests listed on Schedule 1 hereto opposite such Issuer's name, which capital stock or other equity interests constitute 65% of the aggregate outstanding capital stock or other equity interests of such Issuer.

Unless otherwise defined herein, or unless the context otherwise requires, all terms used herein which are defined in the New York Uniform Commercial Code as in effect on the date hereof shall have the meanings therein stated.

Section 2. Representations and Warranties. Each Obligor represents and warrants as follows:

(a) Title to Pledged Equity Interests. Such Obligor owns all of its Pledged Equity Interests, free and clear of any Liens other than the Security Interests and Liens permitted under Section 5.06(a)(ix) of the Credit Agreement. All of the Pledged Equity Interests of such Obligor have been duly authorized and validly issued, and are fully paid and non-assessable, and are subject to no options to purchase or similar rights of any Person. The Persons listed on Schedule 1 under the name of such Obligor constitute all of the Persons that are Direct Subsidiaries of such Obligor on the date hereof (other than any Excluded Subsidiaries) and all of such Persons are wholly-owned Direct Subsidiaries (excluding directors' qualifying shares). The Pledged Equity Interests of such Obligor represent 65% of the aggregate capital stock and other equity interests held by such Obligor of any Person that is a Direct Subsidiary (other than any Excluded Subsidiary) and is a Foreign Subsidiary. Such Obligor is not and will not become a party to or otherwise bound by any agreement, other than this Agreement and any additional pledge agreements referred to in Section 2(b) which restricts in any manner the rights of any present or future holder of any of the Pledged Equity Interests of such Obligor with respect thereto.

(b) Validity, Perfection and Priority of Security Interests. (i) A UCC-1 financing statement naming such Obligor as debtor and the Administrative Agent as secured party has been filed in each of the jurisdictions referred to in Section 2(c) with respect to such Obligor.

[representation regarding steps needed to perfect in each foreign jurisdiction to come once jurisdictions have been identified]

(ii) Other than as set forth in the preceding clauses of this Section, no registration, recordation or filing with any governmental body, agency or official or any other Person is required in connection with the execution or delivery of this Agreement or necessary for the validity or enforceability hereof or for the perfection or enforcement of the Security Interests in any of the Collateral of any Obligor.

(iii) Neither such Obligor nor any of its Subsidiaries has performed or will perform any acts which could reasonably be expected to prevent the Administrative Agent from enforcing any of the terms and conditions of this

Agreement or which would limit the Administrative Agent in any such enforcement.

(c) UCC Filing Locations. The chief executive office of each Obligor is located at the address set forth on the signature pages hereof. With respect to each Obligor, under the Uniform Commercial Code as in effect in the State in which such office is located, a local filing in [ ] is required to perfect a security interest consisting of general intangibles.

Section 3. Grant of the Security Interests. (a) In order to secure the full and punctual payment of the Secured Obligations in accordance with the terms thereof, each Obligor hereby collaterally assigns and pledges to and with the Administrative Agent for the benefit of the Secured Parties and grants to the Administrative Agent for the benefit of the Secured Parties security interests in:

(i) the Pledged Equity Interests of such Obligor and all of its rights and privileges with respect to such Pledged Equity Interests;

(ii) all interest, dividends, earnings, income, profits and other payments and distributions with respect to any and all of the foregoing, and all proceeds of any and all of the foregoing (the items in clauses (i) through (ii), inclusive, being collectively referred to, with respect to such Obligor, as the "Collateral" of such Obligor).

(b) In the event that any Person becomes a Direct Subsidiary (other than an Excluded Subsidiary) of an Obligor after the date hereof, such Obligor will promptly, and in any event within 45 days after such event (or such other number of days as the Administrative Agent and such Obligor may agree to), pledge and deposit with the Administrative Agent certificates representing shares of capital stock or other equity interests of such Person held by such Obligor as additional security for the Secured Obligations of such Obligor and take such other steps as may be necessary or appropriate, or as the Administrative Agent shall reasonably request, to ensure that such shares of capital stock or other equity interests constitute additional security for the Secured Obligations of such Obligor, and that the Security Interests therein are perfected, first priority security interests; provided that no Obligor shall be required to pledge or deposit any certificates or take any other steps pursuant to this subsection (b) to the extent that after giving effect to any such pledge or deposit, or the taking of any such step, shares of capital stock or other equity interests representing more than 65% of the aggregate capital stock or other equity interests of any Direct Subsidiary that is a Foreign Subsidiary would be in pledge or deposit hereunder.

(c) In the event that any Issuer at any time issues to any Obligor any additional or substitute shares of capital stock of any class or any other equity interests of any class such Obligor will promptly, and in any event within 45 days after such event (or such other number of days as the Administrative Agent and such Obligor may agree to), pledge and deposit with the Administrative Agent certificates representing all such shares of capital stock or other equity interests as additional security for the Secured Obligations of such Obligor and take such other steps as may be necessary or appropriate, or as the Administrative Agent shall reasonably request, to ensure that such shares of capital stock or other equity interests constitute additional security for the Secured Obligations of such Obligor, and that the Security Interests therein are perfected, first priority security interests; provided that no Obligor shall be required to pledge or deposit any certificates or take any other steps pursuant to this subsection (c) to the extent that after giving effect to any such pledge or deposit, or the taking of any such step, shares of capital stock or other equity interests representing more than 65% of the aggregate capital stock or other equity interests of any Direct Subsidiary that is a Foreign Subsidiary would be in pledge or deposit hereunder.

(d) Any Excluded Subsidiary of any Obligor shall cease to be an Excluded Subsidiary on the first day on which such Obligor shall be able to pledge the capital stock or other equity interests of such Direct Subsidiary hereunder without triggering a requirement to equally and ratably secure securities issued under the Indenture. Promptly, and in any event within 45 days after any Excluded Subsidiary of any Obligor shall cease to be an Excluded Subsidiary (or such other number of days as the Administrative Agent and such Obligor may agree to), such Obligor will pledge and deposit with the Administrative Agent certificates representing shares of capital stock or other equity interests of such Direct Subsidiary as additional security for the Secured Obligations of such Obligor and take such other steps as may be necessary or appropriate, or as the Administrative Agent shall reasonably request, to ensure that such shares of capital stock or other equity interests constitute additional security for the Secured Obligations of such Obligor, and that the Security Interests therein are perfected, first priority security interests; provided that no Obligor shall be required to pledge or deposit any certificates or take any other steps pursuant to this subsection (d) to the extent that after giving effect to any such pledge or deposit, or the taking of any such step, shares of capital stock or other equity interests representing more than 65% of the aggregate capital stock or other equity interests of any Direct Subsidiary that is a Foreign Subsidiary would be in pledge or deposit hereunder.

(e) Any shares of capital stock or other equity interests pledged by any Obligor to the Administrative Agent pursuant to subsections (b), (c) or (d) above

constitute Pledged Equity Interests of such Obligor and are subject to all provisions of this Agreement.

(f) The Security Interests are granted as security only and shall not subject the Administrative Agent or any Secured Party to, or transfer or in any way affect or modify, any obligation or liability of any Obligor or any of its Subsidiaries with respect to any of the Collateral or any transaction in connection therewith.

Section 4. Delivery of Pledged Equity Interests. Unless otherwise required by the laws of any jurisdiction in order to perfect the Security Interests in Collateral the perfection of which is governed by the laws of such jurisdiction, all certificates representing Pledged Equity Interests of any Obligor shall be delivered to the Administrative Agent in the State of New York by such Obligor pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, and accompanied by any required transfer tax stamps, all in form and substance reasonably satisfactory to the Administrative Agent.

Section 5. Further Assurances. Each Obligor agrees that it will, at its expense and in such manner and form as the Administrative Agent may reasonably require, execute, deliver, file and record any financing statement, specific assignment, supplemental pledge agreement, confirmation or other paper and take any other action that may be necessary or desirable, or that the Administrative Agent may reasonably request, in order to create, preserve, perfect or validate any Security Interest or to enable the Administrative Agent to exercise and enforce its rights hereunder with respect to any of the Collateral of such Obligor. Each Obligor agrees that it will not change its name, identity or corporate structure in any manner or the location of its chief executive office in the United States unless, in each case, it shall have given the Administrative Agent not less than 30 days' prior notice thereof.

Section 6. Record Ownership of Pledged Equity Interests. If an Event of Default shall have occurred and be continuing, the Administrative Agent may, in its sole discretion, cause any or all of the Pledged Equity Interests to be transferred of record into the name of the Administrative Agent or its nominee. Each Obligor will promptly give to the Administrative Agent copies of any notices or other communications received by it with respect to Pledged Equity Interests registered in the name of such Obligor and the Administrative Agent will promptly give to each Obligor copies of any notices and communications received by the Administrative Agent with respect to Pledged Equity Interests of such Obligor registered in the name of the Administrative Agent or its nominee.

Section 7. Right to Receive Distributions on Collateral. The Administrative Agent shall have the right to receive and, during the continuance of any Event of Default, to retain as Collateral hereunder all dividends, interest and other payments and distributions made upon or with respect to the Collateral of each Obligor and each Obligor shall take all such action as the Administrative Agent may deem necessary or appropriate to give effect to such right; provided that unless an Event of Default has occurred and is continuing, the foregoing sentence shall not apply to Cash Distributions. All such dividends, interest and other payments and distributions which are received by any Obligor (except Cash Distributions received when no Event of Default has occurred and is continuing) shall be received in trust for the benefit of the Secured Parties and, if the Administrative Agent so directs during the continuance of an Event of Default, shall be segregated from other funds of such Obligor and shall, forthwith upon demand by the Administrative Agent during the continuance of an Event of Default, be paid over to the Administrative Agent as Collateral in the same form as received (with any necessary endorsement). After all Events of Defaults have been cured, the Administrative Agent's right to retain dividends, interest and other payments and distributions (including Cash Distributions) under this Section 7 shall cease and the Administrative Agent shall pay over to each Obligor any such Collateral of such Obligor retained by it during the continuance of an Event of Default.

Section 8. Right to Vote Pledged Equity Interests. Unless an Event of Default shall have occurred and be continuing, each Obligor shall have the right, from time to time, to vote and to give consents, ratifications and waivers with respect to its Pledged Equity Interests, and the Administrative Agent shall, upon receiving a written request from any Obligor accompanied by a certificate signed by a Responsible Officer of the Company stating that no Event of Default has occurred and is continuing, deliver to such Obligor or as specified in such request such proxies, powers of attorney, consents, ratifications and waivers in respect of any of its Pledged Equity Interests which is registered in the name of the Administrative Agent or its nominee as shall be specified in such request and be in form and substance satisfactory to the Administrative Agent.

If an Event of Default shall have occurred and be continuing, the Administrative Agent shall have the right to the extent permitted by law and each Obligor shall take all such action as may be necessary or appropriate to give effect to such right, to vote and to give consents, ratifications and waivers, and take any other action with respect to any or all of the Pledged Equity Interests of such Obligor with the same force and effect as if the Agent were the absolute and sole owner thereof.

Section 9. General Authority. Each Obligor hereby irrevocably appoints the Administrative Agent its true and lawful attorney, with full power of substitution, in the name of such Obligor, the Administrative Agent, the Secured Parties or otherwise, for the sole use and benefit of the Secured Parties, but at the expense of such Obligor, to the extent permitted by law, to exercise at any time and from time to time while an Event of Default has occurred and is continuing, all or any of the following powers with respect to all or any of the Collateral:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, transfer, assign or otherwise deal in or with the same or the proceeds or avails thereof, as fully and effectually as if the Administrative Agent were the absolute owner thereof, and

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;

provided that the Administrative Agent shall give each Obligor not less than ten days' prior notice of the time and place of any sale or other intended disposition of any of the Collateral of such Obligor. The Administrative Agent and each Obligor agree that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the Uniform Commercial Code.

Section 10. Remedies upon Event of Default. If any Event of Default shall have occurred and be continuing, the Administrative Agent may exercise on behalf of the Secured Parties all the rights of a secured party after default under the Uniform Commercial Code (whether or not in effect in the jurisdiction where such rights are exercised) and, in addition, the Administrative Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (i) withdraw all cash, if any, then held by it as Collateral and apply it as specified in Section 13 and (ii) if there shall be no such cash or if such cash shall be insufficient to pay all the Secured Obligations in full, sell the Collateral or any part thereof at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, and at such price or prices as the Administrative Agent may reasonably deem satisfactory. Any Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale). The Administrative

Agent is authorized, in connection with any such sale, if it deems it advisable so to do, (a) to restrict the prospective bidders on or purchasers of any of the Pledged Equity Interests to a limited number of sophisticated investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any of such Pledged Equity Interests, (b) to cause to be placed on certificates for any or all of the Pledged Equity Interests or on any other securities pledged hereunder a legend to the effect that such security has not been registered under the Securities Act of 1933, as amended, and may not be disposed of in violation of the provision of said Act, and (c) to impose such other limitations or conditions in connection with any such sale as the Administrative Agent reasonably deems necessary or advisable in order to comply with said Act or any other law. Each Obligor will execute and deliver such documents and take such other action as the Administrative Agent reasonably deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Administrative Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of any Obligor which may be waived, and each Obligor, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice of such sale required by Section 9 shall (1) in the case of a public sale, state the time and place fixed for such sale, (2) in the case of a sale at a broker's board or on a securities exchange, state the board or exchange at which such sale is to be made and the day on which the Collateral, or the portion thereof so being sold, will first be offered for sale at such board or exchange, and (3) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Administrative Agent may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may determine. The Administrative Agent shall not be obligated to make any such sale pursuant to any such notice. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned, subject to the Administrative Agent giving the notice required to be given pursuant to Section 9. In the case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the selling price is paid by the purchaser thereof, but the Administrative Agent shall not incur any liability in the case of the failure of such purchaser to take up and pay for the Collateral so sold and, in the case of any such failure, such Collateral may again be sold upon like notice.

The Administrative Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

Section 11. Expenses. Each Obligor agrees that it will forthwith upon demand pay to the Administrative Agent:

(a) the amount of any taxes which the Administrative Agent may have been required to pay by reason of the Security Interests or to free any of the Collateral of such Obligor from any Lien thereon, and

(b) the amount of any and all out-of-pocket expenses, including the reasonable fees and disbursements of counsel and of any other experts, which the Administrative Agent may incur in connection with (i) the enforcement of this Agreement, including such expenses as are incurred to preserve the value of the Collateral of such Obligor and the validity, perfection, rank and value of any Security Interest, (ii) the collection, sale or other disposition of any of the Collateral of such Obligor, (iii) the exercise by the Administrative Agent of any of the rights conferred upon it hereunder, or (iv) any Default.

Any such amount not paid in a timely manner shall bear interest at the rate applicable to Base Rate Loans from time to time and shall be an additional Secured Obligation hereunder.

Section 12. Limitation on Duty of Administrative Agent in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Administrative Agent shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any agent or bailee selected by the Administrative Agent in good faith.

Section 13. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral pledged by any Obligor shall be applied by the Administrative Agent in the following order of priorities:

first, to pay the expenses of such sale or other realization, including reasonable compensation to agents and counsel for the Administrative Agent, and all expenses, liabilities and advances incurred or made by the Administrative Agent in connection therewith, and any other unreimbursed expenses for which any Secured Party is to be reimbursed pursuant to the Credit Agreement (including without limitation Section 9.03(a) thereof) or Section 11 hereof and any unpaid fees owing to any Secured Party under the Loan Documents;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations of such Obligor (other than, in the case of any Subsidiary Guarantor, its Subsidiary Guaranteed Obligations) in accordance with the provisions of the Credit Agreement;

third, to the ratable payment of unpaid principal of, and reimbursement obligations constituting, the Secured Obligations of such Obligor (other than, in the case of any Subsidiary Guarantor, its Subsidiary Guaranteed Obligations);

fourth, in the case of any Subsidiary Guarantor, to the ratable payment of accrued but unpaid interest on its Subsidiary Guaranteed Obligations, until all such Secured Obligations shall have been paid in full;

fifth, in the case of any Subsidiary Guarantor, to the ratable payment of unpaid principal of, and reimbursement obligations constituting its Subsidiary Guaranteed Obligations, until all such Secured Obligations shall have been paid in full;

sixth, to pay ratably all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, to pay to such Obligor or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

The Administrative Agent may make distributions hereunder in cash or in kind or, on a ratable basis, in any combination thereof. For purposes of making any distribution hereunder, the principal amount of any Hedging Obligation shall be the amount of the relevant Obligor's Hedging Obligations due and payable at the time such distribution is made.

Section 14. Concerning the Administrative Agent. The provisions of Article 7 of the Credit Agreement shall inure to the benefit of the Administrative Agent in respect of this Agreement and shall be binding upon the parties to the Credit Agreement and the parties hereto in such respect. In furtherance and not in derogation of the rights, privileges and immunities of the Administrative Agent therein set forth:

(a) The Administrative Agent is authorized to take all such action as is provided to be taken by it as Administrative Agent hereunder and all other action reasonably incidental thereto. As to any matters not expressly provided for herein (including, without limitation, the timing and methods of realization upon the Collateral) the Administrative Agent shall act or refrain from acting in accordance with written instructions from the Required Banks or, in the absence of such instructions, in accordance with its discretion.

(b) The Administrative Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Security Interests in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder. The Administrative Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Agreement by any Obligor.

Section 15. Appointment of Co-agents. At any time or times, in order to comply with any legal requirement in any jurisdiction, the Administrative Agent may appoint another bank or trust company or one or more other persons, either to act as co-agent or co-agents, jointly with the Administrative Agent, or to act as separate agent or agents on behalf of the Secured Parties with such power and authority as may be necessary for the effectual operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the discretion of the Administrative Agent, include provisions for the protection of such co-agent or separate agent similar to the provisions of Section 14).

Section 16. Termination of Security Interests; Release of Collateral. (a) Upon the repayment in full of all Secured Obligations (other than those described in clause (v) of the definition thereof and any amendments, restatements, renewals, extensions or modifications thereof), the termination of the Commitments under the Credit Agreement and the termination or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent), the Security Interests shall terminate and all rights to the Collateral of each Obligor shall revert to such Obligor.

(b) Upon the consummation of any Asset Sale (or any sale or other disposition described in clause (iv) of the definition of Asset Sale) permitted by the terms of the Credit Agreement and consisting of the disposition of any Collateral or of the capital stock of any Obligor other than the Company (any such transaction, a "Permitted Collateral Sale"), the Security Interests in such Collateral or in the Collateral pledged by such Obligor, as the case may be (but not, in any case, in any Proceeds thereof) shall be released. Such release shall not be subject to the consent of any Bank, and the Administrative Agent shall be fully protected in relying on a certificate of an Obligor as to whether any particular transaction consummated by such Obligor constitutes a Permitted Collateral Sale.

(c) In addition to the release of Collateral effected by subsection (b), at any time and from time to time prior to the termination of the Security Interests, the Administrative Agent may release any of the Collateral with the prior written consent of the Required Banks; provided that the Administrative Agent may release all or substantially all of the Collateral (for purposes of this subsection (c), as defined in the Credit Agreement) only with the prior written consent of all the Banks.

(d) Upon any termination of the Security Interests or release of Collateral in accordance with this Section, the Administrative Agent will, at the expense of the relevant Obligor, execute and deliver to such Obligor such documents as such Obligor shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

Section 17. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party at its address or facsimile number set forth on the signature pages hereof or at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by facsimile, when transmitted to the facsimile number referred to in this Section and confirmation of receipt is received, or (ii) if given by any other means, when delivered at the address referred to in this Section.

Section 18. Waivers, Non-Exclusive Remedies. No failure on the part of the Administrative Agent to exercise, and no delay in exercising and no course of dealing with respect to, any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by the Administrative Agent of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other remedies provided by law.

Section 19. Successors and Assigns. This Agreement shall be binding upon each Obligor and its successors and permitted assigns. This Agreement is for the benefit of each Secured Party and its successors and permitted assigns, and in the event of an assignment of all or any of any Bank's interest in and to its rights and obligations under the Credit Agreement in accordance with the Credit Agreement, the assignor's rights hereunder, to the extent applicable to the indebtedness or obligation so assigned, shall automatically be transferred with such indebtedness or obligation.

Section 20. Changes in Writing. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor and the Administrative Agent, subject to the provisions of Section 9.05(b) of the Credit Agreement.

Section 21. New York Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

Section 22. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Parties in order to carry out the intentions of the parties hereto as nearly as may be possible; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

Section 23. Additional Obligors. Any Subsidiary Guarantor may become an Obligor party hereto and bound hereby by executing a counterpart hereof and delivering the same to the Administrative Agent.

Section 24. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VENATOR GROUP, INC.

By:_____
Name:
Title:

EASTBAY, INC.
eVENATOR, INC.
FOOT LOCKER JAPAN, INC.
NORTHERN REFLECTIONS INC.
RETAIL COMPANY OF GERMANY, INC.
THE RICHMAN BROTHERS COMPANY
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
THE SAN FRANCISCO MUSIC BOX COMPANY
VENATOR GROUP CORPORATE SERVICES, INC.
VENATOR GROUP HOLDINGS, INC.
VENATOR GROUP RETAIL, INC.
VENATOR GROUP SOURCING, INC.
VENATOR GROUP SPECIALITY, INC.

By:_____
Name:
Title:

THE BANK OF NEW YORK, as
Administrative Agent

By:_____
Name:
Title:

Schedule 1

Stock Pledged by Venator Group, Inc.

Issuer	Number of Shares	Certificate Number
Venator Group (Australia) Ltd.		
Foot Locker Austria GmbH		
Foot Locker Belgium N.V.		
Foot Locker Denmark ApS		
Foot Locker Europe, B.V.		
Foot Locker France S.A.		
Foot Locker Italy S.r.l.		
Foot Locker Japan K.K.		
Foot Locker Netherlands B.V.		
Foot Locker Spain S.L.		
Foot Locker Sweden AB		
Foot Locker UK Limited		
Woolworth Holding S.A. de C.V.		

EXHIBIT H

GUARANTEE AGREEMENT

GUARANTEE AGREEMENT dated as of March ___, 1999 among each of the Subsidiaries of the Company (as defined below) listed on the signature pages hereof and each other Subsidiary of the Company that may from time to time become a party hereto in accordance with Section 19 (each such Subsidiary, with its successors, a "Subsidiary Guarantor") and The Bank of New York, as Administrative Agent (with its successors, the "Administrative Agent"), for the benefit of the Bank Parties (as defined in the Credit Agreement referred to below).

W I T N E S S E T H :

WHEREAS, Venator Group, Inc., a New York corporation (with its successors, the "Company"), the banks party thereto (the "Existing Banks"), the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent and The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank are parties to a Credit Agreement dated as of April 9, 1997 (as in effect immediately prior to the effectiveness of Amendment No. 3 referred to below, the "Existing Credit Agreement" and, as amended by Amendment No. 3 and as further amended or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, pursuant to Amendment No. 3 to the Existing Credit Agreement dated as of the date hereof ("Amendment No. 3") among the Company, the Existing Banks, the co-agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto, the parties to the Existing Credit Agreement desire to amend and restate the Existing Credit Agreement as provided therein, subject to satisfaction of the conditions set forth therein; and

WHEREAS, it is a condition to effectiveness of the amendment to the Existing Credit Agreement effected by Amendment No. 3 that each Subsidiary Guarantor enter into a Guarantee Agreement substantially in the form hereof; and

WHEREAS, in consideration of the financial and other support that the Company has provided, and such financial and other support as the Company may in the future provide, to the Subsidiary Guarantors, the Subsidiary Guarantors are willing to enter into this Guarantee Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein, except that the term "Loan Documents" shall include any document with respect to any Hedging Obligations. Pursuant to the proposed Amendment No. 4 to the Existing Credit Agreement ("Amendment No. 4"), upon satisfaction of the conditions precedent set forth therein, the Credit Agreement will be amended and restated to include certain Subsidiaries of the Company as borrowers under the Credit Agreement, and the parties hereto agree that, upon effectiveness of such amendment and restatement, the term "Obligors" will mean the Company, any of its Subsidiaries that are borrowers under the Credit Agreement and the Subsidiary Guarantors, and "Obligor" will mean any one of them. The following additional terms, as used herein, have the following meanings:

"Guaranteed Obligations" means, with respect to each Subsidiary Guarantor, (i) all principal of and interest and premium (if any) on any Loan or Swingline Loan payable by the Company or any other Obligor (other than such Subsidiary Guarantor) under, or any Note or Swingline Note issued pursuant to, the Credit Agreement (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Company or such other Obligor, whether or not allowed or allowable as a claim in any such proceeding), (ii) all Reimbursement Obligations of the Company or any other Obligor (other than such Subsidiary Guarantor) with respect to any Letter of Credit issued pursuant to the Credit Agreement and all interest payable by the Company or such other Obligor thereon (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Company or such other Obligor, whether or not allowed or allowable as a claim in any such proceeding), (iii) all Hedging Obligations of the Company or any other Obligor (other than such Subsidiary Guarantor), (iv) all other amounts payable by the Company or any other Obligor (other than such Subsidiary Guarantor) under the Loan Documents and (v) any renewals, extensions or modifications of any of the foregoing.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement.

"Hedging Obligations" means, with respect to any Obligor, all obligations of such Obligor under any Hedging Agreement between such Obligor and any Bank Party (or any affiliate of any Bank Party).

Section 2. The Guarantees. Each of the Subsidiary Guarantors, jointly and severally, hereby unconditionally guarantees the full and punctual payment when due (whether at stated maturity, upon acceleration or otherwise) of the Guaranteed Obligations. Upon failure by any Obligor to pay punctually any Guaranteed Obligation when due, each Subsidiary Guarantor agrees jointly and severally that it shall forthwith on demand pay such Guaranteed Obligation at the place and in the manner specified in the Credit Agreement or the other relevant Loan Document, as the case may be.

Section 3. Guarantees Unconditional. The obligations of each Subsidiary Guarantor hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of any Obligor or any other Person under any Loan Document, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to any Loan Document or any Letter of Credit (including without limitation any amendment and restatement of the Credit Agreement pursuant to the proposed Amendment No. 4, a copy of which has been delivered to such Subsidiary Guarantor);

(iii) any release, impairment, non-perfection or invalidity of any direct or indirect security for any obligation of any Obligor or any other Person under any Loan Document or with respect to any Letter of Credit;

(iv) any change in the corporate existence, structure or ownership of any Obligor or any other Person or any of their respective subsidiaries, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Obligor or any other Person or any of their respective subsidiaries or any of their respective assets or any resulting release or discharge of any obligation of any Obligor or any other Person contained in any Loan Document;

(v) the existence of any claim, set-off or other rights which such Subsidiary Guarantor may have at any time against any other Obligor or any Bank Party, whether in connection herewith or with any unrelated transactions;

provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(vi) any invalidity or unenforceability relating to or against any Obligor or any other Person for any reason of any Loan Document or any Letter of Credit, or any provision of applicable law or regulation purporting to prohibit the payment by any Obligor or any other Person of the principal of or interest on any Loan, any Swingline Loan, any Note, any Swingline Note or any Reimbursement Obligation or any other amount payable by any Obligor under any Loan Document; or

(vii) any other act or omission to act or delay of any kind by any Obligor, any Bank Party or any other party to any Loan Document, or any other circumstance whatsoever which might, but for the provisions of this Section, constitute a legal or equitable discharge of or defense to obligations of such Subsidiary Guarantor hereunder.

Section 4. Discharge Only upon Payment in Full; Reinstatement In Certain Circumstances; Release of Subsidiary Guarantors. (a) Each Subsidiary Guarantor's obligations hereunder shall remain in full force and effect until the repayment in full of all Guaranteed Obligations, the termination of all Commitments under the Credit Agreement and the expiration or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent). If at any time any payment of any Guaranteed Obligation is rescinded or must be otherwise restored or returned upon the insolvency or receivership of the Company or any other Obligor or otherwise, each Subsidiary Guarantor's obligations hereunder with respect thereto shall be reinstated as though such payment had been due but not made at such time.

(b) Upon (w) the consummation of any Asset Sale (or any sale or other disposition described in clause (iv) of the definition of Asset Sale) permitted by the terms of the Credit Agreement and consisting of the disposition of all of the capital stock of a Subsidiary Guarantor (any such transaction, a "Guarantor Asset Sale"), (x) if applicable, application of the proceeds of such Guarantor Asset Sale in accordance with the provisions of the Credit Agreement, (y) release of such Subsidiary Guarantor from its obligations under any Guarantee of any other Debt of the Company or any of its Subsidiaries (including without limitation any New Subordinated Debt, any Other Refinancing Debt or any Debt of the Company described in clause (v) of the parenthetical set forth in Section 5.09 of the Credit Agreement) (or automatic termination of the obligations of such Subsidiary Guarantor under any such Guarantee) and (z) if such Subsidiary

Guarantor is a borrower under the Credit Agreement, repayment in full of all outstanding Loans made to it and all Reimbursement Obligations owed by it and cancellation or termination of all Letters of Credit issued for its account (or the assumption on the terms set forth in the Credit Agreement by the Company or any other borrower under the Credit Agreement of the reimbursement obligations with respect to such Letters of Credit), such Subsidiary Guarantor shall be released from all of its obligations hereunder (and such release shall not require the consent of any Bank Party). The Administrative Agent shall be fully protected in relying on a certificate of the Company as to whether any particular transaction constitutes a Guarantor Asset Sale, whether the proceeds of such Guarantor Asset Sale have been applied in accordance with the provisions of the Credit Agreement, and whether the releases from, or termination of, any applicable Guarantees by such Subsidiary Guarantor have been effected.

(c) In addition to the release of any Subsidiary Guarantor from its obligations hereunder permitted pursuant to subsection (b), at any time and from time to time prior to the termination of each Subsidiary Guarantor's obligations hereunder, the Administrative Agent may release any Subsidiary Guarantor from its obligations hereunder with the prior written consent of the Required Banks; provided that any release of all or substantially all of the Subsidiary Guarantors shall require the consent of all of the Banks.

Section 5. Waiver by the Subsidiary Guarantors. Each Subsidiary Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice, as well as any requirement that at any time any action be taken by any Person against such Subsidiary Guarantor, any other Subsidiary Guarantor, the Company or any other Person.

Section 6. Subrogation and Contribution. Upon making any payment hereunder with respect to the obligations of any Obligor, each Subsidiary Guarantor shall be subrogated to the rights of the payee against such Obligor with respect to the portion of such obligation paid by such Subsidiary Guarantor; provided that such Subsidiary Guarantor shall not enforce any payment by way of subrogation, or by reason of contribution, against any other guarantor of the Guaranteed Obligations (including without limitation any other Subsidiary Guarantor), until the repayment in full of all Guaranteed Obligations of all Subsidiary Guarantors, the termination of the Commitments under the Credit Agreement and the expiration or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the LC Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the LC Agent).

Section 7. Stay of Acceleration. If acceleration of the time for payment of any Guaranteed Obligations payable by any Subsidiary Guarantor is stayed upon the insolvency, bankruptcy or reorganization of such Subsidiary Guarantor or otherwise, all such Guaranteed Obligations otherwise subject to acceleration under the terms of any Loan Document shall nonetheless be payable by each other Subsidiary Guarantor hereunder forthwith on demand by the Administrative Agent made at the request of the Required Banks.

Section 8. Representations and Warranties. Each Subsidiary Guarantor represents and warrants that:

(a) Such Subsidiary Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The execution, delivery and performance by such Subsidiary Guarantor of this Guarantee Agreement are within such Subsidiary Guarantor's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of such Subsidiary Guarantor or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

(c) This Guarantee Agreement constitutes a valid and binding agreement of such Subsidiary Guarantor.

(d) The obligations of such Subsidiary Guarantor hereunder rank (i) senior to any other Debt of such Subsidiary Guarantor with respect to the collateral pledged by such Subsidiary Guarantor, (ii) pari passu with other unsecured Debt of such Subsidiary Guarantor (other than any such Debt described in clause (iii)) with respect to any assets of such Subsidiary Guarantor (other than any collateral referred to in clause (i)) and (iii) senior to any other Debt of such Subsidiary Guarantor which by its terms is subordinated thereto, including without limitation any Guarantee of any New Subordinated Debt granted by such Guarantor.

Section 9. Amendments. Any provision of this Guarantee Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Subsidiary Guarantor and the Administrative Agent, subject to the provisions of Section 9.05(b) of the Credit Agreement.

Section 10. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party at its address or facsimile number set forth on the signature pages hereof or at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by facsimile, when transmitted to the facsimile number referred to in this Section and confirmation of receipt is received, or (ii) if given by any other means, when delivered at the address referred to in this Section.

Section 11. Taxes. Each Subsidiary Guarantor agrees to be bound by the provisions of Section 8.04 of the Credit Agreement with respect to any payments made by such Subsidiary Guarantor under this Guarantee Agreement.

Section 12. Continuing Guarantees. This Guarantee Agreement is a continuing Guarantee of each Subsidiary Guarantor and shall be binding upon each Subsidiary Guarantor and its successors and assigns. This Guarantee Agreement is for the benefit of each Bank Party and its successors and permitted assigns, and in the event of an assignment of all or any of any Bank's interest in and to its rights and obligations under the Credit Agreement in accordance with the Credit Agreement, the assignor's rights hereunder, to the extent applicable to the indebtedness or obligation so assigned, shall automatically be transferred with such indebtedness or obligation.

Section 13. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Bank Parties in order to carry out the intentions of the parties hereto as nearly as may be possible, and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

Section 14. Limitation on the Obligations of Subsidiary Guarantors. The obligations of each Subsidiary Guarantor hereunder shall be limited to an aggregate amount that is equal to the largest amount that would not render the obligations of such Subsidiary Guarantor hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of applicable law.

Section 15. Governing Law; Jurisdiction. This Guarantee Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Each Subsidiary Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Guarantee Agreement or the transactions contemplated hereby. Each Subsidiary Guarantor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 16. Appointment of Agent for Service Of Process. (a) Each Subsidiary Guarantor hereby irrevocably designates, appoints, authorizes and empowers as its agent for service of process, the secretary of Venator Group, Inc. to accept and acknowledge for and on behalf of such Subsidiary Guarantor service of any and all process, notices or other documents that may be served in any suit, action or proceeding relating hereto in any New York State or Federal court sitting in The State of New York.

(b) In lieu of service upon its agent, each Subsidiary Guarantor consents to process being served in any suit, action or proceeding relating hereto by mailing a copy thereof by registered or certified air mail, postage prepaid, return receipt requested, to its address set forth on the signature pages hereof, provided that a copy thereof is mailed concurrently to the Secretary of Venator Group, Inc. Each Subsidiary Guarantor agrees that such service (1) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (2) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon and personal delivery to it.

(c) Nothing in this Section shall affect the right of any party hereto to serve process in any manner permitted by law, or limit any right that any party hereto may have to bring proceedings against any other party hereto in the courts of any jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

Section 17. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTEE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 18. Counterparts. This Guarantee Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 19. Additional Guarantors. Any Subsidiary may become a Subsidiary Guarantor party hereto and bound hereby by executing a counterpart hereof and delivering the same to the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

EASTBAY, INC.
eVENATOR, INC.
FOOT LOCKER JAPAN, INC.
NORTHERN REFLECTIONS INC.
THE RICHMAN BROTHERS COMPANY
ROBBY'S SPORTING GOODS, INC.
TEAM EDITION APPAREL, INC.
THE SAN FRANCISCO MUSIC BOX COMPANY
VENATOR GROUP CORPORATE SERVICES, INC.
VENATOR GROUP HOLDINGS, INC.
VENATOR GROUP RETAIL, INC.
VENATOR GROUP SOURCING, INC.
VENATOR GROUP SPECIALITY, INC.

By:_____
Name:
Title:

RETAIL COMPANY OF GERMANY, INC.

By:_____
Name:
Title:

THE BANK OF NEW YORK,
as Administrative Agent

By_____
Name:
Title:

EXHIBIT I

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, ____ among [ASSIGNOR] (the "Assignor") and [ASSIGNEE] (the "Assignee").

W I T N E S S E T H

WHEREAS, this Assignment and Assumption Agreement (the "Agreement") relates to the Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among Venator Group, Inc., the Banks Party thereto, Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York as Administrative Agent, LC Agent and Swingline Bank and the Lead Arrangers party thereto (as further amended from time to time, the "Credit Agreement");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Committed Loans to the Borrower and participate in Letters of Credit issued for the account of the Borrower in an aggregate amount at any time outstanding not to exceed $_____;

WHEREAS, Committed Loans made to the Borrower by the Assignor under the Credit Agreement in the aggregate principal amount of $_____ are outstanding at the date hereof; and 1/

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its Commitment thereunder in an amount equal to $_____ 2/ (the "Assigned Amount"), together with a corresponding portion of its outstanding Committed Loans and LC Exposure, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

- ---

1 This clause (and certain other provisions herein) should be modified to reflect the assignment of Money Market Loans if such Loans are being assigned.

2 Must be in an amount of not less than $5,000,000 if the Assignee was not a Bank immediately prior to such assignment.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein have the respective meanings set forth in the Credit Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment and purchases such rights from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Committed Loans made by, and the LC Exposure of, the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, [the Borrower]3/ and the Administrative Agent and the payment of the amounts specified in Section 3 hereof required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. (a) As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.4/ It is understood that facility fees accrued to the date hereof in respect of the Assigned Amount are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement or any other Loan Document which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

- ----------

3 Include if Borrower's consent to assignment is required under Section 9.06(c) of the Credit Agreement

4 Amount should combine principal together with accrued interest and breakage compensation, if any, to be paid by the Assignee.

(b) The Assignor shall pay the $3,500 administrative fee to be paid by it to the Administrative Agent pursuant to Section 9.06(c) of the Credit Agreement.5/

[SECTION 4. Consent of the Borrower and the Administrative Agent. This Agreement is conditioned upon the consent of the Borrower, the LC Agent, the Swingline Bank and the Administrative Agent pursuant to Section 9.06(c) of the Credit Agreement. The execution of this Agreement by the Borrower, the LC Agent, the Swingline Bank and the Administrative Agent is evidence of this consent. Pursuant to said Section 9.06(c) the Borrower is obligated to execute and deliver a Note payable to the order of the Assignee, if required, to reflect the assignment provided for herein.]

SECTION 5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Borrower or any other Obligor, or the validity and enforceability of the obligations of the Borrower or any other Obligor in respect of any Loan Document. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of any Obligor.

SECTION 6. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

- ---

5 Section 3(b) should be deleted if the assignment is required by the Borrower pursuant to Section 8.06 of the Credit Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By_____
Title:

[ASSIGNEE]

By_____
Title:

[Consented and agreed to:

VENATOR GROUP, INC.

By_____
Title:

THE BANK OF NEW YORK,
as Administrative Agent, LC Agent
and Swingline Bank

By_____
Title:]

EXHIBIT J

NOTICE OF COMMITTED BORROWING 1/

To The Bank of New York,
as Administrative Agent under
the Credit Agreement referred to below
One Wall Street
18 North
New York, New York 10286

Attention:_____

This notice shall constitute a "Notice of Committed Borrowing" pursuant to Section 2.02 of the Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among Venator Group, Inc., the Banks party thereto, the Co-Agents party thereto, Bank of America National Trust & Savings Association, as Documentation Agent, The Bank of New York, as Administrative Agent (the "Administrative Agent"), LC Agent and Swingline Bank and the Lead Arrangers party thereto (as further amended from time to time, the "Credit Agreement"). Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Credit Agreement.

1. The date of Borrowing will be _____ __, ____.2/

2. The aggregate principal amount of the Borrowing will be $_____.3/

- ---

1 To be delivered not later than 11:00 A.M. (New York City time) on (x) the date of each Base Rate Borrowing, (y) the second Domestic Business Day before each CD Borrowing and (z) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing.

2 The date of Borrowing shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in case of a Euro-Dollar Borrowing.

3 Each Borrowing shall be in an aggregate principal amount of $15,000,000 or any larger multiple of $1,000,000 and further subject to the provisions of clauses (i) and (ii) of Section 2.01 of the Credit Agreement.

3. The initial interest rate for the Loans comprising the Borrowing will be at [a Base Rate] [a CD Rate] [a Euro-Dollar Rate].

[4. The initial Interest Period for the Loans comprising the Borrowing will be _____.]4/

VENATOR GROUP, INC.

By:_____
Title:

Date:

- ---------------------------

4 This paragraph applies only if the Borrowing is a CD Borrowing or a Euro-Dollar Borrowing and is subject to the provisions of the definition of Interest Period.

EXHIBIT 10.35

EXECUTION COPY

$45,000,000

LETTER OF CREDIT AGREEMENT

dated as of March 19, 1999

among

Venator Group, Inc.,

The Co-Applicants Party Hereto,

The Banks Party Hereto

and

The Bank of New York,
as Agent

Arranged by

BNY Capital Markets, Inc.,
as Lead Arranger

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LETTER OF CREDIT AGREEMENT dated as of March 19, 1999 among VENATOR GROUP, INC., the CO-APPLICANTS party hereto, the BANKS party hereto and THE BANK OF NEW YORK, as Agent.

ARTICLE I

Definitions

Section 1.01. Definitions. The following terms, as used herein, have the following meanings:

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Agent and submitted to the Agent (with a copy to the Applicant) duly completed by such Bank.

"Affiliate" means, (i) any Person that directly, or indirectly through one or more intermediaries, controls the Applicant (a "Controlling Person") or (ii) any Person (other than the Applicant, a Co-Applicant or a Subsidiary Guarantor) which is controlled by or is under common control with a Controlling Person. As used herein, the term control means possession, directly or indirectly, of the power to vote 10% or more of any class of voting securities of a Person or to direct or cause the direction of the management or policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agent" means The Bank of New York, in its capacities as agent for the Banks under the Loan Documents and as the issuer of the Letters of Credit issued or to be issued hereunder, and its successors in such capacities.

"Aggregate LC Exposure" means, at any time, the sum, without duplication, of (i) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (ii) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time.

"Agreement, " when used in reference to this Agreement, means this Agreement, as it may be amended or amended and restated
from time to time.

"Applicable Co-Applicant" means, with respect to any Letter of Credit, the Co-Applicant, if any, for whose account such Letter of Credit is issued.

"Applicant" means Venator Group, Inc., a New York corporation, and its successors.

"Assignee" has the meaning set forth in Section 9.06.

"Bank" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.06(c), and their respective successors.

"Bank Parties" means the Banks and the Agent.

"Co-Applicant" means (a) the Subsidiaries listed on the Co-Applicant Schedule and (b) other Subsidiaries that shall have executed a counterpart of this Agreement after the date hereof.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the Commitment Schedule (or, in the case of an Assignee, the portion of the transferor Bank's Commitment assigned to such Assignee pursuant to Section 9.06(c)), in each case as such amount may be reduced from time to time pursuant to Section 2.11 or changed as a result of an assignment pursuant to Section 8.03 or 9.06(c).

"Commitment Schedule" means the Commitment Schedule attached hereto.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the Applicant in its consolidated financial statements if such statements were prepared as of such date in accordance with generally accepted accounting principles.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City or, if different, the jurisdiction where the LC Office of the Agent is located, are authorized or required by law to close.

"Effective Date" means the date hereof.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, injunctions, permits, licenses and agreements relating to the protection of the environment, to the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, hazardous or toxic substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances or wastes or the clean-up or other remediation thereof.

"Event of Default" has the meaning set forth in Section 6.01.

"Facility Fee Rate" means, at any time, the rate per annum that is equal to the Facility Fee Rate (as defined in the RC Agreement) in effect at such time.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to The Bank of New York on such day on such transactions as determined by the Agent.

"Foreign Subsidiary" means any Subsidiary organized under the laws of a jurisdiction, and conducting substantially all its operations, outside the United States.

"Guarantee Agreement" means the Guarantee Agreement dated as of the Effective Date among the Subsidiary Guarantors and the Agent, substantially in the form of Exhibit A hereof, as amended from time to time.

"Immaterial Subsidiary" means at any time any Subsidiary that (i) does not hold any material patents, trademarks or other intellectual property, (ii) on a consolidated basis, together with its Subsidiaries, holds assets with an aggregate fair market value of less than $2,000,000, (iii) on a consolidated basis, together with its Subsidiaries, does not account for more than 1% of the consolidated revenues of the Applicant and its Consolidated Subsidiaries and (iv) on a consolidated basis, together with its Subsidiaries, does not have consolidated net income in excess of $500,000. The determinations in clauses (ii), (iii) and (iv) shall be made on the basis of the financial statements most recently delivered by the Applicant to the Banks pursuant to Sections 5.01(a) or 5.01(b), as the case may be, of the RC Agreement.

"Indemnitee" has the meaning set forth in Section 9.03(b).

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

"LC Collateral Account" shall mean a collateral account established pursuant to an arrangement satisfactory to the Agent.

"LC Exposure" means, with respect to any Bank at any time, an amount equal to its Pro Rata Share of the Aggregate LC Exposure at such time.

"LC Fee Rate" means, at any time, the rate per annum that is 50% of the LC Fee Rate (as defined in the RC Agreement) in effect at such time.

"LC Indemnitees" has the meaning set forth in Section 2.15.

"LC Office" means, with respect to the Agent, for any Letter of Credit, the office at which the Agent books such Letter of Credit and, with respect to any Bank, for any Letter of Credit, the office at which such Bank books its participating interest in such Letter of Credit.

"Letter of Credit" means a letter of credit issued or to be issued hereunder by the Agent.

"Loan Documents" means this Agreement and the Guarantee Agreement.

"Material Adverse Effect" means a material adverse effect on (i) the business, operations or condition (financial or otherwise) of the Applicant and its Subsidiaries taken as a whole, (ii) the ability of any Obligor to perform any payment obligation of such Obligor under the Loan Documents or (iii) the ability of any Bank Party to enforce any rights or remedies under the Loan Documents with respect to any payment obligation of any Obligor under the Loan Documents.

"Obligor" means the Applicant, each Co-Applicant or any Subsidiary Guarantor, and "Obligors" means all of them.

"Parent" means, with respect to any Bank Party, any Person controlling such Bank Party.

"Participant" has the meaning set forth in Section 9.06(b).

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Pro Rata Share" means, with respect to any Bank at any time, a fraction the numerator of which is the amount of such Bank's Commitment at such time (or, if the Commitments have terminated in their entirety, such Bank's Commitment as in effect immediately prior to such termination) and the denominator of which is the Total Commitments at such time (or, if the Commitments have terminated in their entirety, the Total Commitments as in effect immediately prior to such termination).

"RC Agreement" means the Second Amended and Restated Credit Agreement dated as of April 9, 1997 and amended and restated as of March 19, 1999 among Venator Group, Inc. (formerly known as Woolworth Corporation), subsidiaries of the Applicant party thereto, the Banks party thereto, the Co-Agents party thereto, Bank of America NT & SA, as Documentation Agent, The Bank of New York, as Administrative Agent, LC Agent and Swingline Bank, and J.P. Morgan Securities, Inc., BNY Capital Markets, Inc., and NationsBank Montgomery Securities LLC, as Lead Arrangers, as amended or amended and restated or otherwise modified or supplemented from time to time.

"RC Commitment" means, at any time, the "Total Commitments" under, and as defined in, the RC Agreement at such time.

"Reimbursement Obligation" means any obligation of the Applicant and the Applicable Co-Applicants to reimburse the Agent pursuant to Article II for amounts paid by the Agent in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Bank has become subrogated pursuant to Section 2.10(a).

"Required Banks" means at any time Banks having at least a majority of the aggregate amount of the Commitments at such time.

"Responsible Officer" means, with respect to any Obligor, its chief operating officer, its chief financial officer, its general counsel, its treasurer, any assistant treasurer or any other officer whose duties include the administration of this Agreement.

"Steamship/Airway Indemnity" means, with respect to any Letter of Credit, a steamship guarantee, airway release or similar undertaking providing for the release of the goods related to such Letter of Credit to the Applicant or Applicable Co-Applicant or the designee of the Applicant or such Applicable Co-Applicant notwithstanding the unavailability of the applicable bill of lading or other shipping documents.

"Subsidiary" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Applicant.

"Subsidiary Guarantor" means each Subsidiary that from time to time is a party to the Guarantee Agreement.

"Termination Date" means the 364th day following the Effective Date; provided that, in the event that the RC Commitment shall have been reduced to zero or otherwise terminated prior to such 364th day, the Termination Date shall thereupon be deemed to be the date of such reduction or termination.

"Total Commitments" means, at any time, the aggregate amount of the Commitments (whether used or unused) at such time.

"UCP" means the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time.

"United States" means the United States of America, including the States thereof and the District of Columbia, but excluding its territories and possessions.

Section 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Applicant's independent public accountants) with the most recent audited consolidated financial statements of the Applicant and its Consolidated Subsidiaries delivered to the Banks.

ARTICLE II

The LETTERS OF Credit

Section 2.01. Issuance of Letters of Credit. (a) The Agent agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit from time to time during the period from and including the Effective Date to but excluding the date that is 30 days before the Termination Date; provided that, immediately after each such Letter of Credit is issued:

(i) the Aggregate LC Exposure shall not exceed the Total Commitments; and

(ii) in the case of each Bank, its LC Exposure shall not exceed its Commitment.

Each Letter of Credit shall be issued for the account of the Applicant and, if applicable, the Applicable Co-Applicant.

(b) Upon the issuance by the Agent of each Letter of Credit pursuant to this Section 2.01, the Agent shall be deemed, without further action by any party hereto, to have sold to each Bank and each Bank shall be deemed, without further action by any party hereto, to have purchased from the Agent, a participation in such Letter of Credit, on the terms set forth in this Article II, equal to such Bank's Pro Rata Share thereof.

(c) In connection with any Letter of Credit, the Applicant or the Applicable Co-Applicant may request that the Agent issue a Steamship/Airway Indemnity, whereupon, and as a condition to the issuance thereof, the Applicant or the Applicable Co-Applicant shall execute and deliver to the Agent counterparts of the Agent's then standard forms of applicable application, guarantee and trust receipt or other documentation reasonably required by the Agent. For all purposes hereof, including but not limited to Sections 2.13, 2.15 and 2.16, the Applicant, the Co-Applicants and the Banks acknowledge and agree that the Agent shall be entitled to honor drawings under Letters of Credit with respect to which Steamship/Airway Indemnities have been issued without regard to whether the documents submitted in connection with any such drawing are sufficient or conform to the requirements of the applicable Letter of Credit, and the Agent's honoring of such drawings shall not constitute gross negligence or willful misconduct or otherwise impair the Agent's entitlement to the benefits of the indemnification and other exculpatory provisions hereunder.

Section 2.02. Expiry Dates. Each Letter of Credit shall, when issued, have an expiry date on or before the earlier of (i) 180 days from the date such Letter of Credit was issued and (ii) the fifth Domestic Business Day prior to the Termination Date.

Section 2.03. Notice of Proposed Issuance. The Applicant or the Applicable Co-Applicant shall give the Agent at least one Domestic Business Day's prior notice specifying the date each Letter of Credit is to be issued and describing the proposed terms of such Letter of Credit and the nature of the transactions proposed to be supported thereby.

Section 2.04. Conditions to Issuance. Without limiting the provisions of Sections 3.01 and 3.02 hereof, the Agent shall not issue any Letter of Credit unless:

(a) such Letter of Credit shall be satisfactory in form and reasonably satisfactory in substance in all respects affecting the Agent;

(b) the Agent shall be satisfied that the goods related to it shall be effectively consigned to the Agent and that the applicable bills of lading and other shipping documents shall be negotiable and drawn to the order of the Agent;

(c) the Applicant and any Applicable Co-Applicant shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the Agent shall have reasonably requested;

(d) the Agent shall not have been notified in writing by the Applicant or the Required Banks that any condition specified in clause (c), (d), (e), (f) or (g) of Section 3.02 is not satisfied on the date such Letter of Credit is to be issued; and

(e) if such Letter of Credit is being issued for the account of a Subsidiary, such Subsidiary shall be a Co-Applicant.

Section 2.05. Extension of Expiry Dates. The Agent shall not extend (or allow the extension of) the expiry date of such Letter of Credit if it shall have been notified by the Applicant or the Required Banks that any condition specified in clause (c), (d), (e), (f) or (g) of Section 3.02 is not satisfied on the date of such extension.

Section 2.06. Notices of Actual Issuances, Extensions and Amounts Available for Drawing. Within fifteen Domestic Business Days after the end of each calendar month, the Agent shall notify each Bank of (i) the daily average aggregate amount available for drawings (whether or not conditions for drawing thereunder have been satisfied) under all Letters of Credit outstanding during such month, (ii) the aggregate amount of letter of credit fees accrued during such month pursuant to Section 2.07, (iii) each Bank's Pro Rata Share of such accrued letter of credit fees and (iv) the aggregate undrawn amount of all Letters of Credit outstanding at the end of such month.

Section 2.07. (a) Letter of Credit Fees. The Applicant (and, with respect to each particular Letter of Credit, the Applicable Co-Applicant), on a joint and several basis with the Applicant shall pay to the Agent, for the account of the Banks ratably in accordance with their respective Pro Rata Shares, a letter of credit fee for each day at the LC Fee Rate on the aggregate amount available for drawings (whether or not conditions for drawing thereunder have been satisfied) under all Letters of Credit outstanding on such day. Such letter of credit fee shall be payable quarterly in arrears on within three Domestic Business Day after the end of each calendar quarter and on the second Domestic Business Day before the Termination Date (or any earlier date on which the Commitments shall have terminated in their entirety and no Letters of Credit are outstanding). Promptly upon receiving any payment of such fee, the Agent will distribute to each Bank its Pro Rata Share thereof. In addition, the Applicant shall pay to the Agent for its own account fronting fees and reasonable expenses in the amounts and at the times agreed between the Applicant and the Agent.

(b) Facility Fees. The Applicant shall pay to the Agent for the account of each Bank a facility fee, calculated for each day at the Facility Fee Rate for such day, on the amount of such Bank's Commitment on such day. Such facility fees shall accrue for each day from and including the Effective Date to but excluding the day on which the Total Commitments are reduced to zero and shall be payable quarterly in arrears on the last Domestic Business Day of each calendar quarter and on the day on which the Total Commitments are reduced to zero.

Section 2.08. Drawings. Upon receipt from the beneficiary of any Letter of Credit of a demand for payment under such Letter of Credit, the Agent shall determine in accordance with the terms of such Letter of Credit whether such demand for payment should be honored. If the Agent determines that any such demand for payment should be honored in accordance with its customary practice, the Agent shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing under such Letter of Credit. The Agent shall thereupon notify the Applicant and the Applicable Co-Applicant of the amount of such drawing paid by the Agent.

Section 2.09. Reimbursement and Other Payments by the Applicant and Applicable Co-Applicants. (a) If any amount is drawn under any Letter of Credit, the Applicant and the Applicable Co-Applicant irrevocably and unconditionally agree on a joint and several basis to reimburse the Agent on the day of such drawing for all amounts paid by the Agent upon such drawing, together with any and all reasonable charges and expenses which the Agent may pay or incur relative to such drawing. For all purposes of this Agreement, the issuance by the Agent of a Steamship/Airway Indemnity with respect to a Letter of Credit shall be deemed a drawing under such Letter of Credit, and a payment by the Agent in respect thereof, in the amount of the portion of such Letter of Credit represented by the goods to which such Steamship/Airway Indemnity relates, and the Agent shall be entitled to immediate reimbursement thereof as hereinabove provided.

(b) In addition, the Applicant and the Applicable Co-Applicant agrees on a joint and several basis to pay to the Agent interest on any and all amounts not paid by the Applicant when due hereunder with respect to a Letter of Credit, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, payable on demand, at a rate per annum equal to the sum of 2% plus the rate that would be applicable to "Base Rate Loans" under, and as defined in, the RC Agreement for such day (determined without regard to whether the RC Agreement is then in effect).

(c) Each payment to be made by the Applicant or any Applicable Co-Applicant pursuant to this Section 2.09 shall be made to the Agent in Federal or other funds immediately available to it at its address referred to in Section 9.01.

Section 2.10. Payments by Banks with Respect to Letters of Credit. (a) If the Applicant or any Applicable Co-Applicant fails to reimburse the Agent as and when required by Section 2.09 above for all or any portion of any amount drawn under a Letter of Credit, or fails to deposit funds as required pursuant to Section 6.03, the Agent may notify each Bank of such unreimbursed amount or failure to deposit and request that each Bank reimburse or fund the Agent for such Bank's Pro Rata Share thereof. Upon receiving such notice from the Agent, each Bank shall make available to the Agent, at its address referred to in Section 9.01, an amount equal to such Bank's share of such unreimbursed amount or required deposit amount as set forth in such notice, in Federal or other funds immediately available to the Agent, by 3:00 P.M. (New York City time) on the Domestic Business Day following such Bank's receipt of such notice from the Agent, together with, in the case of any such unreimbursed amount, interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Bank at the Federal Funds Rate for such day. Upon payment in full thereof, such Bank shall be subrogated to the rights of the Agent against the Applicant or such Applicable Co-Applicant to the extent of such Bank's Pro Rata Share of the related Reimbursement Obligation (including interest accrued thereon). Nothing in this Section 2.10 shall affect any rights any Bank may have against the Agent for any action or omission for which the Agent is not indemnified under Section 7.06.

(b) If any Bank fails to pay any amount required to be paid by it pursuant to clause (a) of this Section 2.10 on the date on which such payment is due, interest shall accrue on such Bank's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Bank makes such payment, whether before or after judgment, at a rate per annum equal to the Federal Funds Rate for such day. Any payment made by any Bank after 3:00 P.M. (New York City time) on any Domestic Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Domestic Business Day.

(c) If the Applicant or any Applicable Co-Applicant shall reimburse the Agent for any drawing with respect to which any Bank shall have made funds available to the Agent in accordance with clause (a) of this Section 2.10, the Agent shall promptly upon receipt of such reimbursement distribute to such Bank its Pro Rata Share thereof, including interest, to the extent received by the Agent.

Section 2.11. Optional Termination or Reduction of Commitments. The Applicant may, without premium or penalty, upon at least three Domestic Business Days' notice to the Agent, (i) terminate the Commitments at any time, if no Bank has an LC Exposure at such time or (ii) ratably reduce the Commitments from time to time, in each case by an aggregate amount of at least $5,000,000; provided that immediately after such reduction the Aggregate LC Exposure shall not exceed the Total Commitments. Upon any such termination or reduction of the Commitments, the Agent shall promptly notify each Bank of such termination or reduction.

Section 2.12. Computation of Interest and Fees. All interest and fees payable hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.13. Exculpatory Provisions. The obligations of the Applicant and each Applicable Co-Applicant under this Article shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Applicant or such Applicable Co-Applicant may have or have had against the Agent, any Bank, the beneficiary of any Letter of Credit or any other Person (other than the defense of payment). The Applicant and, with respect to Letters of Credit issued for its own account, each Applicable Co-Applicant assumes all risks of the acts or omissions of any beneficiary of any Letter of Credit with respect to its use of such Letter of Credit. None of the Agent, the Banks and their respective officers, directors, employees and agents shall be responsible for, and the obligations of each Bank to make payments to the Agent and of the Applicant or the Applicable Co-Applicant to reimburse the Agent for drawings pursuant to this Section (other than obligations resulting solely from the gross negligence or willful misconduct of the Agent or the Applicable Co-Applicant) shall not be excused or affected by, among other things, (a) the use which may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents presented under any Letter of Credit or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged (and notwithstanding any assertion to such effect by the Applicant); (c) payment by the Agent against presentation of documents to it which do not comply with the terms of the relevant Letter of Credit; (d) any dispute between or among the Applicant, any of its Subsidiaries,

the beneficiary of any Letter of Credit or any other Person or any claims or defenses whatsoever of the Applicant, any of its Subsidiaries or any other Person against the beneficiary of any Letter of Credit; (e) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Applicant and its Subsidiaries taken as a whole; (f) any breach of this Agreement by any party hereto (except, in the case of the Agent, a breach resulting solely from its gross negligence or willful misconduct); (g) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing; (h) the fact that a Default shall have occurred and be continuing; or (i) the fact that the Termination Date shall have passed or the Commitments shall have terminated. The Agent shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. Any action taken or omitted by the Agent or any Bank under or in connection with any Letter of Credit and the related drafts and documents, if done without willful misconduct or gross negligence, shall be binding upon the Applicant and the Applicable Co-Applicant and shall not place the Agent or any Bank under any liability to the Applicant or such Applicable Co-Applicant.

Section 2.14. Reliance, Etc. The Agent shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Applicant and the Applicable Co-Applicants set forth in the last sentence of Section 3.02 to establish whether the conditions specified in clauses (c), (d), (e), (f) and (g) of Section 3.02 are met in connection with any issuance or extension of a Letter of Credit, unless the Agent shall have been notified to the contrary by the Required Banks (in which event the Agent shall be fully protected in relying on such notice). The rights and obligations of the Agent under each Letter of Credit issued by it shall be governed by the provisions thereof and the provisions of the UCP and/or the Uniform Commercial Code referred to therein or otherwise applicable thereto.

Section 2.15. Indemnification by Applicant. The Applicant and, with respect to the Letters of Credit issued for its own account each Applicable Co-Applicant agrees, on a joint and several basis, to indemnify and hold harmless each Bank and the Agent (collectively, the "LC Indemnitees") from and against any and all claims and damages, losses, liabilities, costs or expenses (including, without limitation, the reasonable fees and disbursements of counsel) which any such LC Indemnitee may reasonably incur (or which may be claimed against any such LC Indemnitee by any Person whatsoever) by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit or any actual or proposed use of any Letter of Credit, including any claims, damages, losses, liabilities, costs or expenses which the Agent may incur by reason of or in connection with the failure of any Bank to fulfill or comply with its obligations to the Agent hereunder; provided that neither the Applicant nor the Applicable Co-Applicant shall be required to indemnify the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Agent in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) the Agent's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit (unless such payment is enjoined or otherwise prevented by order of a court or other governmental authority). Nothing in this Section 2.15 is intended to change the obligations of the Applicant or any Applicable Co-Applicant under any other provision of this Agreement.

Section 2.16. Indemnification by Banks. The Banks shall, ratably in accordance with their respective Pro Rata Shares, indemnify the Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Obligors) against any cost, expense (including fees and disbursements of counsel), claim, demand, action, loss or liability (except such as result from the Agent's gross negligence or willful misconduct) that any such indemnitee may suffer or incur in connection with the Loan Documents or any action taken or omitted by such indemnitee under the Loan Documents.

Section 2.17. Certain Administrative Provisions with respect to Letters of Credit. The following shall apply with respect to each Letter of Credit:

(a) The Applicant or the Applicable Co-Applicant will promptly examine the copy of such Letter of Credit (and any amendments thereof) sent to the Applicant or such Applicable Co-Applicant by the Agent, as well as all other instruments and documents delivered to the Applicant or such Applicable Co-Applicant from time to time, and, in the event the Applicant or such Applicable Co-Applicant has any claim of noncompliance with its instructions with respect to such Letter of Credit or of any discrepancy or other irregularity, the Applicant or such Applicable Co-Applicant will immediately notify the Agent thereof in writing, and the Applicant and the Applicable Co-Applicant will conclusively be deemed to have waived any such claim against the Agent and its correspondents unless such immediate notice is given as aforesaid.

(b) The Agent may (but need not) pay any drafts otherwise in order which are signed or issued by, or accompanied by required statements or documents otherwise in order which are signed or issued by, the custodian, executor, administrator, trustee in bankruptcy, debtor in possession, assignees for the benefit of creditors, liquidator, receiver or other agent or legal representative of the beneficiary of such Letter of Credit or other party who is authorized under such Letter of Credit to draw or issue any drafts, required statements or other documents.

(c) Either the Applicant or the Applicable Co-Applicant will cause the goods and other property covered by such Letter of Credit to be adequately insured in amounts, against risks and by companies reasonably satisfactory to the Agent, and, if requested by the Agent, assign the policies or certificates thereof to the Agent or make loss payable to the Agent, at its option, and furnish the Agent upon request evidence of compliance with the foregoing. If the Agent at any time deems such insurance inadequate for any reason, the Agent may procure such insurance as it deems necessary, at the Applicant's or the Applicable Co-Applicant's expense.

(d) The Applicant or the Applicable Co-Applicant will procure promptly necessary import, export or shipping licenses for the goods and other property covered by such Letter of Credit, comply with all governmental regulations, foreign or domestic (including exchange regulations) with regard thereto or the financing thereof, and furnish to the Agent, upon request, certificates evidencing the foregoing, and on demand, pay to the Agent any amount(s) the Agent may be required to expend in respect thereto.

(e) For a Letter of Credit expiring at the Agent's counters, the Agent is the nominated bank for payment or acceptance. For Letters of Credit not expiring at the Agent's counters, if the Applicant or the Applicable Co-Applicant does not nominate a bank to be available for payment, acceptance or negotiation of the Letter of Credit, then the Agent may, with the consent of the Applicant or the Applicable Co-Applicant (such consent not to be unreasonably withheld), issue the Letter of Credit as negotiable by any bank or the Agent may, with the consent of the Applicant or the Applicable Co-Applicant (such consent not to be unreasonably withheld), nominate any of its branches or affiliates or any correspondents of its choice. It is further understood that the Agent may, with the consent of the Applicant or the Applicable Co-Applicant (such consent not to be unreasonably withheld), waive its stipulation of the nominated bank and accept presentations of documents from a bank not so nominated by the Applicant or such Applicable Co-Applicant.

Section 2.18. Additional Co-Applicants. Any Subsidiary may become a Co-Applicant party hereto and bound hereby by executing a counterpart hereof and delivering the same to the Agent.

ARTICLE III

Conditions

Section 3.01. Conditions to Issuance of Initial Letter of Credit.

The obligation of the Agent to issue the initial Letter of Credit is subject to the satisfaction of the following conditions:

(a) receipt by the Agent of a counterpart hereof signed by the Applicant, each of the Co-Applicants party hereto at such time and the Banks (or facsimile or other written confirmation satisfactory to the Agent that each party has signed a counterpart hereof);

(b) receipt by the Agent of a counterpart of the Guarantee signed by each party listed on the signature pages thereof (or facsimile or other written confirmation satisfactory to the Agent that each party has signed a counterpart hereof);

(c) receipt by the Agent of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel for the Applicant, substantially in the form of Exhibit B-1 hereto;

(d) receipt by the Agent of an opinion of the General Counsel of the Applicant, substantially in the form of Exhibit B-2 hereto;

(e) the fact that the Applicant shall have paid all expenses (including without limitation all expenses payable by it pursuant to Section 9.03(b) hereof) with respect to which the Applicant shall have received an invoice at least one Domestic Business Day prior to the date of such issuance;

(f) (i) the fact that the representations and warranties set forth herein and in the Guarantee Agreement shall be true and correct on and as of the date hereof and (ii) receipt by the Agent of a certificate of a Responsible Officer of the Applicant and each Subsidiary so certifying;

(g) (i) the fact that no Default shall occur and be continuing and (ii) receipt by the Agent of a certificate of a Responsible Officer of the Applicant and each Subsidiary so certifying;

(h) receipt by the Agent of all documents that the Agent may request relating to the existence of the Applicant, each Co-Applicant and each Subsidiary Guarantor, the corporate authority for and the validity of the Loan Documents, and any other matters relevant hereto, all in form and substance satisfactory to the Agent; and

(i) the fact that the RC Agreement shall have become effective and receipt by the Agent of a certified copy thereof.

Section 3.02. Conditions to Issuance of each Letter of Credit. The obligation of the Agent to issue (which shall include any amendment to an outstanding Letter of Credit that increases the amount available thereunder) or extend (or allow the extension of) the expiry date of any Letter of Credit is subject to the satisfaction of the following conditions:

(a) receipt by the Agent of a notice of proposed issuance or extension as required by Section 2.04;

(b) the Agent shall have determined that the conditions set forth in 2.03 with regard to such issuance or extension have been satisfied;

(c) the fact that, immediately after such issuance or extension, the applicable limitations in Section 2.01 shall not be exceeded;

(d) the fact that, immediately before and after such issuance or extension, no Default shall have occurred and be continuing;

(e) the fact that each of the representations and warranties of the Obligors contained in the Loan Documents shall be true on and as of the date of such issuance or extension;

(f) the fact that each of the conditions to the making of Loans (as defined in the RC Agreement) under the RC Agreement could be satisfied at such time (or, if any such conditions could not be satisfied, the Agent shall have received evidence satisfactory to it of the waiver thereof); and

(g) the fact that the aggregate amount of the RC Commitments shall be not less than $150,000,000 at such time and that the availability thereof to the Applicant shall not have been limited or restricted in any way not expressly set forth in the RC Agreement as in effect on the date hereof.

Each issuance or extension of a Letter of Credit hereunder shall be deemed to be a representation and warranty by the Applicant on the date of such issuance or extension as to the facts specified in clauses (c), (d), (e), (f) and (g) of this Section.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Applicant represents and warrants that:

Section 4.01. Corporate Existence and Power. Each Obligor is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by each Obligor of each Loan Document to which it is party is within such Obligor's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of any Obligor or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Applicant or any of its Subsidiaries or result in the creation or imposition of any lien or other encumbrance on any asset of the Applicant or any of its Subsidiaries.

Section 4.03. Binding Effect. Each of the Loan Documents constitutes a valid and binding agreement of each Obligor party thereto, enforceable in accordance with its terms.

Section 4.04. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Applicant threatened against or affecting, the Applicant or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect.

Section 4.05. Subsidiary Guarantors. The Subsidiary Guarantors are all of the Subsidiaries of the Applicant, other than Subsidiaries not required to be a party to the Guarantee Agreement.

ARTICLE V

COVENANTS

The Applicant agrees that:

Section 5.01. Information. The Applicant will deliver to each of the Banks:

(a) the financial statements, accountantS' reports, forecasts, projections, notices and other materials required to be delivered pursuant to Section 5.01 of the RC Agreement, on the earlier of (i) the day on which such materials are delivered thereunder and (ii) the last day by which such materials are required to be delivered thereunder; and

(b) from time to time such additional information regarding the financial position or business of the Applicant and its Subsidiaries as the Agent may reasonably request.

Section 5.02. Conduct of Business and Maintenance of Existence. The Applicant will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Applicant and its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business, except where failures to possess such rights, privileges and franchises could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect, and except as otherwise permitted by the RC Agreement;

Section 5.03. Compliance with Laws. The Applicant will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and binding requirements of governmental authorities (including, without limitation, Environmental Laws and the rules and regulations thereunder), except where (i) the necessity of compliance therewith is being contested in good faith by appropriate proceedings or (ii) failures to comply therewith could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 5.04. Inspection of Property, Books and Records. The Applicant will keep, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary (except for Subsidiaries that constitute Immaterial Subsidiaries) to permit, representatives of any Bank at such Bank's expense, upon reasonable prior notice, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 5.05. Additional Guarantors. The Applicant shall cause any Person which becomes a Subsidiary (other than any Foreign Subsidiary or any Immaterial Subsidiary) after the date hereof, and any Immaterial Subsidiary (other than any Foreign Subsidiary) that ceases to be an Immaterial Subsidiary after the date hereof to (i) enter into the Guarantee Agreement and (ii) deliver such certificates, evidences of corporate or other organizational actions, notations and registrations, opinions of counsel, powers of attorney and other documents relating thereto as the Agent may reasonably request, all in form and substance reasonably satisfactory to the Agent, in each case within ten days after the date on which such Person becomes a Subsidiary or ceases to be an Immaterial Subsidiary.

ARTICLE VI

DEFAULTS

Section 6.01. Events of Defaults. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) any Obligor shall fail to pay any principal of any Reimbursement Obligation, any interest on any Reimbursement Obligation, any fees or any other amount payable hereunder within two Domestic Business Days after the due date thereof;

(b) any Obligor shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) above) or any other Loan Document for 30 days after written notice thereof has been given to the Applicant by the Agent at the request of the Required Banks;

(c) any representation, warranty, certification or statement made (or deemed made) by any Obligor in any Loan Document or any certificate, financial statement or other document delivered pursuant to any Loan Document shall prove to have been incorrect in any material respect when made (or deemed made);

(d) the obligations of any Subsidiary Guarantor pursuant to the Guarantee Agreement shall cease for any reason to be in full force and effect (other than a result of the release of such obligations with respect to any Subsidiary Guarantor pursuant to the release provisions contained therein), or any Obligor shall so assert in writing; or

(e) an Event of Default shall have occurred and be continuing under, and as defined in, the RC Agreement, it being understood that any such Event of Default that shall have been waived in accordance with the RC Agreement or cured pursuant to an amendment to the RC Agreement shall be no longer "continuing" for purposes hereof;

then, and in every such event, the Agent may, and shall, if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Applicant terminate the Commitments; provided however, that if any Event of Default specified in clause (e) above occurs with respect to any Obligor as the result of the occurrence of an "Event of Default" specified in clauses (g) or (h) of Section 6.01 of the RC Agreement, then without any notice to the Applicant or any other act by the Agent or the Banks, the Commitments shall thereupon terminate.

Section 6.02. Notice of Default. The Agent shall give notice to the Applicant under Section 6.01(b) promptly upon being requested to do so by the Required Banks and shall thereupon notify all the Banks thereof.

Section 6.03. Cash Cover. The Applicant and each Applicable Co-Applicant agrees, on a joint and several basis, in addition to the provisions of Section 6.01, that upon the occurrence and during the continuance of any Event of Default, it shall, if requested by the Agent upon the instruction of the Required Banks, deposit in the LC Collateral Account an amount in immediately available funds equal to the aggregate amount available for drawing under, in

the case of the Applicant, all Letters of Credit then outstanding at such time and, in the case of such Applicable Co-Applicant, all Letters of Credit then outstanding at such time issued for its account, provided that, upon the occurrence of (i) the Termination Date or (ii) any Event of Default specified in clause (e) of Section 6.01 as the result of the occurrence of an "Event of Default" specified in clauses (g) or (h) of Section 6.01 of the RC Agreement with respect to the Applicant or such Applicable Co-Applicant, the Applicant or such Applicable Co-Applicant, as the case may be, shall deposit such amount forthwith without any notice or demand or any other act by the Agent or the Banks.

ARTICLE VII

THE AGENT

Section 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms thereof, together with all such powers as are reasonably incidental thereto.

Section 7.02. Dual Capacity. In its capacity as a Bank, the Agent shall have the same rights and obligations under the Loan Documents as any other Bank.

Section 7.03. Obligations of Agent. The obligations of the Agent under this Agreement are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article VI.

Section 7.04. Consultation with Experts. The Agent may consult with legal counsel (who may be counsel for any Obligor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 7.05. Liability of Agent. None of the Agent, its respective affiliates or its respective directors, officers, agents or employees shall be liable for any action taken or not taken in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. None of the Agent, its respective affiliates or its respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with any Loan Document or any issuance or extension of a Letter of Credit; (ii) the performance or observance of any of the covenants or agreements of any Obligor; (iii) the satisfaction of any condition specified in Article III except, in the case of the Agent, receipt of items required to be delivered to it; or (iv) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection herewith.

Section 7.06. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon any Bank Party, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon any Bank Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.07. Successor Agent. The Agent may resign at any time by giving notice thereof to the Banks and the Applicant, such resignation to be effective when a successor Agent is appointed pursuant to this Section and accepts such appointment. Upon receiving any such notice of resignation, the Required Banks shall have the right to appoint a successor Agent, subject to the approval of the Applicant (unless an Event of Default shall have occurred and be continuing at the time of such appointment, in which case the Applicant's approval will not be required). If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the other Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of its appointment as the Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent.

Section 7.08. Agent's Fees. The Applicant shall pay to the Agent for its account, fees in the amounts and at the times previously agreed upon between the Applicant and the Agent.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES

Section 8.01. Increased Cost and Reduced Return. (a) If on or after the date hereof, in the case of any Letter of Credit or any obligation to participate in Letters of Credit, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System) special deposit, insurance assessment, or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank or shall impose on any Bank any other condition affecting its obligation to participate in any Letter of Credit and the result of any of the foregoing is to increase the cost to such Bank of participating in any Letter of Credit, then, within 15 days after receiving a request by such Bank for compensation under this subsection, accompanied by a certificate complying with subsection (e) of this Section (with a copy to the Agent), the Applicant shall, subject to subsection (f) of this Section, pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or

administration thereof, or compliance by the Agent with any request or directive (whether or not having the force of law) made on or after the date of this Agreement by any such authority, central bank or comparable agency, shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against any Letter of Credit issued by the Agent or shall impose on the Agent any other condition affecting its Letters of Credit or its obligation to issue Letters of Credit and the result of any of the foregoing is to increase the cost to the Agent of issuing any Letter of Credit or to reduce the amount of any sum received or receivable by the Agent under this Agreement with respect thereto, by an amount deemed by the Agent to be material, then, within 15 days after demand by the Agent, the Applicant shall pay to the Agent such additional amount or amounts as will compensate the Agent for such increased cost or reduction.

(c) If any Bank or the Agent shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank or the Agent, as the case may be (or its Parent), as a consequence of its obligations hereunder to a level below that which such Bank or the Agent, as the case may be (or its Parent), could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material, then from time to time, within 15 days after receiving a request by such Bank or the Agent, as the case may be, for compensation under this subsection, accompanied by a certificate complying with subsection (e) of this Section, the Applicant shall, subject to subsection (f) of this Section, pay to such Bank or the Agent, as the case may be, such additional amount or amounts as will compensate it (or its Parent) for such reduction.

(d) Each Bank and the Agent will promptly notify the Applicant of any event of which it has knowledge, occurring after the date hereof, which will entitle it to compensation pursuant to this Section and will designate a different LC Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in its judgment, be otherwise disadvantageous to it. If a Bank or the Agent fails to notify the Applicant of any such event within 180 days after such event occurs, it shall not be entitled to compensation under this Section for any effect of such event arising more than 180 days before it does notify the Applicant thereof.

(e) Each request by a Bank or the Agent for compensation under this Section shall be accompanied by a certificate, signed by one of its authorized employees, setting forth in reasonable detail (i) the basis for claiming such compensation, (ii) the additional amount or amounts to be paid to it hereunder and (iii) the method of calculating such amount or amounts, which certificate shall be conclusive in the absence of manifest error. In determining such amount, such Bank or the Agent may use any reasonable averaging and attribution methods.

(f) Notwithstanding any other provision of this Section, none of the Banks or the Agent shall be entitled to compensation under subsection (a), (b) or (c) of this Section if it is not then its general practice to demand compensation in similar circumstances under comparable provisions of other credit agreements.

Section 8.02. Taxes. (a) For purposes of this Section 8.02, the following terms have the following meanings:

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Applicant pursuant to the Loan Documents, and all liabilities with respect thereto, excluding (i) in the case of each Bank Party, taxes imposed on or measured by its income, and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which it is organized or qualified to do business (but only if the taxes are imposed solely because such Bank Party is qualified to do business in such jurisdiction without regard to any issuance or extension of Letter of Credit) or in which its principal executive office is located or in which its LC Office is located, and (ii) in the case of each Bank, any United States withholding tax imposed on such payments other than such withholding tax imposed as a result of a change in treaty, law or regulation occurring after a Bank first becomes subject to this Agreement.

"Other Taxes" means any present or future stamp, documentary or mortgage recording taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to the Loan Documents or from the execution, delivery or enforcement of, or otherwise with respect to, the Loan Documents.

(b) Any and all payments by the Applicant or any Applicable Co-Applicant to or for the account of any Bank Party under any Loan Document shall be made without deduction for any Taxes or Other Taxes; provided that, if the Applicant or such Applicable Co-Applicant shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.02) such Bank Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Applicant or such Applicable Co-Applicant shall make such deductions, (iii) the Applicant or such Applicable Co-Applicant shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Applicant or such Applicable Co-Applicant shall furnish to the Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Applicant and each Applicable Co-Applicant agree, on a joint and several basis, to indemnify each Bank Party for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.02) paid by such Bank Party and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, provided that neither the Applicant

nor such Applicable Co-Applicant shall indemnify any Bank Party for any penalties or interest on any Taxes or Other Taxes accrued during the period between the 15th day after such Bank Party has received a notice from the jurisdiction asserting such Taxes or Other Taxes and such later day on which such Bank Party has informed the Applicant or such Applicable Co-Applicant of the receipt of such notice. This indemnification shall be paid within 15 days after such Bank Party makes demand therefor.

(d) Each Bank Party organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank Party listed on the signature pages hereof and on or prior to the date on which it becomes a Bank Party in the case of each other Bank Party, and from time to time thereafter if requested in writing by the Applicant (but only so long as such Bank Party remains lawfully able to do so), shall provide the Applicant with Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank Party is entitled to benefits under an income tax treaty to which the United States is a party which exempts such Bank Party from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank Party or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Bank Party has failed to provide the Applicant with the appropriate form as required by Section 8.02(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank Party shall not be entitled to indemnification under Section 8.02(b) or (c) with respect to Taxes (including penalties, interest and expenses) imposed by the United States; provided that if a Bank Party, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Applicant shall take such steps as such Bank Party shall reasonably request to assist such Bank Party to recover such Taxes.

(f) If the Applicant or any Applicable Co-Applicant is required to pay additional amounts to or for the account of any Bank Party pursuant to this Section 8.02, then such Bank Party will change the jurisdiction of its LC Office if, in the judgment of such Bank Party, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank Party.

(g) If a Bank Party receives a notice from a taxing authority asserting any Taxes or Other Taxes for which the Applicant or any Applicable Co-Applicant is required to indemnify such Bank Party under Section 8.02(c), it shall furnish to the Applicant or such Applicable Co-Applicant a copy of such notice no later than 90 days after the receipt thereof. If such Bank Party has failed to furnish a copy of such notice to the Applicant or such Applicable Co-Applicant within such 90-day period as required by this Section 8.02(g), the Applicant or such Applicable Co-Applicant shall not be required to indemnify such Bank Party for any such Taxes or Other Taxes (including penalties, interest and expenses thereon) arising between the 90th day after such Bank Party has received such notice and the day on which such Bank Party has furnished to the Applicant or such Applicable Co-Applicant a copy of such notice.

Section 8.03. Substitution of Bank. If any Bank has demanded compensation under Section 8.01 or 8.02, the Applicant shall have the right, with the assistance of the Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to replace such Bank. Any

substitution under this Section 8.03 may be accomplished, at the Applicant's option, either (i) by the replaced Bank assigning its rights and obligations hereunder to the replacement bank or banks pursuant to Section 9.06(c) at a mutually agreeable price or (ii) by the Applicant terminating its Commitment on a date specified in a notice delivered to the Agent and the replaced Bank at least three Domestic Business Days before the date so specified and concurrently the replacement bank or banks assuming a Commitment in an amount equal to the Commitment being terminated, all pursuant to documents reasonably satisfactory to the Agent (and in the case of any document to be signed by the replaced Bank, reasonably satisfactory to such Bank). No such substitution shall relieve the Applicant or any Applicable Co-Applicant of its obligation to compensate and/or indemnify the replaced Bank as required by Sections 8.01 and 8.02 with respect to the period before it is replaced and to pay all accrued interest, accrued fees and other amounts owing to the replaced Bank hereunder.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Applicant, any Co-Applicant or the Agent, at its address, facsimile number or telex number set forth on the signature pages hereof, (y) in the case of any Bank, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address, facsimile number or telex number as such party may hereafter specify for such purpose by notice to the Agent and the Applicant. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, three Domestic Business Days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iv) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article 2 or Article 8 shall not be effective until received.

Section 9.02. No Waivers. No failure or delay by any Bank Party in exercising any right, power or privilege under any Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Indemnification. (a) The Applicant shall pay (i) all reasonable out-of-pocket expenses of the Agent, including reasonable fees and disbursements of special counsel, in connection with the negotiation and preparation of the Loan Documents, (ii) all reasonable out-of-pocket expenses of the Agent, including reasonable fees and disbursements of special

counsel and reasonable fees and disbursements of accountants and any other advisors to the Agent, in connection with the administration of the Loan Documents, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (iii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Agent and each Bank Party including (without duplication) the fees and disbursements of special counsel and the allocated cost of internal counsel and the fees and disbursements of accountants and any other advisors to the Agent or any Bank Party, in connection with any collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Applicant agrees to indemnify each Bank Party, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of the Loan Documents or any actual or proposed use of proceeds of Letters of Credit hereunder; provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

Section 9.04. Sharing of Set-offs. (a) Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by it or for its account which is greater than the proportion received in respect of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of any other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of the other Banks, and such other adjustments shall be made, as may be required so that all such payments of the aggregate amount of the principal of and interest on the Reimbursement Obligations held by or for the account of the Banks shall be shared by them pro rata.

(b) The Applicant and each Applicable Co-Applicant agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Reimbursement Obligation, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Applicant or such Applicable Co-Applicant in the amount of such participation.

(c) Nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Applicant or any Applicable Co-Applicant other than its indebtedness hereunder.

Section 9.05. Amendments and Waivers. (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Applicant and the Required Banks (and, if the rights or duties of the Agent or any Co-Applicant are affected thereby, by the Agent or such Co-Applicant); provided that no such amendment or waiver shall, unless

signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Reimbursement Obligation, (iii) postpone the date fixed for payment by the Applicant or any Applicable Co-Applicant of any Reimbursement Obligation or extend the expiry date of any Letter of Credit to a date later than the fifth Domestic Business Day prior to the Termination Date, or (iv) change the percentage of the Commitments or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement (including without limitation subsection (b) of this Section 9.05).

(b) Any provision of the Guarantee Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor party thereto and the Agent with the consent of the Required Banks; provided that no such amendment or waiver shall, unless signed by each Obligor party thereto and the Agent with the consent of all the Banks, release all or substantially all of the Obligors from their obligations under the Guarantee Agreement or permit termination of the Guarantee Agreement, except in each case as expressly permitted by the terms thereof.

Section 9.06. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that neither the Applicant nor any Co-Applicant may assign or otherwise transfer any of its rights under this Agreement without the prior written consent of each Bank and the Agent.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or all or any part of its LC Exposure. If any Bank grants a participating interest to a Participant, whether or not upon notice to the Applicant and the Agent, such Bank shall remain responsible for the performance of its obligations hereunder, such Bank shall remain the holder of its LC Exposure, and the Applicant or the Applicable Co-Applicant and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Applicant or the Applicable Co-Applicant hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii) or (iii) of Section 9.05(a) or in the proviso to Section 9.05(b) without the consent of the Participant. The Applicant and each Co-Applicant agree that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of this Article with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part (equivalent to an initial Commitment of not less than $5,000,000) of all, of its rights and obligations under this Agreement, and such Assignee shall assume such rights and

obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consents of the Applicant and the Agent (which consents shall not be unreasonably withheld); provided that (i) such consents shall not be required if the Assignee is an affiliate of such transferor Bank or was a Bank immediately prior to such assignment or if, at the time of the proposed assignment, an Event of Default has occurred and is continuing; and (ii) the $5,000,000 minimum amount specified above for a partial assignment of the transferor Bank's rights and obligations shall not apply if the Assignee was a Bank immediately prior to such assignment. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder (and its Commitment shall be reduced) to a corresponding extent, and no further consent or action by any party shall be required. In connection with any such assignment, the transferor Bank shall pay to the Agent an administrative fee for processing such assignment in the amount of $3,500; provided that the Applicant shall pay such administrative fee if such assignment is required by the Applicant pursuant to Section 8.03. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Applicant and the Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.02.

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.01 or 8.02 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Applicant's prior written consent or by reason of the provisions of Section 8.01 or 8.02 requiring such Bank to designate a different LC Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

Section 9.07. Governing Law; Submission to Jurisdiction. (a) Each Letter of Credit and Article II shall be subject to the UCP, and, to the extent not inconsistent therewith, the laws of the State of New York.

(b) SUBJECT TO CLAUSE (a) OF THIS SECTION, EACH LOAN DOCUMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(c) The Applicant and each Co-Applicant hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to any Loan Document or the transactions contemplated thereby. The Applicant and each Co-Applicant irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 9.08. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.09. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR TRANSACTIONS CONTEMPLATED THEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VENATOR GROUP, INC.

By: /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer
233 Broadway
New York, New York 10279-0003
Facsimile number: 212-553-2094

VENATOR GROUP RETAIL, INC.

By: /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer

VENATOR GROUP SPECIALTY, INC.

By: /s/ John H. Cannon

Name: JOHN H. CANNON
Title: Vice President and Treasurer

THE BANK OF NEW YORK, as Agent and Bank

By: /s/ Howard F. Bascom, Jr.

Name: HOWARD F. BASCOM, JR.
Title: Vice President
One Wall Street
New York, New York 10286
Facsimile number: 212-635-1481

Co-Applicant Schedule

Venator Group Retail, Inc.
Venator Group Specialty, Inc.

Commitment Schedule

Bank	Commitment
The Bank of New York	$45,000,000

EXHIBIT A

FORM OF GUARANTEE AGREEMENT

GUARANTEE AGREEMENT dated as of March 19, 1999 among each of the Subsidiaries of the Company (as defined below) listed on the signature pages hereof and each other Subsidiary of the Company that may from time to time become a party hereto in accordance with Section 19 (each such Subsidiary, with its successors, a "Subsidiary Guarantor") and The Bank of New York, as Agent (with its successors, the "Agent"), for the benefit of the Bank Parties (as defined in the Credit Agreement referred to below).

W I T N E S S E T H :
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WHEREAS, it is a condition to effectiveness of the Letter of Credit Agreement dated as of the date hereof among Venator Group, Inc., the Banks party thereto, the Co-Applicants party thereto and The Bank of New York, as Agent (as amended or amended and restated or otherwise modified or supplemented from time to time, the "Credit Agreement") that each Subsidiary Guarantor enter into a Guarantee Agreement substantially in the form hereof; and

WHEREAS, in consideration of the financial and other support that the Company has provided, and such financial and other support as the Company may in the future provide, to the Subsidiary Guarantors, the Subsidiary Guarantors are willing to enter into this Guarantee Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein. The following additional terms, as used herein, have the following meanings:

"Guaranteed Obligations" means, with respect to each Subsidiary Guarantor, (i) all Reimbursement Obligations of the Company or any other Obligor (other than such Subsidiary Guarantor) with respect to any Letter of Credit issued pursuant to the Credit Agreement and all interest payable by the Company or such other Obligor thereon (including, without limitation, any interest which accrues after or would accrue but for the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Company or such other Obligor, whether or not allowed or allowable as a claim in any such proceeding), (ii) all other amounts payable by the Company or any other Obligor (other than such Subsidiary Guarantor) under the Loan Documents and (iii) any renewals, extensions or modifications of any of the foregoing.

Section 2. The Guarantees. Each of the Subsidiary Guarantors, jointly and severally, hereby unconditionally guarantees the full and punctual payment when due (whether at stated maturity, upon acceleration or otherwise) of the Guaranteed Obligations. Upon failure by any Obligor to pay punctually any Guaranteed Obligation when due, each Subsidiary Guarantor agrees jointly and severally that it shall forthwith on demand pay such Guaranteed Obligation at the place and in the manner specified in the Credit Agreement.

Section 3. Guarantees Unconditional. The obligations of each Subsidiary Guarantor hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of any Obligor or any other Person under any Loan Document, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to any Loan Document or any Letter of Credit;

(iii) any release, impairment, non-perfection or invalidity of any direct or indirect security for any obligation of any Obligor or any other Person under any Loan Document or with respect to any Letter of Credit;

(iv) any change in the corporate existence, structure or ownership of any Obligor or any other Person or any of their respective subsidiaries, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Obligor or any other Person or any of their respective subsidiaries or any of their respective assets or any resulting release or discharge of any obligation of any Obligor or any other Person contained in any Loan Document;

(v) the existence of any claim, set-off or other rights which such Subsidiary Guarantor may have at any time against any other Obligor or any Bank Party, whether in connection herewith or with any unrelated transactions; provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(vi) any invalidity or unenforceability relating to or against any Obligor or any other Person for any reason of any Loan Document or any Letter of Credit, or any provision of applicable law or regulation purporting to prohibit the payment by any Obligor or any other Person of the principal of or interest on any Reimbursement Obligation or any other amount payable by any Obligor under any Loan Document; or

(vii) any other act or omission to act or delay of any kind by any Obligor, any Bank Party or any other party to any Loan Document, or any other circumstance whatsoever which might, but for the provisions of this Section, constitute a legal or equitable discharge of or defense to obligations of such Subsidiary Guarantor hereunder.

Section 4. Discharge Only upon Payment in Full; Reinstatement In Certain Circumstances; Release of Subsidiary Guarantors. (a) Each Subsidiary Guarantor's obligations hereunder shall remain in full force and effect until the repayment in full of all Guaranteed Obligations, the termination of all Commitments under the Credit Agreement and the expiration or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the Agent). If at any time any payment of any Guaranteed Obligation is rescinded or must be otherwise restored or returned upon the insolvency or receivership of the Company or any other Obligor or otherwise, each Subsidiary Guarantor's obligations hereunder with respect thereto shall be reinstated as though such payment had been due but not made at such time.

(b) Upon (x) the consummation of any Asset Sale, as such such term is defined in the RC Agreement (or any sale or other disposition described in clause (iv) of such definition of Asset Sale) permitted by the terms of the RC Agreement and consisting of the disposition of all of the capital stock of a Subsidiary Guarantor (any such transaction, a "Guarantor Asset Sale"), (y) the satisfaction of the conditions to the release of such Subsidiary Guarantor from its obligations under the Guarantee Agreement entered into in connection with the RC Agreement and (z) repayment in full of all Reimbursement Obligations owed by such Subsidiary Guarantor in respect of, and cancellation or termination of, all Letters of Credit issued for its account, such Subsidiary Guarantor shall be released from all of its obligations hereunder (and such release shall not require the consent of any Bank Party). The Agent shall be fully protected in relying on a certificate of the Company as to whether any particular transaction constitutes a Guarantor Asset Sale and whether such conditions have been satisfied.

(c) In addition to the release of any Subsidiary Guarantor from its obligations hereunder permitted pursuant to subsection (b), at any time and from time to time prior to the termination of each Subsidiary Guarantor's obligations hereunder, the Agent may release any Subsidiary Guarantor from its obligations hereunder with the prior written consent of the Required Banks; provided that any release of all or substantially all of the Subsidiary Guarantors shall require the consent of all of the Banks.

Section 5. Waiver by the Subsidiary Guarantors. Each Subsidiary Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice, as well as any requirement that at any time any action be taken by any Person against such Subsidiary Guarantor, any other Subsidiary Guarantor, the Company or any other Person.

Section 6. Subrogation and Contribution. Upon making any payment hereunder with respect to the obligations of any Obligor, each Subsidiary Guarantor shall be subrogated to the rights of the payee against such Obligor with respect to the portion of such obligation paid by such Subsidiary Guarantor; provided that such Subsidiary Guarantor shall not enforce any payment by way of subrogation, or by reason of contribution, against any other guarantor of the Guaranteed Obligations (including without limitation any other Subsidiary Guarantor), until the repayment in full of all Guaranteed Obligations of all Subsidiary Guarantors, the termination of the Commitments under the Credit Agreement and the expiration or cancellation of all Letters of Credit (unless such Letters of Credit have been fully cash collateralized pursuant to arrangements satisfactory to the Agent, or back-stopped by a separate letter of credit, in form and substance and issued by an issuer satisfactory to the Agent).

Section 7. Stay of Acceleration. If acceleration of the time for payment of any Guaranteed Obligations payable by any Subsidiary Guarantor is stayed upon the insolvency, bankruptcy or reorganization of such Subsidiary Guarantor or otherwise, all such Guaranteed Obligations otherwise subject to acceleration under the terms of any Loan Document shall nonetheless be payable by each other Subsidiary Guarantor hereunder forthwith on demand by the Agent made at the request of the Required Banks.

Section 8. Representations and Warranties. Each Subsidiary Guarantor represents and warrants that:

(a) Such Subsidiary Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failures to possess such licenses, authorizations, consents and approvals could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The execution, delivery and performance by such Subsidiary Guarantor of this Guarantee Agreement are within such Subsidiary Guarantor's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of such Subsidiary Guarantor or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries or result in the creation or imposition of any lien or other encumbrance on any asset of the Company or any of its Subsidiaries.

(c) This Guarantee Agreement constitutes a valid and binding agreement of such Subsidiary Guarantor.

(d) The obligations of such Subsidiary Guarantor hereunder rank (i) pari passu with other unsecured indebtedness of such Subsidiary Guarantor (other than any such indebtedness described in clause (ii)) with respect to any assets of such Subsidiary Guarantor and (ii) senior to any other indebtedness of such Subsidiary Guarantor which by its terms is subordinated thereto.

Section 9. Amendments. Any provision of this Guarantee Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Subsidiary Guarantor and the Agent, subject to the provisions of Section 9.05(b) of the Credit Agreement.

Section 10. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party at its address or facsimile number set forth on the signature pages hereof or at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Agent and the Company. Each such notice, request or other communication shall be effective if given by facsimile, when transmitted to the facsimile number referred to in this Section and confirmation of receipt is received, or (ii) if given by any other means, when delivered at the address referred to in this Section 10.

Section 11. Taxes. Each Subsidiary Guarantor agrees to be bound by the provisions of Section 8.02 of the Credit Agreement with respect to any payments made by such Subsidiary Guarantor under this Guarantee Agreement.

Section 12. Continuing Guarantees. This Guarantee Agreement is a continuing Guarantee of each Subsidiary Guarantor and shall be binding upon each Subsidiary Guarantor and its successors and assigns. This Guarantee Agreement is for the benefit of each Bank Party and its successors and permitted assigns, and in the event of an assignment of all or any of any Bank's interest in and to its rights and obligations under the Credit Agreement in accordance with the Credit Agreement, the assignor's rights hereunder, to the extent applicable to the indebtedness or obligation so assigned, shall automatically be transferred with such indebtedness or obligation.

Section 13. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Bank Parties in order to carry out the intentions of the parties hereto as nearly as may be possible, and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

Section 14. Limitation on the Obligations of Subsidiary Guarantors. The obligations of each Subsidiary Guarantor hereunder shall be limited to an aggregate amount that is equal to the largest amount that would not render the obligations of such Subsidiary Guarantor hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of applicable law.

Section 15. Governing Law; Jurisdiction. This Guarantee Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Each Subsidiary Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Guarantee Agreement or the transactions contemplated hereby. Each Subsidiary Guarantor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 16. Appointment of Agent for Service Of Process. (a) Each Subsidiary Guarantor hereby irrevocably designates, appoints, authorizes and empowers as its agent for service of process, the secretary of Venator Group, Inc. to accept and acknowledge for and on behalf of such Subsidiary Guarantor service of any and all process, notices or other documents that may be served in any suit, action or proceeding relating hereto in any New York State or Federal court sitting in The State of New York.

(b) In lieu of service upon its agent, each Subsidiary Guarantor consents to process being served in any suit, action or proceeding relating hereto by mailing a copy thereof by registered or certified air mail, postage prepaid, return receipt requested, to its address set forth on the signature pages hereof, provided that a copy thereof is mailed concurrently to the Secretary of Venator Group, Inc. Each Subsidiary Guarantor agrees that such service (1) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (2) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon and personal delivery to it.

(c) Nothing in this Section shall affect the right of any party hereto to serve process in any manner permitted by law, or limit any right that any party hereto may have to bring proceedings against any other party hereto in the courts of any jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

Section 17. Section 17. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTEE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 18. Section 18. Counterparts. This Guarantee Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 19. Section 19. Additional Guarantors. Any Subsidiary may become a Subsidiary Guarantor party hereto and bound hereby by executing a counterpart hereof and delivering the same to the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

[SUBSIDIARY GUARANTOR]

By _____
Name:
Title:

THE BANK OF NEW YORK
as agent

By _____
Name:
Title:

EXHIBIT B-1

March 19, 1999

The Bank of New York,
as Agent
One Wall Street
New York, New York 10286

and

The lenders party to the
Credit Agreement referred to
below, as listed on Schedule I
hereto (the "Banks")

Ladies and Gentlemen:

We have acted as special counsel to Venator Group, Inc., a New York corporation (the "Company"), in connection with the preparation, execution and delivery of the Letter of Credit Agreement, dated as of the date hereof (the "Credit Agreement"), among the Company, the Co-Applicants party thereto, the banks party thereto and The Bank of New York, as agent (the "Agent"). This opinion is being delivered pursuant to Section 3.01(c) of the Credit Agreement. Capitalized terms used and not otherwise defined herein shall have the meanings herein as ascribed thereto in the Credit Agreement. The subsidiaries of the Company listed on Sched ule II hereto shall hereinafter be referred to collectively as the "Subsidiary Guaran tors". The subsidiaries of the Company listed on Schedule III hereto shall hereinafter be referred to collectively as the "Co-Applicants". The Subsidiary Guarantors and the Co-Applicants shall hereinafter be referred to collectively as the "Subsidiary

Parties". The Company and the Subsidiary Parties shall hereinafter be referred to collectively as the "Credit Parties".

In our examination we have assumed the genuineness of all signa tures, the legal capacity of natural persons, the authenticity of all documents submit ted to us as originals, the conformity to original documents of all documents submit ted to us as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which we did not independently establish or verify, we have relied upon statements and representations of the Company and its officers and other representatives and of public officials, including the facts set forth in the Opinion Certificate described below.

In rendering the opinions set forth herein, we have examined and relied on originals or copies of the following:

(a) the Credit Agreement;

(b) the Guarantee Agreement, dated as of the date hereof, between the Subsidiary Guarantors and the Administrative Agent;

(c) the certificate of the Credit Parties dated the date hereof, a copy of which is attached as Exhibit A hereto (the "Opinion Certificate");

(d) certified copies of the Certificate of Incorporation and By-laws of the Company;

(e) a certified copy of certain resolutions of the Board of Directors of the Company adopted on March 15, 1999; and

(f) such other documents as we have deemed necessary or appropriate as a basis for the opinions set forth below.

The documents referred to in clauses (a) and (b) above shall hereinaf ter be referred to collectively as the "Transaction Documents."

We express no opinion as to the laws of any jurisdiction other than (i) the laws of the State of New York, and (ii) the federal laws of the United States of America to the extent specifically referred to herein.

Based upon the foregoing and subject to the limitations, qualifica tions, exceptions and assumptions set forth herein, we are of the opinion that:

1. The Company has been duly incorporated and is validly existing and in good standing under the laws of the State of New York.

2. The Company has the corporate power and authority to (i) carry on its business as described in the Company's 1997 Form 10-K and (ii) execute, deliver and perform all of its obligations under each of the Transaction Documents and to borrow under the Credit Agreement and to incur reimbursement obligations with respect to letters of credit issued thereunder. The execution and delivery of each of the Transaction Documents and the consummation by the Company of the transac tions contemplated thereby have been duly authorized by all requisite corporate action on the part of the Company. Each of the Transaction Documents has been duly executed and delivered by the Company.

3. Each of the Transaction Documents constitutes the valid and binding obligation of each Credit Party which is a party thereto enforceable against each such Credit Party in accordance with its terms, subject to the following qualifi cations:

(a) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law);

(b) we express no opinion as to the enforceability of any rights to contribution or indemnification provided for in the Transaction Documents which are violative of the public policy underlying any law, rule or regulation (including any federal or state securities law, rule or regulation);

(c) we call to your attention that (i) effective enforcement of a claim denominated in a foreign currency may be limited by requirements that the claim (or a judgement in respect of such claim) be converted into United States dollars at a rate of exchange prevailing on a specified date and (ii) we express no opinion as to whether a federal or state court would award a judgment in a currency other than United States dollars; and

(d) we express no opinion as to Section 9.04 of the Credit Agreement to the extent it authorizes or permits any party to any Transaction Document or any purchaser of a participation interest for any such party to set off or apply any deposit, property or indebtedness with respect to any partic ipation interest.

4. The execution and delivery by the Company of each of the Transaction Documents and the performance by the Company of its obligations under each of the Transaction Documents, each in accordance with its terms, do not conflict with the Certificate of Incorporation or By-laws of the Company.

5. Neither the execution, delivery or performance by the Credit Parties of the Transaction Documents nor the compliance by the Credit Parties with the terms and provisions thereof will contravene any provision of any Applicable Law (as hereinafter defined). "Applicable Laws" shall mean those laws, rules and regulations of the State of New York and of the United States of America (including, without limitation, Regulations U and X of the Federal Reserve Board) which, in our experience, are normally applicable to transactions of the type contemplated by the Transaction Documents.

6. No Governmental Approval (as hereinafter defined), which has not been obtained or taken and is not in full force and effect, is required to authorize or is required in connection with the execution, delivery or performance of any of the Transaction Documents by the Credit Parties. "Governmental Approval" means any consent, approval, license, authorization or validation of, or filing, recording or registration with, any Governmental Authority (as hereinafter defined) pursuant to Applicable Laws. "Governmental Authority" means any New York or federal legislative, judicial, administrative or regulatory body.

7. Neither the execution, delivery or performance by the Credit Parties of its obligations under the Transaction Documents nor compliance by the Credit Parties with the terms thereof will contravene any Applicable Order (as hereinafter defined) against the Credit Parties. "Applicable Orders" means those orders, judgements or decrees of Governmental Authorities identified in paragraph 2 of the Opinion Certificate.

8. No Credit Party is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

In rendering the foregoing opinions, we have assumed, with your consent, that:

(a) each Subsidiary Party has been duly incorporated and is validly existing and in good standing under the laws of the jurisdiction of its incorpo ration;

(b) each Subsidiary Party has the corporate power and authority to (i) carry on its business as described in the Company's 1997 Form 10-K and (ii) execute, deliver and perform all of its obligations under each of the Transaction Documents to which it is a party, and in the case of the Subsidiary Borrowers, to borrow under the Credit Agreement and to incur reimbursement obligations with respect to letters of credit issued thereunder;

(c) the execution and delivery of each of the Transaction Docu ments by each Subsidiary Party which is a party thereto and the consummation by each Subsidiary Party of the transactions contemplated thereby have been duly authorized by all requisite corporate action on the part of each Subsidiary Party;

(d) each of the Transaction Documents has been duly executed and delivered by each of the Subsidiary Parties which is a party thereto;

(e) the execution and delivery of, and the performance of each Credit Party's obligations under, the Transaction Documents does not and will not conflict with, contravene, violate or constitute a default under (i) any lease, indenture, instrument or other agreement to which any Credit Party or its property is subject, (ii) any rule, law or regulation to which any Credit Party is subject (other than Appli cable Laws as to which we express our opinion in paragraph 5 herein) or (iii) any judicial or administrative order or decree of any governmental authority (other than Applicable Orders as to which we express our opinion in paragraph 7 herein); and

(f) no authorization, consent or other approval of, notice to or filing with any court, governmental authority or regulatory body (other than Governmental Approvals as to which we express our opinion in paragraph 6 herein) is required to authorize or is required in connection with the execution, delivery or performance by any Credit Party of the Transaction Documents to which it is a party or the transac tions contemplated thereby.

We understand that you are separately receiving an opinion, dated as of the date hereof, with respect to the foregoing from Gary M. Bahler (the "General Counsel Opinion") and we are advised that such opinion contains qualifications. Our opinions herein stated are based on the assumptions specified above and we express no opinion as to the effect on the opinions herein stated of the qualifications contained in the General Counsel Opinion.

Our opinions are also subject to the following assumptions and qualifications:

(a) we have assumed each of the Transaction Documents constitutes the legal, valid and binding obligation of each party to such Transaction Document (other than the Credit Parties) enforceable against such party (other than the Credit Parties) in accordance with its terms; and

(b) we express no opinion as to the effect on the opinion expressed herein of (i) the compliance or non-compliance of any party (other than the Credit Parties) to the Transaction Documents with any state, federal or other laws or regu lations applicable to it or (ii) the legal or regulatory status or the nature of the business of any party (other than the Credit Parties) to the Transaction Documents.

This opinion is being furnished only to you and is solely for your benefit and is not to be relied upon by any other Person or for any other purpose without our prior written consent, provided, however, that any Assignee that be comes a Bank pursuant to Section 9.06(c) of the Credit Agreement may rely on this opinion as if it were addressed to such Assignee and delivered on the date hereof.

Very truly yours,

Schedule I
to SASM&F Opinion

Banks

The Bank of New York

Schedule II to
SASM&F Opinion

Subsidiary Guarantors

Eastbay, Inc.
eVenator, Inc.
Foot Locker Japan, Inc.
Northern Reflections, Inc.
Retail Company of Germany, Inc.
The Richman Brothers Company
Robby's Sporting Goods, Inc.
Team Edition Apparel, Inc.
The San Francisco Music Box Company
Venator Group Corporate Services, Inc.
Venator Group Holdings, Inc.
Venator Group Retail, Inc.
Venator Group Sourcing, Inc.
Venator Group Speciality, Inc.

Schedule III to
SASM&F Opinion

Co-Applicants

Venator Group Retail, Inc.
Venator Group Specialty, Inc.

Exhibit A
to SASM&F Opinion

Officer's Certificate

The undersigned are duly elected, authorized and acting officers of the corpora tions listed on the signature page hereof (the "Credit Parties"). Each of the undersigned understands that in connection with the Credit Agreement (these and other capitalized terms used herein and not otherwise defined have the meanings set forth in the Opinion, as defined below) and the consummation of the transactions contemplated thereby, Skadden, Arps, Slate, Meagher & Flom LLP is rendering an opinion dated the date hereof with respect thereto (the "Opinion"), and is relying on this certificate in rendering such Opinion.

With regard to the foregoing, on behalf of the Credit Parties, each of the under signed do hereby certify that:

1. Set forth below are all consents, approvals, licenses, authorizations or validations of, or filings, recordings or registrations with any legislative, judicial, administrative or regulatory governmental authorities which are required in connection with the execution and delivery of the Transaction Documents:

None.

2. Set forth below are all of the orders, judgements and decrees of any govern mental authority which are required in connection with the execution and delivery of the Transaction Documents:

None.

3. Less than 25 percent of the assets of the Credit Parties on a consolidated basis and on an unconsolidated basis consist of margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System).

4. None of the Credit Parties (i) is or holds itself out as being, engaged primarily nor does it propose to engage primarily, in the business of investing, reinvesting or trading in Securities (as hereinafter defined), (ii) is engaged in, nor proposes to engage in, the business of issuing Face-Amount Certificates of the Installment Type (as hereinafter defined) and has no such certificate outstanding and (iii) is engaged nor proposes to engage in the business of investing, reinvesting, owning, holding or trading in Securities, whether or not

as its primary activity, nor owns or proposes to acquire Investment Securities (as hereinafter defined) having a Value exceeding 40% of the Value of the total assets of the Company (exclusive of Government Securities (as hereinafter defined)) on an unconsolidated basis.

As used in this Certificate, the following terms shall have the following meanings:

"Control" means the power to exercise a controlling influence over the manage ment or policies of a company, unless such power is solely the result of an official position with such company;

"Face-Amount Certificate of the Installment Type" means any certificate, investment contract, or other Security that represents an obligation on the part of its issuer to pay a stated or determinable sum or sums at a fixed or determinable date or dates more than 24 months after the date of issuance, in consideration of the payment of periodic installments of a stated or determinable amount;

"Government Securities" means all Securities issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the government of the United States pursuant to authority granted by the Con gress of the United States; or any certificate of deposit for any of the foregoing;

"Investment Securities" includes all Securities except (A) Government Securities, (B) Securities issued by employees' securities companies, and (C) Securities issued by Majority- Owned Subsidiaries of the Borrower which are not engaged and do not propose to be engaged in activities within the scope of clauses (i), (ii) or (iii) of paragraph 4 of this Certificate;

"Majority-Owned Subsidiary" of a person means a company 50% or more of the outstanding Voting Securities of which are owned by such person, or by a company which, within the meaning of this paragraph, is a Majority-Owned Subsidiary of such person. Notwith standing the foregoing, a company shall not be considered a Majority-Owned Subsidiary of a person if Control of such company rests with someone other than such person;

"Security" means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral- trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into

on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing;

"Value" means (i) with respect to Securities owned at the end of the last preceding fiscal quarter for which market quotations are readily available, the market value at the end of such quarter; (ii) with respect to other Securities and assets owned at the end of the last preceding fiscal quarter, fair value at the end of such quarter, as determined in good faith by or under the direction of the board of directors; and (iii) with respect to securities and other assets acquired after the end of the last preceding fiscal quarter, the cost thereof;

"Voting Security" means any security presently entitling the owner or holder thereof to vote for the election of directors of a company.

5. Other than as described on Schedule 1, neither the Company nor any Subsid iary owns or operates facilities used for the generation, transmission or distribution of electric energy for sale ("electric utility facilities").

6. Neither the Company nor any Subsidiary owns or operates facilities used for the distribution at retail of natural or manufactured gas for heat, light or power ("gas utility facilities").

7. Neither the Company nor any Subsidiary, directly or indirectly, or through one or more intermediary companies, owns, controls or holds with power to vote (a) 10% or more of the outstanding securities, such as notes, drafts, stock, treasury stock, bonds, debentures, certif icates of interest or participation in any profit sharing agreements or in oil, gas, other mineral royalties or leases, collateral-trust certificates, preorganization certificates or subscriptions, transferable shares, investment contracts, voting-trust certificates, certificates of deposit for a security, receiver's or trustee's certificates or instruments commonly known as a "security" (including certificates of interest or participation in, temporary or interim certificates for, receipt for, guaranty of, assumption of liability on or warrants or right to subscribe to or purchase any of the foregoing) presently entitling the owner or holder thereof to vote in the direction or manage ment of, or any such instrument issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such instrument is presently entitled to vote in the direction or management of, any corporation, partnership, association, joint-stock company, joint venture or trust that owns or operates any electric utility facilities or gas utility facilities or (b) any other interest, directly or indirectly, or through one or more intermediary entities, in (i) any corporation, partnership, association, joint-stock company,

joint venture or trust that owns or operates any electric utility facilities or gas utility facilities or (ii) any of the foregoing types of entities which have received notice of the sort described in Paragraph 8 below.

8. Neither the Company nor any Subsidiary has received notice that the Securities and Exchange Commission has determined, or may determine, that the Company or any Subsidiary exercises a controlling influence over the management or direction of the policies of a gas utility company or any electric utility company as to make it subject to the obligations, duties and liabilities imposed upon holding companies by the Public Utility Holding Company Act of 1935, as amended.

IN WITNESS WHEREOF, the undersigned have executed this certificate on behalf of the Credit Parties this day of March, 1999.

Eastbay, Inc.
eVenator, Inc.
Foot Locker Japan, Inc.
Northern Reflections, Inc.
The Richman Brothers Company
Robby's Sporting Goods, Inc.
Team Edition Apparel, Inc.
The San Francisco Music Box Company
Venator Group Corporate Services, Inc.
Venator Group Holdings, Inc.
Venator Group, Inc.
Venator Group Retail, Inc.
Venator Group Sourcing, Inc.
Venator Group Speciality, Inc.

By: _____
Name:
Title:

Retail Company of Germany, Inc.

By: _____
Name:
Title:

Schedule 1

The Company owns an approximately 1 percent limited partnership interest in two California limited partnerships that operate "wind farms", which generate electricity.

Exhibit B-2

March 19, 1999

The Bank of New York,
as Agent
One Wall Street
New York, New York 10286

and

The lenders party to the
Credit Agreement referred to
below, as listed on Schedule I
hereto (the "Banks")

Ladies and Gentlemen:

I am a Senior Vice President and the General Counsel of Venator Group, Inc., a New York corporation (the "Company"), and as such have acted as counsel for the company and each of the subsidiaries of the Company listed on Schedule II hereto (the "Subsidiary Guarantors") and each of the subsidiaries of the Company listed on Schedule III hereto (the "Co-Applicants", and together with the Subsidiary Guarantors, the "Subsidiary Parties"), in connection with the preparation, execution and delivery of the Letter of Credit Agreement, dated as of the date hereof (the "Credit Agreement"), among the Company, the Co-Applicants party thereto, the banks party thereto and The Bank of New York, as agent (the "Agent"). This opinion is being delivered pursuant to Section 3.01(d) of the Credit Agreement. Capitalized terms used and not otherwise defined herein shall have the meanings herein as ascribed thereto in the Credit Agreement. The Subsidiary Parties and the Company are sometimes collectively referred to herein as the "Credit Parties."

In my examination I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which I did

not independently establish or verify, I have relied upon statements and representations of the Credit Parties and their respective officers and other representatives and of public officials.

In rendering the opinions set forth herein, I, or a lawyer acting under my general supervision, have examined and relied on originals or copies of the following:

(a) the Credit Agreement;

(b) the Guarantee Agreement, dated as of the date hereof, between the Subsidiary Guarantors and the Agent;

(c) certified copies of the Certificate of Incorporation and By-laws of the Credit Parties;

(d) a certified copy of certain resolutions of the Boards of Directors of the Credit Parties;

(e) a certified copy of certain resolutions of the Acquisitions and Finance Committee of the Boards of Directors of the Company; and

(f) such other documents as I have deemed necessary or appropriate as a basis for the opinions set forth below.

The documents referred to in clauses (a) and (b) above shall hereinafter be referred to collectively as the "Transaction Documents."

I am a member of the bar of the State of New York and I do not express any opinion herein concerning any law other than (i) the laws of the State of New York, (ii) the General Corporation Law of the State of Delaware, and (iii) based solely on the certificates and telegrams from public officials in Wisconsin, Florida, California and Ohio (the "Foreign Jurisdictions") with respect to the opinions herein regarding valid incorporation and good standing of Eastbay, Inc. (a Wisconsin corporation), Robby's Sporting Goods, Inc. and Team Edition Apparel, Inc. (both Florida corporations), The Richman Brothers Company (an Ohio corporation) and The San Francisco Music Box Company (a California corporation).

Please note that I am not admitted to practice in the Foreign Jurisdictions, and am not an expert in the laws of any such jurisdictions.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, I am of the opinion that:

1. Each Subsidiary Party has been duly incorporated and is validly existing and in good standing under the laws of the jurisdiction of its incorporation.

2. Each Subsidiary Party has the corporate power and authority to (i) carry on its business as described in the Company's 1997 Form 10-K and (ii) execute, deliver and perform all of its obligations under each of the Transaction Documents to which it is a party, and in the case of the Co-Applicants, to incur reimbursement obligations with respect to letters of credit issued thereunder. The execution and delivery of each of the Transaction Documents by each Subsidiary Party which is a party thereto and the consummation by each Subsidiary Party of the transactions contemplated thereby have been duly authorized by all requisite corporate action on the part of each Subsidiary Party.

3. Each of the Transaction Documents has been duly executed and delivered by each of the Subsidiary Parties which is a party thereto.

4. The execution and delivery by each Credit Party of each of the Transaction Documents to which it is a party and the performance by each Credit Party of its obligations under each of the Transaction Documents, each in accordance with its terms, do not (i) constitute a violation of or a default under any Applicable Contracts (as hereinafter defined) or (ii) cause the creation of any security interest or lien upon any of the property of the Credit Parties pursuant to any Applicable Contracts. I do not express any opinion, however, as to whether the execution, delivery or performance by any Credit Party of the Transaction Documents will constitute a violation of or a default under any covenant, restriction or provision with respect to financial ratios or tests or any aspect of the financial condition or results of operations of any Credit Party as set forth in the Transaction Documents, the Applicable Contracts, or otherwise. "Applicable Contracts" mean those agreements or instruments which are material to the business or financial condition of the Credit Parties, taken as a whole.

5. There is no action, suit or proceeding pending against, or to the best of my knowledge threatened against or affecting, any Credit Party before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Effect.

This opinion is being furnished only to you and is solely for your benefit and is not to be relied upon by any other Person or for any other purpose without my prior written consent, provided, however, that any Assignee that becomes a Bank pursuant to Section 9.06(c) of the Credit Agreement may rely on this opinion as if it were addressed to such Assignee and delivered on the date hereof.

Very truly yours,

Schedule I to
General Counsel Opinion

Banks

The Bank of New York

Schedule II to
General Counsel Opinion

Subsidiary Guarantors

Eastbay, Inc.
eVenator, Inc.
Foot Locker Japan, Inc.
Northern Reflections Inc.
Retail Company of Germany, Inc.
The Richman Brothers Company
Robby's Sporting Goods, Inc.
Team Edition Apparel, Inc.
The San Francisco Music Box Company
Venator Group Corporate Services, Inc.
Venator Group Holdings, Inc.
Venator Group Retail, Inc.
Venator Group Sourcing, Inc.
Venator Group Speciality, Inc.

Schedule III to
General Counsel Opinion

Co-Applicants

Venator Group Retail, Inc.
Venator Group Specialty, Inc.

Exhibit C

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, _____ among [ASSIGNOR])the "Assignor") and [ASSIGNEE] (the "Assignee").

WITNESSETH

WHEREAS, this Assignment and Assumption Agreement (the "Agreement") relates to the Letter of Credit Agreement dated as of March 19, 1999 among Venator Group, Inc., the Co-Applicants party thereto, the Banks party thereto and The Bank of New York as Agent (as further amended from time to time, the "Credit Agreement");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to participate in Letters of Credit issued for the account of the Applicant or any Co-Applicant in an aggregate amount at any time outstanding not to exceed $ _____; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its Commitment thereunder in an amount equal to $ _____1/ (the "Assigned Amount"), together with a corresponding portion of its LC Exposure, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein have the respective meanings set forth in the Credit Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment and purchases such rights from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the LC Exposure of the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, the Applicant and the Agent and the payment of the amounts specified in Section 3 hereof required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

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1/ Must be in an amount of not less than $5,000,000 if the Assignee was not a Bank immediately prior to such assignment.

SECTION 3. Payments. (a) As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.2/ It is understood that facility fees accrued to the date hereof in respect of the Assigned Amount are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement or any other Loan Document which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

(b) The Assignor shall pay the $3,500 administrative fee to be paid by it to the Agent pursuant to Section 9.06(c) of the Credit Agreement.3/

[SECTION 4. Consent of the Applicant and the Agent. This Agreement is conditioned upon the consent of the Applicant and the Agent pursuant to Section 9.06(c) of the Credit Agreement. The execution of this Agreement by the Applicant and the Agent is evidence of this consent.]

SECTION 5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Applicant or any other Obligor, or the validity and enforceability of the obligations of the Applicant or any other Obligor in respect of any Loan Document. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of any Obligor.

SECTION 6. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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2/ Amount should combine principal togerher with accrued interest and breakage compensation, if any, to be paid by the Assignee.

3/ Section 3(b) should be deleted if the assignment is required by the Applicant pursuant to Section 8.03 of the Credit Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By

Title

[ASSIGNEE]

By

Title:

[Consented and agreed to:

VENATOR GROUP, INC.

By

Title:

THE BANK OF NEW YORK,
as Agent

By

Title:

EXHIBIT 12

VENATOR GROUP, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)
($ in millions)

	Fiscal Years Ended				
	Jan. 30, 1999	Jan. 31, 1998	Jan. 25, 1997	Jan. 27, 1996	Jan. 25 1995
NET EARNINGS					
Net income from continuing operations	$ 3	$ 213	$ 209	$ 29	$ 23
Income tax expense (benefit)	(42)	120	139	34	41
Interest expense, excluding capitalized interest	57	36	53	91	85
Portion of rents deemed representative of the interest factor (1/3)	180	163	162	157	150
	$ 198	$ 532	$ 563	$ 311	$ 299
FIXED CHARGES					
Gross interest expense	64	36	53	91	85
Portion of rents deemed representative of the interest factor (1/3)	180	163	162	157	150
	$ 244	$ 199	$ 215	$ 248	$ 235
RATIO OF EARNINGS TO FIXED CHARGES	0.8	2.7	2.6	1.3	1.3

Earnings were not adequate to cover fixed charges by $46 million for the fiscal year ended January 30, 1999.

VENATOR GROUP

Positioned to Win

1998 Annual Report

[GRAPHIC]

On June 12, 1998 the Company adopted a new identity, Venator Group, Inc., opening a new chapter in it's history. Venator is inspired by a classical word for "sportsman", one whose energy and skill bring home the prize. The challenge of the marketplace invigorates us; we are driven to set new standards of excellence as we strive to win the global retail game.

While the old name, Woolworth Corporation, served for 118 years, it no longer relfects who we are today. Our new name, Venator Group, embodies those attributes at our core: high-quality performance; teamwork within individual organizations and among the various parts of the business; the universality that connects each team member to colleagues and customers around the world; sportsmanship in the way we work together.

Venator also reflects the energy and spirit behind the active lifestyle that characterize the retail formats we offer to our customers.

Financial Highlights

($ in millions, exept per share amounts)	1998	1997	1996
Sales	$ 4,555	$ 4,612	$ 4,504
Income from continuing operations	$ 3	$ 213	$ 209
Earnings per share from continuing operations (diluted)	$ 0.02	$ 1.57	$ 1.55
Cash and cash equivalents	$ 193	$ 81	$ 197
Merchandise inventories	$ 837	$ 754	$ 617
Capital expenditures	$ 549	$ 249	$ 86
Total assets	$ 2,876	$ 2,798	$ 2,807
Debt, net of cash	$ 574	$ 446	$ 322
Shareholders' equity	$ 1,038	$ 1,271	$ 1,334
Number of stores at year end	6,002	5,708	5,527

Contents

Designed for Growth

The Aresenal Mall Foot Locker in Watertown, Massachusetts is a high tech, lifestyle-focused multimedia enviornment where the interplay of video, audio and lights create an "urban playground". Connected to a redesigned Lady Foot Locer and Kids Foot Locker, the 11,000 square foot concept has been given the 1998 International Store Design Award sponsored by the Institute of Store Planners and Visual Merchandising & Store Design Magazine.

[GRAPHIC]

Profile of Venator Group
January 30, 1999

	Format	Number of Stores	New or Remodeled Stores (1) Number	%	Range in Size (Selling Square Footage)
Global Athletic Group 3,925 Stores	Foot Locker Athletic footwear and apparel.	1,638	581	35	1,000 - 12,000
	Lady Foot Locker Athletic footwear and apparel.	694	242	35	1,000 - 4,000
	Kids Foot Locker Athletic footwear and apparel.	369	273	74	1,000 - 4,000
	Foot Locker International Athletic footwear and apparel.	494	238	48	1,000 - 5,000
	Champs Sports Athletic footwear, apparel and equipment.	640	196	31	4,000 - 15,000
	eVenator/Eastbay Internet commerce and direct marketer of athletic footwear apparel and equipment.	--	--	--	--
	Colorado Active outdoor lifestyle footwear and apparel.	61	41	67	1,400 - 4,000
	Going to the Game Athletic licensed apparel.	29	--	--	500 - 1,500
Northern Group 940 Stores	Northern Reflections Exclusive casual apparel for women.	582	226	39	1,500 - 5,000
	Northern Getaway Exclusive casual apparel for children.	194	146	75	1,500 - 2,500
	Northern Elements Exclusive casual apparel for men.	102	71	70	1,500 - 2,500
	Northern Traditions Exclusive dressy non-formal apparel.	62	38	61	1,500 - 2,500
Other Speciality Group 1,424 Stores (2)	Afterthoughts Fashion jewelry, accessories, cosmetics and gifts.	773	128	17	800 - 2,000
	Randy River Trendsetting apparel and accessories.	67	20	30	1,000 - 1,800
	San Francisco Music Box Unique musical giftware.	168	15	9	800 - 1,500
	Weekend Edition Exclusive casual apparel for women.	109	82	75	1,000 - 2,500
	Williams/Mathers/Jensens Family shoe stores.	307	73	24	1,200 - 2,300

(1) New or remodeled during last four years.

(2) Includes open stores in discontinued operations.


[GRAPHIC]

A Message from the Chairman

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"Today we are a more focused Company, poised to regain profitable top-line growth momentum in our core businesses."

The year 1998 certainly proved to be difficult for retailers in the athletic industry. Despite the challenges, the year was pivotal for Venator Group. The sale of our German general merchandise business and the closing of our Specialty Footwear operations during 1998 completed the last major component of our repositioning strategy that we began in 1995. It's important to note just how much we have accomplished in the last four years. We eliminated 27 non-strategic businesses around the world and closed or sold 3,846 stores, generating nearly $1 billion in cash proceeds. We reduced debt, net of cash by 48 percent, from $1.1 billion to $574 million. We upgraded the real estate of our core specialty businesses by designing new store prototypes and opening or renovating over 2,300 stores, representing 38 percent of our total store base. We strengthened our global organization. We consolidated our world-wide distribution center infrastructure from 17 to 7 centers. We significantly improved information systems and we drastically reduced old inventories and operating costs.

However, despite the progress made, our financial performance in 1998 was a disappointment, particularly for our athletic group of stores. A number of issues impacted the year. Some were common to the athletic industry at large, others specific to our operations.

Industry issues included a shift in consumer preferences away from high-end performance footwear, our core strength, to more moderately priced styles. Demand for branded and licensed apparel significantly declined and the industry was saturated with close-out inventories, which led to a highly promotional selling environment. Additionally, the decline in Asian tourism impacted our stores in Hawaii, the West Coast and key European cities.

The internal issues related primarily to an ambitious real estate effort, which recognized an urgent need to modernize our core athletic stores to maintain our competitiveness, as well as take advantage of an unique real estate opportunity relating to 155 new stores at former general merchandise locations.

As 1998 progressed, our real estate team became overwhelmed with projects scheduled for completion. Commendably, they completed over 1,100 of these projects. Nevertheless, new store openings and renovations became delayed, which caused inventories to escalate. This situation forced us to embark on a major inventory reduction program to ensure inventories were positioned properly for 1999, which impacted our profitability.

The good news is that industry inventory levels have stabilized and we are comfortable that the oversupply situation that caused markdowns in 1998 is unlikely to recur in 1999. Innovative, high-ticket products continue to sell extremely well in the marketplace. Enthusiasm for professional sports and the "athletic look" is resurging with the resolution of the NBA lockout and the advent of the Year 2000 Olympics.

Last year, we introduced new store prototypes for seven of our businesses N Foot Locker, Lady Foot Locker, Kids Foot Locker, Champs Sports, Northern Experience, Afterthoughts and Colorado. The new store designs are larger N many are double the size of existing stores, which are undersized by today's standards.

We are filling these new stores with a wider assortment of exclusive and proprietary product, and have implemented an aggressive strategy to work more closely with vendors on exclusive offerings. We want more items like Nike's "Tuned Air" shoe, a Venator Group exclusive that was an instant success and will continue to deliver significant results into 1999.

We created a new company, eVenator, Inc., to provide focused management attention on Internet commerce and direct marketing by leveraging Eastbay's existing infrastructure. Last April, we established an extensive presence on the Internet by creating e-commerce Web sites for Foot Locker, Lady Foot Locker, Kids Foot Locker, Champs Sports and Eastbay. Our Internet sales have been very exciting, encouraging us to proceed in its development as an alternative retail channel.

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[PHOTO]

Today we are a much more focused Company, poised to regain profitable top-line growth momentum in our core businesses. It has been a long haul, but we will look back on 1998 as the year in which we essentially completed our restructuring, enabling us to shift our efforts from fixing a troubled Company to building a dynamic one.

Tremendous growth opportunities exist in the global athletic market, which is expected to reach $150 billion by the year 2001. We have made a significant investment in our Company and now we expect to maximize that investment and to enhance our global market position.

We have identified five priorities for 1999 designed to foster growth and continued success.

1. Generate profitable top-line sales. We are focused on driving sales through our existing store base, with more targeted assortments, fresh inventories and enhanced proprietary brand programs. And we will continue to optimize growth opportunities in the under served women's and children's market in the United States as well as the overall market in Europe.

2. Improve gross margin contribution. We are escalating corporate oversight of receipt flow and inventory management processes and we plan to enhance our promotional product offerings to include value price offerings at full margin. We expect to open 85 percent of our planned new stores by August, minimizing missed sales opportunities and unplanned markdowns and to take advantage of the full fall selling season. And we will utilize our strong supplier relationships to create shorter buying lead times to improve speed to market and reduce fashion risk.

3. Reduce capital expenditures and improve capital productivity. We have targeted capital spending to $175 million, with a greater proportion of the investment allocated to remodeling and relocation than to new stores, improving productivity in markets in which we currently operate. And we will maximize the value of our former general merchandise locations by determining their highest and best use, and when appropriate, sell the properties to supplement our working capital needs.

4. Continue to reduce expenses Company-wide. We are committed to reducing corporate and divisional operating expenses by a minimum of $100 million. We are simplifying our organization to cut corporate costs to one percent of sales by 2001. We have established a Corporate Shared Services division to identify and implement sustainable cost reductions.

5. Build a world-class organization. We are implementing best practice tools for merchandising and training throughout our organization and continue to raise the organizational capability bar with existing and new talent.

Venator Group stands on the threshold of an exciting future. Our 75,000 passionate associates have worked hard to create a solid financial and operational foundation that will begin to payoff in 1999. We can not thank them enough for their efforts.

We are moving into a new phase, one that will see us focus more closely on the quality of the shopping experience consumers have in our stores. We are unified by a single, clear sense of our mission and what it takes to succeed. Every store and employee is vital to that success. The entire organization is finally moving in the same direction, together as an integrated, global company.

/s/ Roger N. Farah
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Roger N. Farah
Chairman of the Board and Chief Executive Officer

April 14, 1999

A Message from the President

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"...We continued a cycle of investment in our business, committing nearly $1 billion over the past four years to new stores, remodels and infrastructure."

Venator Group faced many challenges in 1998. Nevertheless, we succeeded in reaching our repositioning goals designed to focus the Company strategically on its most productive specialty retailing operations. These multi-faceted programs required significant Company resources in terms of personnel, expense and time. We now can more narrowly focus on our remaining businesses, particularly our industry-leading athletic group of retail stores.

During 1998, we undertook a number of significant asset sales and dispositions, including the sale of our 357 store German general-merchandise operations. It took three years and a great deal of effort to turn this business from a loss to a profit maker. Venator's commitment to bringing Germany back to profitability yielded net proceeds of $495 million.

As part of our repositioning to focus on the athletic footwear and apparel categories, we moved out of the Specialty Footwear business, shutting down 467 Kinney Shoe stores and 103 Footquarters stores in the United States. After taking a good hard look at the long term viability of the business it became clear that neither Kinney nor Footquarters would return to profitability in the near future or meet our stated standard for return on investment. The discontinuance resulted in an after-tax charge of $160 million, or $1.18 per share.

Other non-strategic asset actions in 1998 included the sale of six full-line Garden Center nursery stores in California, and the shut-down of the 83 store Canadian Kinney Shoe operation, the 11 store Randy River specialty store operations in the United States and the Eagle Rock Factories in the United States that served Kinney and Footquarters.

Finally, at the end of 1998, we sold our Corporate Headquarters, the historic Woolworth Building in New York, for $137.5 million in gross proceeds. The building remains our corporate headquarters, as it has been since its construction in 1913, although we are now occupying four floors versus eight.

In 1998 we continued a cycle of investment in our business that began four years ago, committing nearly $1 billion over that period to new store openings, remodels and relocations, a redefined logistics infrastructure, and developing entirely new information systems and processes. Last year, we invested $549 million in capital expenditures, $417 million of which was for 1,110 new and remodeled/relocated stores. We also closed 343 underperforming stores from continuing operations. By the year 2001, more than 50 percent of our stores will be less than four years old.

We also acquired Athletic Fitters, a mall-based athletic footwear and apparel retailer with 94 stores in 17 Midwestern and Western states. This was an excellent fit to our existing athletic business. Almost half the Athletic Fitters stores are located in key secondary markets not currently served by a Foot Locker store. In malls where both Foot Locker and Athletic Fitters have stores, we converted the acquired store to a new larger Foot Locker and used the existing location for either a new Lady Foot Locker or Kids Foot Locker.

The closing of our Specialty Footwear operations provided a unique opportunity to further develop our outlet strategy with additional real estate. We have taken 29 former Footquarters locations and 40 existing Foot Locker and Champs Sports outlet stores and launched a new outlet strategy that provides us with a new avenue to clear aged product. More importantly, the outlet strategy will keep our concept stores filled with fresh, trend-setting merchandise.

These new outlet stores round out our range of retail formats in two important ways. First, by offering quality products for the more value-conscious consumer, we are broadening our customer base. At the same time, it provides us with an opportunity to compete in the increasingly important off-price segment of the athletic business.

Our primary logistics project in 1998 was the construction of a 250,000 square foot European Distribution Center in Heijen, the Netherlands, which opened in March 1999. This new state-of-the-art facility will have a major impact on how we do business across Europe. Currently,

[PHOTO]

we have 281 stores in Europe and that number is expected to grow significantly during the next several years. The center employs PkMs, a pick management system that tracks the receipt of all goods, which will improve service levels to our stores. Its cross-dock functionality will allow us to keep a constant flow of fresh, new product into our stores within days, not weeks, of receipt.

In North America we have streamlined our warehouse operations down from 14 to 5 facilities. Our largest center in Junction City, Kansas supports the "Lockers." Maumelle, Arkansas is the home of our Champs Sports facility; Wausau, Wisconsin is domicile for Eastbay; Milton, Ontario supports the Northern Group; while Afterthoughts and San Francisco Music Box utilize a facility located in Milwaukee, Wisconsin. PkMs has been installed in the Milton facility and the next implementation of PkMs is scheduled at Junction City this winter.

Less visible than our real estate work is the continued investment in new information systems to make us more competitive. Including 1999, in the last three years we will have invested $160 million to upgrade system applications, including merchandising, buying, logistics, human resources, and finance.

We also launched Merchandise 2000, or M2K, as a pilot program at Foot Locker. M2K allows us to reinvent and streamline our merchandising processes and to get most-wanted merchandise to our customers faster than ever before.

M2K is an integrated and standardized merchandising process that transforms the way goods are purchased, distributed and merchandised throughout the chain. It transforms us into a more analytical, fact-based organization. Here's how M2K works: each of Foot Locker's 14 buyers is teamed with a strategic planning counterpart and a distribution specialist to work together toward mutual goals and objectives. The buyer focuses on product and building the assortment; the planner focuses on the analytical and planning side of the business; the distributor ensures that the assortment is in the correct locations in proper depth. Together they make sure that assortment plans are more formally linked to Foot Locker's financial and merchandise strategy objectives.

M2K ensures that everyone is working the same way at every step of the process. It forces merchants to take a more proactive approach to trends affecting Foot Locker customers. This emphasis on planning ahead enables us to work more closely with vendors at the front end, resulting in more focused assortments, more singular presentations and more trendy merchandise.

We expect the M2K process to contribute to improved financial performance through stronger sales, healthier margins and faster inventory turns.

Continuing Venator's quest to rationalize and simplify our operations N and reduce costs N we created a Corporate Shared Services Division. This group identifies issues that are common across all operating divisions, so that standard procedures and solutions can be transmitted and implemented. We expect that this and other cost control strategies will reduce corporate expenses by $100 million in 1999.

True to the spirit of sportsmanship embodied by our name, Venator did not lose sight of its goals through this year's difficult and often daunting course of events. We have emerged leaner, fitter, smarter and poised to regain profitable top-line growth in our core businesses.

/s/ Dale W. Hilpert
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Dale W. Hilpert
President and Chief Operating Officer

April 14, 1999

Global Athletic Group

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Foot Locker
- -----------

Foot Locker has been a team player with American youth for nearly 25 years. We help them enjoy their active lifestyles with products that are always fresh and new. And they've rewarded us with a loyalty that has made Foot Locker's 1,638 stores America's number one store for athletic footwear and apparel.

Our new Foot Locker concept stores have forward-looking appeal. Their high-tech, high-impact industrial look communicates energy and excitement. Some have oversized video walls and ceiling-suspended monitors that play a range of product-oriented music videos and inspirational imagery.

As our core 13 to 19 year old customers apparel needs change, we are evolving with them through an ambitious three-tier apparel strategy:

The first tier capitalizes on the popularity of the brands, featuring an expanded assortment of athletic inspired apparel from Nike, Adidas, Reebock and others, which incorporate the latest styles and technologies as well as products made exclusively for Foot Locker.

Second, we've leveraged the Foot Locker name and logo to a new line of Foot Locker Basics - long and short sleeve t-shirts, shorts, nylon windwear, fleece and polar fleece tops and bottoms, all at very attractive price points. When our customers need to coordinate exclusive basic apparel with footwear, they won't have to go anywhere else to find them. With exclusive apparel, Foot Locker is building its own brand equity as it increases the size, breadth and depth of important targeted items.

The final tier, and our most fashion-forward program, features new trending brands that have instant consumer acceptance not only in urban markets but across main street USA.

We are linking the Foot Locker name with some of the most respected and popular brands through exclusive licensing agreements. Foot Locker is designing, manufacturing and retailing a new exclusive Champion Footwear line in categories such as running, tennis, basketball, and cross training.

Our customers are responding enthusiastically. Foot Locker's exclusive launch of Nike's Tuned Air footwear line - which employs a new technology that offers unprecedented cushioning and stability - has been selling at an accelerated rate.

Our new expanded store allows us to layer in additional assortments, providing new technology, fashion and value.

[PHOTO]
Photo caption: The Foot Locker brand, among the most broadly recognized specialty retail brand in the world, enjoys a 97% name recognition.

[FOOT LOCKER LOGO]

o Foot Locker offers the latest in technical performance and athletic inspired products, both branded as well as private label.

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[PHOTO]

Photo caption: Exclusive product launches like Nike's Tuned Air are generating consumer excitement and differentiating Foot Locker from its competitors.

[LADY FOOT LOCKER LOGO]

o Lady Foot Locker is the premier retailer of athletic footwear, apparel and related products for today's active woman.

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Lady Foot Locker
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There's a new energy today at Lady Foot Locker. Women shop confidently with us because we offer them products that help them achieve their personal best.

Our 694 stores across the United States, Hawaii and Puerto Rico is the only national specialty store chain that specializes in women's athletic footwear and apparel for a variety of sports including running, basketball and aerobics, cross-training, walking and tennis. We also offer a distinctive selection of accessories such as socks, bags, sports bras, headbands, backpacks, caps and visors.

Lady Foot Locker offers the largest assortment of major brands, including Nike, Reebok, Adidas, New Balance, K-Swiss, DKNY, Fila, Saucony, Ryka, Asics, Champion, and Converse, as well as our own popular Actra brand.

Women's participation in sports and fitness is growing. In 1972, 1 in 27 girls played high school sports. Today that ratio is one in three.

Our sales associates are trained to bring a personal perspective to their work. Many are athletes who know and understand women's athletic needs. Our customers can rely on this expertise to help select the right products to give them optimum performance.

Our customers have also come to rely on the success of our growing range of exclusive apparel that not only fits their active lifestyle, but also color coordinates with their footwear purchase.

Lady Foot Locker recognizes that even though our customers have an active lifestyle, they appreciate a relaxed shopping experience. The new Lady Foot Locker store prototype takes a decidedly calmer approach, creating a soothing, spa-like shopping environment that speaks to our customers' physical and emotional well-being.

With double the sales space of the earlier format, the prototype unit presents an expanded array of product lines, including an attractive assortment of bath and body products, as well as branded eyewear, watches, exercise bags and accessories.

Marking an even more dramatic departure from its traditional offerings, the new Lady Foot Locker concept presents health-conscious women with a wide selection of exercise and fitness literature, including videos, books and magazines.

Lady Foot Locker is proud of our customers' loyalty and confidence. Our brand is dedicated to serving them as a complete athletic store for women.

[GRAPHIC]

[PHOTO CAPTION]

Over 50% of Lady Foot Locker merchandise is unique to our stores, an accomplishment made possible by strong supplier relationships.

[KIDS FOOT LOCKER LOGO]

- Kids Foot Locker offers the largest selection of exclusive brand name and proprietary merchandise for infants, boys and girls.

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Kids Foot Locker

Every parent knows how active even the youngest kids can be, and at Kids Foot Locker, we want to make sure children get the most out of their active young lives.

Kids Foot Locker is the only national specialty store for children's athletic footwear and apparel, with 369 stores in the United States, Hawaii and Puerto Rico. We've successfully leveraged Foot Locker's world-class format to satisfying the need for children's shoes. Our customers expect something special at Kids Foot Locker. We have the exciting new technology, fashion and value that only a market leader can provide.

This year, Nike and Adidas have created new technology for first walkers that will launch exclusive to Kids Foot Locker. We want customers to start at our store and stay with us as their children grow. Unlike many chains where the parent fits the shoe to their child's foot, we offer both exciting products and superior service that build customer loyalty. Our sales people are highly trained to fit the children and to interact with both children and parents.

No other specialty retailer can match our unique assortment of shoes for kids, including brands such as Nike, Reebok, Adidas, Fila Airwalk, Vans and Skechers. We even sell canvas casuals, sandals, boots and other lifestyle footwear for kids from the major athletic brands.

Clothing at Kids Foot Locker includes branded and licensed wind suits, outerwear, fleece, T-shirts, shorts, skirts, infant wear, caps, socks, plus backpacks and sports duffels and a full line of shoe care accessories. Our popular line of replica jerseys feature NFL, NBA and Major League Baseball logos.

This year we launched a baby boom all our own with our new, larger Kids Foot Locker store prototypes. The design evokes a child's fantasy toy closet, with oversize models of sports equipment in bright colors placed throughout the store. The motif adds lots of excitement to the many colorful displays.

The new stores also feature a cushioned area for jumping and an in-store video system that shows kaleidoscopic images of the merchandise sold in the store. It's all part of our strategy to make shopping a fun experience for kids.

At Kids Foot Locker, kids are every bit as important to us as their parents. We want them to enjoy authentic athletic product that is always appropriate to their age and needs. We know that if we serve them well, they will be Foot Locker customers for life.

[PHOTO]
Photo caption: Our store portfolios are distinctive, such as Kids Foot Locker where tailored merchandise assortments and unique store environments specifically target today's youth.

Foot Locker International

At Foot Locker International we've learned that people around the world are more alike than different. When it comes to casual active lifestyle footwear and apparel, Foot Locker International speaks a universal language.

We've succeeded in becoming the largest international athletic and active lifestyle specialty retailer by offering our customers consistent high-quality assortments in all our markets. Foot Locker International today has nearly 500 stores in 13 countries: Canada, Australia, Japan, Austria, Belgium, Denmark, England, France, Germany, Italy, Luxembourg, the Netherlands and Spain.

Our international customer looks to us for classic styles from Adidas, Nike and other leading manufacturers, as well as popular regional brands such as Buffalo in Northern Europe. And we're complementing this core business with new offerings from Foot Locker Basics and other exciting exclusive products.

Internationally, Foot Locker continued to build momentum in 1998. We implemented a completely new software system that directs all major warehouse operations, enabling us to deliver a constant flow of fresh, new product to stores within days of receipt. It was piloted in our Canadian service center and is next being introduced in Europe. And we implemented standard operating procedures across the division, ensuring consistency and quality throughout.

In Europe we expanded to Austria and Denmark, bringing our total number of European stores to 281. We also put the finishing touches on our new European Service Center in Heijen, The Netherlands. This facility revolutionizes our warehousing, fulfillment and customer service capabilities on the continent, and provides the infrastructure for our continued growth.

Foot Locker Australia modernized and expanded 4 stores and opened 8 additional units in the larger prototype, for a total of 56 units. Foot Locker Japan opened its fifth store, in Osaka, heralding the chain's first expansion outside Tokyo.

Foot Locker Canada continued a strong pace of store openings and remodelings, and introduced several marketing initiatives with strong regional appeal, such as a special order program that allows shoppers to buy hockey and football jerseys in selected locations.

Foot Locker is truly a global success story. Our distinctive black-and-white striped logo symbolizes the spirit of sportsmanship around the world. We have succeeded because we continue to connect our customers to the attributes of achievement, through products whose appeal transcends national boundaries.

[GRAPHIC]

Australia 56
Austria 4
Belgium 11
Canada 152
Denmark 1
England 30
France 32
Germany 88
Italy 48
Japan 5
Luxembourg 2
Netherlands 40
Spain 25

[PHOTO]

Photo caption: Our worldwide staff, including those in our recently opened downtown Tokyo store, are trained to ensure that all customers receive prompt, personalized attention.

[FOOT LOCKER LOGO]

- Foot Locker International takes the spirit of our American brand worldwide offering the latest in athletic inspired products.

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[PHOTO]

Photo caption: We have been international since 1909. Every store in our real estate network, such as this store in Osaka, Japan, provides us with the ability to better understand and respond to regional and worldwide differences in consumer tastes and fashion trends.

[CHAMPS LOGO]

o Champs Sports offers the latest in both branded and exclusive label athletic footwear, apparel and sporting goods.

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Champs Sports
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Sports is serious fun at Champs Sports. We provide enthusiasts of all kind -- from the active participant to the all-important athlete -- with the latest trends in authentic sports-oriented lifestyle apparel, footwear and equipment.

Our key customers, 12 to 25 year old males, view sports as a social activity as well as a competitive one. To better serve them, our product mix includes sports merchandise, with a selective range of athletic equipment offerings. This enables us to drive customer interest by keeping stores filled with fresh concepts in athletic inspired activewear.

The new Champs Sports stores reflect this positioning. They recreate the look of an old-fashioned gymnasium, with leather-like wrapped poles, large gym-style windows and floors with both wood and concrete textures. Giant photo murals show people having fun while participating in recreational sports.

Since one-third of our customers are women, the new stores also feature our first-ever women's department. With an emphasis on fitness, they feature a broad assortment of apparel for running and exercise.

We've also tripled the amount of store space devoted to footwear, with greater emphasis on running styles as well as basketball and casual shoes.

Champs Sports now stocks more national and private brand goods in all apparel categories. Along with flagship national brands such as Nike, Adidas and Reebok, customers have a greater choice of goods bearing our own brand names.

In addition to our popular Champs Sports line, we launched a new exclusive label this year, called O.U.T., for Outdoor Urban Terrain. The O.U.T. line features technically sound, functional apparel ranging from fleece tops and bottoms to jackets and backpacks.

We've narrowed our mix of sports equipment, with a more dominant presentation of hardlines like fitness equipment, but with fewer categories in a smaller area. Our new stores employ cross-merchandised vignettes, bringing together hardlines, apparel and footwear to create a total sports story.

We're telling our story to consumers through our first-ever national television campaign, "Champs Cam," which launched in August 1998, just in time for the back-to-school season. Catering to our hip, young and predominately male audience, the commercials feature a video technique sometimes used in sports broadcasting that enables viewers to become part of the action. The ads feature merchandise from Nike, Adidas and Reebok, as well as the new O.U.T. brand.

Our new identity is summed up by the campaign's tag line: "Champs Sports: When you really live sports."

[PHOTO]
Photo caption: Shoppers can find the coolest sports gear at Champs Sports which features the hottest brands, latest blades and boards and great accessories too.

[EASTBAY LOGO]

- Eastbay is the largest direct marketer of athletic goods through catalogs and the internet.

[COLORADO LOGO]

- Colorado offers top quality name brand and exclusive merchandise for the active outdoor consumer.

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eVenator and Eastbay

In March 1999 eVenator, Inc. was formed to assemble a strong internet business, building on the core distribution competencies we have in Eastbay, the leading direct marketer of athletic footwear, apparel and equipment.

eVenator provides focused management to accelerate the development of our direct marketing effort via the Internet, where last April we launched five Websites featuring items for sale from the Eastbay catalog as well as from the three Foot Locker formats and Champs Sports. These commercial sites are far beyond anything yet seen in the retail sports community.

Internet sales represent an enormous growth opportunity for Venator Group's retail concepts, particularly among our target consumer. Eastbay is one of the few direct marketers that can provide security, online verifications of inventory availability and a real-time shopping experience.

Acquired in 1997, Eastbay's distinctive full color catalogs market a broad selection of athletic products primarily to 12 to 24-year olds who participate in organized athletics. Eastbay has an active list of over 10 million households and will mail 80 million catalogs in 1999. Ninety-five percent of approved orders ship within 24 hours of receipt, with 99 percent accuracy. Our 82,000 stock-keeping units offer the industry's largest assortment of sports-specific products.

Eastbay's direct marketing expertise strengthens our bonds with customers by providing insight into their needs and giving us more opportunities to engage them.

Colorado

Colorado appeals to the active outdoor enthusiast of every age and ability. Our stores offer technically inspired performance sportswear, footwear and accessories with an emphasis on quality construction, functionality and exclusivity. Colorado features leading brand names such as The North Face and Timberland, as well as Colorado branded goods.

In the past year, Colorado has developed a wide range of exclusive assortments across a number of categories. These complement existing brand-name goods and offer customers more choice and better value.

Our manufacturing processes use the latest technology. An innovative product data management software system lets developers at Colorado electronically design and e-mail factory ready specifications to manufacturers overseas without leaving their desks.

This ensures quality and builds value into all Colorado products.

[PHOTO]

Photo caption: Young athletes who know what they need to perform and reach their goals turn to Eastbay for a wide array of products.

[PHOTO]

Photo caption: Colorado's innovative store environment projects the authenticity of Colorado's own brand label and showcases an impressive assortment of leading brands.

Northern Group

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Northern
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The Northern Group is a Canadian-based casual apparel chain with 940 stores in major shopping malls across Canada and the United States. We offer quality exclusive merchandise at excellent prices in four distinct retail concepts:

Northern Reflections, a leader in women's casual outdoor clothing, is committed to delivering a unique range of classic, functional yet moderately priced apparel. Our attractive product mix and outstanding customer focus builds strong relationships with our core customers, 25 to 45 year old suburban family-oriented women.

We clearly communicate our customer-oriented philosophy in the "Satisfaction Guarantee" posted in every store. Northern Reflections offers an unconditional commitment on all garments, an assurance of quality, an exceptional level of customer service and unparalleled value.

Northern Getaway carries lifestyle apparel for kids, reflecting the fun and excitement of the outdoors. Northern Getaway targets the children ages 6 to 12 of our adult Northern customer, with an emphasis on back-to-basics value.

All Northern Getaway garments are designed to play hard and look great, made to fit better and last longer. Most are preshrunk or shrink-resistant and come with our unconditional guarantee.

Our store image captures fond memories of "The Great Outdoors." Design elements such as a tree house, cabins, bunk beds, "outhouse" changing rooms, trees, tents and raft-ing table, depict fun and adventure.

Northern Traditions caters to the professional woman with coordinates for dressy, non-formal occasions. Many of our customers also shop at Northern Reflections. Our classic, timeless, yet pleasantly contemporary product styling offers customers a fashion solution for the dressy part of their wardrobe. A consistent value package and superior service supports our Traditional Values Guarantee.

Northern Elements extends the Northern concept to menswear. Our typical customer is the twenty-plus suburban male, often the counterpart of the Northern Reflections shopper. We feature high-quality clothing for everyday and casual Friday that embodies the spirit of the North American outdoors.

In 1998, The Northern Group launched a new retail format, "The Authentic Northern Experience." It unites our four concepts N Northern Reflections, Northern Getaway, Northern Traditions and Northern Elements N in a single, contiguous mall space, providing greater cross-shopping opportunities and operating efficiencies.

[PHOTO]

Photo caption: Our new Authentic Northern Experience stores, ranging in size up to 10,000 square feet, provide one-stop shopping for the entire family.

[NORTHERN REFLECTIONS LOGO]
[NORTHERN GETAWAY LOGO]
[NORTHERN TRADITIONS LOGO]
[NORTHERN ELEMENTS LOGO]

- Northern offers a unique range of exclusive casual apparel for men, women and children.

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[PHOTO]

Photo caption: Unique Northern merchandise, featuring detailed embroidery and silk screening, are sought by our loyal, family-oriented consumer.

Other Specialty Group

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Afterthoughts
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For the latest in fashion accessories and personal care products, today's young shopper visits Afterthoughts. Our 773 stores offer an assortment that is all our own. We design most of our merchandise in-house and roll it into every store on a monthly basis: jewelry, fashion accessories, cosmetics, bath and body products and gifts. Always fresh, and in the cutting-edge styles teens and pre-teens demand.

This year we quadrupled the space devoted to our successful exclusive bath and body product line. We now offer four distinct private brands, all originated by Afterthoughts' product-development team. Each brand has its own image to address the needs of the various age groups that shop the stores: Princie, for our youngest customer; Cuddle Club, for preteens; Rain Dance, for 13 to 19 year-olds; and a new aromatherapy line for older teens and "young" thinking moms.

Afterthoughts builds customer loyalty through its fun, casual shopping environment. We provide ample try-on zones and extra services such as free ear piercing. Our sales associates actively advise customers on their fashion choices, fostering confidence, trust and repeat visits.

The new millenium store concept adds dramatic street appeal. It embodies the excitement of being backstage at a rock concert. Against a backdrop of music videos that complement the merchandise, the "creating a show" theme reflects the customer's sense of creating a look just for herself. Currently in 121 stores, we are adding 50 more in 1999.

These new stores nearly double our square footage and enable Afterthoughts to serve to our primary female audience better while offering an inviting environment to our growing number of male customers. Our combination of fashion-right and constantly new product in a distinctive, destination shopping environment makes Afterthoughts the fashion headquarters for America's trend-conscious teens.

San Francisco Music Box
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Discerning shoppers across America rely on The San Francisco Music Box and Gift Co. for unique gift items for home and office.

In 1998 we expanded our product assortment for stronger year-round appeal, adding general gift mer chandise to our signature musical gift items; and we changed our name to signal this new broader focus to customers.

We now offer a range of home-decor and tabletop accessories, such as fine glassware, candles and potpourri, chosen to fit our customers' casual, eclectic lifestyles. A new line of gifts for men, featuring a range of golf-related and desktop items, lets customers do more shopping with us. Exclusive merchandise based on national licenses plays a growing role in our product mix. In 1998 we added exclusive items featuring the Muppets characters and Raggedy Ann and Andy to our other licensed exclusives such as Betty Boop and National Geographic. Our expanded product range, flexible store formats and emphasis on exclusive merchandise position us well in the specialty gift category.

[PHOTO]

Photo caption: "Backstage" make up tables at our new Afterthoughts millennium stores provide interactive excitement and fun for teens. [PHOTO]

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[AFTERHOUGHTS LOGO]

- Afterthoughts offers the latest in fashion jewelry, accessories, cosmetic and gifts for today's pre-teen, teenage girls, and young women.

[SAN FRANCISCO MUSIC BOX LOGO]

- The San Francisco Music Box specializes in unique musical giftware in an enchanting shopping environment.

[PHOTO]

Photo caption: Afterthought's bath and body products, cosmetics and fashion accessories provide today's trend-conscious teens with what they are looking for, showcased in a distinctive shopping environment.

[PHOTO]

Financial Report

Sales
(in billions)

94	$ 4.5
95	4.4
96	4.5
97	4.6
98	4.6

Debt, net of cash
(in millions)

94	$1,104
95	597
96	322
97	446
98	574

Income from Continuing Operations
(in millions)

94	$ 23
95	29
96	209
97	213
98	3

Capital Expenditures
(in millions)

94	$ 116
95	70
96	86
97	249
98	549

Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company operates in two reportable business segments, the Global Athletic Group and the Northern Group. The Global Athletic Group is the largest athletic footwear and apparel retailer in the world, whose major formats include Foot Locker, Lady Foot Locker, Kids Foot Locker, Champs Sports and Colorado. The Global Athletic Group also includes Eastbay, the largest direct marketer of athletic footwear, apparel and equipment in the United States. The Northern Group consists of four apparel formats: Northern Reflections, Northern Traditions, Northern Getaway and Northern Elements. The remainder of the Company's operations are grouped in the "All Other" category, which includes the Afterthoughts format and The San Francisco Music Box and Gift Company. In the third quarter of 1998, the Company discontinued its Specialty Footwear and International General Merchandise segments and, accordingly, prior year financial information has been restated.

A summary of sales by segment, after reclassification for disposed operations (representing businesses closed other than the discontinued businesses) is as follows:

(in millions)	1998	1997	1996
Global Athletic Group	$3,753	$3,746	$3,622
Northern Group	415	455	426
All Other	383	380	383
Disposed operations	4	31	73
	$4,555	$4,612	$4,504

A summary of operating results (excluding corporate expense, corporate gains on real estate, interest expense and income taxes) by segment, reconciled to income (loss) from continuing operations before income taxes, is as follows:

(in millions)	1998	1997	1996
Global Athletic Group	$ 12	$ 376	$ 466
Northern Group	(26)	40	42
All Other	10	3	(1)
Operating profit (loss) from ongoing operations	(4)	419	507
Disposed operations	17	(1)	(49)
Total operating profit	13	418	458
Corporate expense, net	8	50	60
Interest expense, net	44	35	50
Income (loss) from continuing operations before income taxes	$ (39)	$ 333	$ 348

Sales

Sales of $4,555 million in 1998 decreased 1.2 percent from sales of $4,612 million in 1997, reflecting the impact of 294 additional stores offset by a comparable-store sales decline of 5.5 percent. The impact of foreign currency fluctuations and disposed operations did not have a significant impact on sales in 1998.

Sales of $4,612 million in 1997 increased 2.4 percent from sales of $4,504 million in 1996, reflecting the impact of 181 additional stores, offset by a comparable-store sales decline of 4.0 percent. Excluding disposed operations and the effect of foreign currency fluctuations, 1997 sales increased by 4.4 percent as compared with 1996.

The 1997 reporting year included 53 weeks compared to 52 weeks in the 1998 and 1996 reporting years. The impact on sales and operating results of the additional week was not significant to 1997.

RESULTS OF OPERATIONS

Difficult industry trends as well as internal issues impacted the 1998 financial results. The industry witnessed a major fashion shift away from high-end athletic footwear to more moderately priced footwear, as well as weak branded and licensed apparel sales. Internal factors contributing to the decline include delayed store openings that resulted in escalating inventories and increased markdowns.

Gross Margin

Gross margin declined to 26.8 percent in 1998 compared to 32.2 percent in 1997 primarily reflecting aggressive markdown activity in order to clear excess or slow-selling inventory. The effect of taking these markdowns was to position inventories properly for the upcoming year, and to enhance the Company's competitiveness. Gross margin in 1997 remained consistent compared to 32.9 percent in 1996.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") increased by $158 million in 1998 compared to 1997. The increase was primarily attributable to the

incremental costs related to additional stores. SG&A also included a $28 million before-tax ($17 million after-tax) asset impairment charge; the 1997 charge was not significant. SG&A in 1997 increased by $33 million as compared with 1996; however, as a percentage of sales, SG&A remained consistent.

Corporate expense totaled $90 million, $62 million and $60 million for 1998, 1997 and 1996, respectively. The 1998 increase was attributed to several factors, including $16 million for the installation of the Company's comprehensive information computer system ("ECLIPSE") and Y2K costs of $3 million. In addition, costs associated with reducing the size of the corporate office were $3 million. Corporate income totaled $82 million in 1998 and $12 million in 1997, representing income on sales of corporate properties and the sale of a vacant distribution center in 1997. Included in 1998 is income of $73 million, representing the portion of the gain recognized in the current year on the sale of the corporate headquarters, the Woolworth Building.

Operating Results

Operating profit declined to $13 million in 1998 compared to $418 million in 1997. Ongoing operations reported a loss of $4 million in 1998 as compared with a profit of $419 million in 1997.

These declines in 1998 resulted from decreases in gross margin, primarily in the Global Athletic Group. Operating results for 1998 included a total reduction of $3 million in the 1991 restructuring reserve and the 1993 repositioning reserve; operating results for 1997 included a total reduction of $22 million in these reserves. These adjustments were made to revise original estimates based on actual experience to date. The Company reported operating profit of $418 million in 1997, compared to $458 million in 1996. The decrease was primarily the result of increased markdowns.

Interest Expense, Net

($ in millions)	1998	1997	1996
Interest expense, net of interest income	$ 44	$ 35	$ 50
Weighted-average interest rate (excluding facility fees):			
Short-term debt	6.2%	6.3%	6.1%
Long-term debt	7.7%	8.0%	7.7%
Total debt	7.1%	7.9%	7.5%
Short-term debt outstanding during the year:			
High	$ 695	$ 207	$ 302
Weighted-average	$ 291	$ 22	$ 101

Interest expense, net of interest income, increased by 25.7 percent in 1998 as a result of increased borrowings under the Company's revolving credit facility, which was partially offset by interest income of approximately $7 million related to a franchise tax settlement.

In 1997, interest expense, net of interest income, was 30.0 percent less than in 1996, primarily as a result of lower weighted-average short-term debt and reduced facility fees. Weighted-average short-term debt in 1997 was $79 million, or 78.2 percent, less than in 1996. In early 1997, the Company reduced the amount of its revolving credit facility from $1 billion to $500 million.

Income Taxes

The change in the 1998 effective tax rate compared to the 1997 rate primarily reflected the impact of utilizing available foreign tax credits as a result of the sale of various businesses and assets, offset by the impact of non-deductible items, such as goodwill amortization, and a one-time gain on the surrender of company-owned life insurance policies. The 1997 effective tax rate was 36.0 percent compared to 40.1 percent in 1996, reflecting the change in the valuation allowance principally due to the use of state and foreign tax carryforwards.

Store Count

The Company ended the year with 6,002 stores consisting of 3,925 Global Athletic Group stores, 940 Northern Group stores and 1,137 other stores, which included 773 Afterthoughts stores and 168 San Francisco Music Box and Gift stores. During 1998, the Company opened 651 stores, closed 357 stores (including disposed and sold operations) and remodeled or relocated 459 stores.

Disposed Operations

Disposed operations represents those businesses sold or closed other than the discontinued segments and are therefore included in continuing operations. During 1998, the Company sold its Garden Center nursery business and closed its Randy River stores in the United States and its Ashbrooks stores in Canada as part of its continuing program to exit under-performing businesses. In 1997, the Company disposed of Foot Locker in Hong Kong. In 1996, the Company disposed of the Accessory Lady and Rx Place Drug Mart chains in the United States, the Silk & Satin chain in Canada, the Lady Plus and Rubin chains in Germany and Woolworth Germany's investment in the New Yorker Sud business.

Discontinued Operations

In September 1998, the Company discontinued both its Specialty Footwear and International General Merchandise segments. The Company recorded a third quarter charge of $243 million before-tax, or $160 million after-tax, for the loss on disposal of the Specialty Footwear segment. Major components of the charge include estimated outlays for lease liabilities and other occupancy costs of $91 million, operating losses and other expenses during the shutdown period of $68 million, and severance and personnel costs of $19 million. Non-cash charges included asset and inventory write-downs of $65 million. On October 22, 1998, the Company completed the sale of the general merchandise operations in Germany for gross proceeds of $563 million. The net gain on the disposal of the International General Merchandise segment was $174 million before-tax, or $39 million after-tax. The loss from discontinued operations reflects a $17 million after-tax loss for the Specialty Footwear segment and a $9 million after-tax loss for the International General Merchandise segment through the respective measurement dates.

In 1997, the Company discontinued the Domestic General Merchandise segment and recorded a charge for the disposal of $310 million before-tax ($195 million after-tax). The charge included outlays for lease liabilities and other occupancy costs of $108 million, severance and other personnel related costs of $72 million and non-cash charges to cover asset write-downs of $42 million. Also included in the cost was the charge for liquidation of inventory and other shut down costs. The loss from discontinued operations recorded through July 17, 1997 was $47 million before-tax ($28 million after-tax).

In the fourth quarter of 1998, the Company recorded income from discontinued operations of $8 million after-tax. This adjustment resulted from revisions to estimates due to better than anticipated results in exiting the Specialty Footwear segment and the sale of certain Domestic General Merchandise properties.

Prior year financial statements have been restated to present the operating results of these businesses as discontinued operations.

Segments

The results by segment are as follows:

Global Athletic Group

($ in millions)	1998	1997	1996
Sales	$ 3,753	$ 3,746	$ 3,622
Disposed operations	--	3	12
Total sales	$ 3,753	$ 3,749	$ 3,634
Operating profit from ongoing operations	$ 12	$ 376	$ 466
Disposed operations	--	(1)	(5)
Total operating profit	$ 12	$ 375	$ 461
Sales as a percentage of consolidated total	82%	81%	81%
Number of stores at year end	3,925	3,625	3,421
Selling square footage (in millions)	8.41	6.36	5.53

The Global Athletic Group, the Company's largest segment, includes the Foot Locker businesses: Foot Locker, Lady Foot Locker, and Kids Foot Locker, as well as Champs Sports, Eastbay and Colorado. The Foot Locker formats are located in North America, Europe, Asia and Australia. Champs Sports operates in the United States and Canada. Eastbay, acquired in January 1997, is the largest direct marketer of athletic footwear, apparel and equipment in the United States. Colorado offers top quality brand name and proprietary merchandise designed for the active lifestyle and outdoor customer in the United States and Australia. The Global Athletic Group's sales totaled $3,753 million in 1998, reflecting 300 additional stores offset by a comparable-store sales decline of 6.1 percent. This decline was primarily attributable to a major fashion shift away from high-end athletic footwear, as well as soft branded and licensed apparel sales.

Operating profit from ongoing operations in 1998 was $12 million compared to $376 million in 1997. The decline was primarily a result of lower gross margins due to significantly higher markdowns. Oversupplied inventory and a shift in customer preferences from higher priced footwear, particularly basketball, to lower price point product necessitated the higher than normal markdowns. Additionally, in 1998 the Global Athletic Group recorded a $19 million before-tax ($11 million after-tax) asset impairment charge consistent with the Company's impairment of long-lived assets policy.

In 1997, the Global Athletic Group reported sales of $3,746 million, excluding disposed operations, an increase of 3.4 percent compared to 1996, while comparable-store sales decreased 4.9 percent in 1997. The increase in sales was attributable to 204 additional stores offset by the comparable-store sales decline. Operating profit from ongoing operations in 1997 was $376 million compared to $466 million in 1996. This decline was primarily a result of lower gross margins due to higher markdowns to maintain current inventories.

Northern Group

($ in millions)	1998	1997	1996
Sales	$ 415	$ 455	$ 426
Operating profit (loss)	$ (26)	$ 40	$ 42
Sales as a percentage of consolidated total	9%	10%	9%
Number of stores at year end	940	827	760
Selling square footage (in millions)	1.66	1.34	1.27

The Northern Group consists of four formats: Northern Reflections, Northern Traditions, Northern Getaway and Northern Elements. These stores sell specialty apparel in Canada and the United States, specializing in a range of casual and career apparel for women and casual apparel for men and children. Of the 940 Northern Group stores in operation at year end, 428 stores are in Canada and 512 stores are in the United States. The Northern Group sales of $415 million in 1998 decreased 8.8 percent from 1997 and 11.0 percent on a comparable-store basis. Excluding the impact of foreign currency fluctuations, sales decreased by 5.4 percent. This decline is attributable to the impact of a change in merchandise mix and poor performance of the United States stores due, in part, to the unseasonably warm weather.

Operations in 1998 resulted in a loss of $26 million compared to a profit of $40 million in 1997. This profit decline resulted primarily from increased markdown activity and an asset impairment charge of $7 million before-tax, or $4 million after-tax.

Sales for 1997 increased by 6.8 percent compared to 1996 as a result of the opening of 85 new stores and comparable-store sales gains of 1.9 percent. Operating profit in 1997 was $40 million as compared with $42 million in 1996, primarily resulting from increased occupancy and wage costs associated with additional stores.

All Other Businesses

The Company's remaining businesses are in the "All Other" category, including the Afterthoughts jewelry format, The San Francisco Music Box and Gift Company

format, featuring musical and nonmusical giftware, the Weekend Edition format, featuring women's casual wear and the Randy River format, featuring teen casual wear and accessories.

($ in millions)	1998	1997	1996
Sales	$ 383	$ 380	$ 383
Disposed operations	4	28	61
Total sales	$ 387	$ 408	$ 444
Operating profit (loss) from ongoing operations	$ 10	$ 3	$ (1)
Disposed operations	17	--	(44)
Total operating profit (loss)	$ 27	$ 3	$ (45)
Sales as a percentage of consolidated total	9%	9%	10%
Number of stores at year end	1,137	1,256	1,346
Selling square footage (in millions)	1.00	1.22	1.22

Sales, excluding disposed operations, for 1998, 1997 and 1996 remained consistent for each of the three years. The increase in operating profit from ongoing operations since 1996 was primarily the result of the continued improvement in the Afterthoughts and The San Francisco Music Box and Gift Company formats. The decline in sales from disposed operations in the same periods reflects the divestiture of underperforming formats. Operating results from disposed operations also includes the related shutdown costs of such operations. Disposed operations in 1998 included a $19 million gain on the sale of the Garden Centers nursery business offset by the costs associated with the closing of Randy River stores in the United States and Ashbrooks stores in Canada.

Liquidity and Capital Resources

Cash Flow

Cash used in operations was $11 million in 1998 compared to cash provided by operations of $149 million in 1997. This change reflects the $210 million decline in income from continuing operations in 1998 compared to 1997.

Cash flow from operations of $149 million in 1997 decreased from $331 million in 1996, resulting primarily from the increase in merchandise inventories in 1997.

Cash used in investing activities in 1998 totaled $405 million compared to $377 million in 1997. Cash generated in 1998 primarily includes the proceeds on the sale of the Company's corporate headquarters, the Woolworth Building, of $137.5 million. The cash used in investing activities in 1998 primarily reflects capital expenditures of $549 million, a $300 million increase compared to 1997. The Company's capital expenditures program concentrated on new store openings and remodeling of existing facilities, particularly in the Global Athletic and Northern Groups, which opened in excess of 400 stores. Since 1995, approximately 2,300 stores or 38 percent of the Company's total store base has been opened, remodeled or expanded. Also included in capital expenditures is the cost of the Company's new comprehensive information systems totaling $70 million and $61 million for 1998 and 1997, respectively. Investing activities in 1997 include the acquisition of Eastbay, a leading direct marketer of athletic goods in the United States, for a purchase price of approximately $140 million.

Cash used in investing activities of $377 million in 1997 increased by $321 million compared to 1996, reflecting the Eastbay acquisition and increased capital expenditures in line with the Company's aggressive capital expenditure program.

Cash provided by financing activities increased by $238 million in 1998 compared to 1997, which reflects short-term debt borrowings of $250 million in 1998. Cash used in financing activities of $84 million in 1996 primarily reflects repayments of short-term and long-term debt.

Net cash provided by discontinued operations in 1998 represents the net proceeds from the sale of the German general merchandise operations of $495 million before-tax ($360 million after-tax) offset by the discontinuance of the Specialty Footwear segment, as well as further utilization of the Domestic General Merchandise reserve. The discontinuance of the Domestic General Merchandise segment in 1997 did not require a net outlay of cash, as the proceeds from the sales of inventories exceeded payments required.

Cash flows from operating activities are expected to be sufficient to cover any short-term debt and the current portion of long-term debt and capital lease repayment obligations, as well as the planned capital expenditures in 1999. Planned capital expenditures for 1999 are approximately $175 million, of which $100 million relates to 350 new store openings and modernization of existing stores and $75 million relates to the development of management information systems, logistics and other support facilities.

Capital Structure

During 1997, the Company amended its revolving credit agreement to reduce the facility from $1 billion to $500 million, available through 2002.

On March 19, 1999, the Company further amended this revolving credit agreement. In accordance with the amended agreement, the facility was reduced to $400 million, with a further reduction to $300 million by February 15, 2000. If certain assets are sold or debt or equity is issued, the revolving credit agreement may be reduced earlier than February 2000 to $350 million. Under the terms of the amended agreement, the Company is required to satisfy certain financial and operating covenants, which include: maximum ratio of total debt to earnings before interest, taxes, depreciation and amortization, minimum fixed charge coverage ratio, minimum tangible net worth and limits on capital expenditures. In addition, the Company is required to fund the repayment of the 7.0% debentures, which are redeemable in June 2000, by February 15, 2000. This facility is unsecured relating to the Company's inventory; however, it does include collateralization of certain properties as defined in the agreement. The amended agreement also restricts consolidations or mergers with third parties, investments and acquisitions, payment of dividends and stock repurchases.

Management believes current domestic and international credit facilities and cash provided by operations will be adequate to finance its working capital requirements and support the development of its short-term and long-term strategies. The Company expects to fund the repayment of its $200 million in notes due in June 2000 through future financing and/or asset sales. As of January 30, 1999, $250 million was outstanding under the revolving credit facility.

The Company has a registration statement filed with the Securities and Exchange Commission, which allows for the additional issuance of up to $360 million of debt securities and warrants to purchase debt securities. Depending on market conditions and capital needs, additional long-term financing may be utilized.

For purposes of calculating debt to total capitalization, the Company includes the present value of operating lease commitments. These commitments are the primary financing vehicle used to fund store expansion.

The following table sets forth the components of the Company's capitalization, both with and without the present value of operating leases:

($ in millions)	1998	1997
Debt, net of cash and capital lease obligations (1)	$ 574	$ 446
Present value of operating leases	1,630	1,542
Total debt (1)	2,204	1,988
Shareholders' equity	1,038	1,271
Total capitalization	$3,242	$3,259
Net debt capitalization percent (1)	68.0%	61.0%
Net debt capitalization percent without operating leases (1)	35.6%	26.0%

(1) Represents total debt, net of cash and cash equivalents.

Total debt, net of cash (including the present value of operating leases) increased by $216 million in 1998 and shareholders' equity decreased by $233 million. The decrease in shareholders' equity relates to the current year loss of $136 million, which was reduced by the realization of foreign currency translation gains related to discontinued operations of $149 million.

The Company's credit ratings have been lowered to BB and Ba3 by Standard & Poor's and Moody's Investors Service, respectively. This change in ratings may increase the Company's future cost of borrowings.

New Accounting Pronouncements

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"), in the first quarter of 1998. SFAS No. 130 establishes standards for reporting comprehensive income or loss and its components in the financial statements. Comprehensive income is a more inclusive financial reporting methodology that includes the disclosure of certain financial information that has not been recognized in the calculation of net income or loss, such as foreign currency translations and changes in minimum pension liability which are recorded directly to shareholders' equity.

In the fourth quarter of 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), and added the required disclosures. This statement supersedes previously established standards for reporting operating segments in the consolidated financial statements.

Effective February 1, 1998, the Company adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS No. 132"), which revises employers' disclosures about pensions and other postretirement benefits plans and added the required disclosures. SFAS No. 132 does not change the measurement or recognition of those plans.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which establishes accounting and reporting standards for derivative instruments and hedging activities. The Company will adopt SFAS No. 133 in 2000 and is in the process of evaluating its impact on its financial position and results of operations, which is not expected to be significant.

Seasonality

The Company's businesses are seasonal in nature. Historically, the greatest proportion of sales and net income is generated in the fourth quarter and the lowest proportions of sales and net income are generated in the first and second quarters, reflecting seasonal buying patterns. As a result of these seasonal sales patterns, inventory generally increases in the third quarter in anticipation of increased fourth quarter sales.

Year 2000 Readiness Disclosure

The Y2K issue is the result of computer programs being written using two digits, rather than four, to define the applicable year. Mistaking "00" for the year 1900 could result in miscalculations and errors and cause significant business interruptions for the Company, as well as for the government and most other companies. The Company has instituted a plan to assess its state of readiness for Y2K, to remediate those systems that are non-compliant and to assure that material third parties will be Y2K compliant.

State of Readiness

The Company has assessed all mainframe, operating and application systems (including point of sale) for Y2K readiness, giving the highest priority to those information technology applications (IT) systems that are considered critical to its business operations. Those applications considered most critical to the Company's business operations have been remediated. In-house certification testing of all application systems is currently in progress. Comprehensive testing of the Company's operating systems, software and mainframe application systems will be performed in July and will incorporate a disaster recovery test. Code changes have been made to the merchandising and logistics legacy systems, remediation is complete, and testing is in progress. The necessary enhancements to the point of sale equipment are substantially complete and ongoing testing will enable the commencement of the pilot testing in stores

in April 1999.

Apart from the Y2K issue, the Company has developed and installed throughout its businesses beginning in 1997 an information computer system ("ECLIPSE"), which will be installed in most divisions for the finance and human resources functions during 1999. The ECLIPSE project was undertaken for business reasons unrelated to Y2K. However, the installation of ECLIPSE eliminates the need to reprogram or replace certain existing software for Y2K compliance.

The Company has compiled a comprehensive inventory of its non-IT systems, which include those systems containing embedded chip technology commonly found in buildings and equipment connected with a building's infrastructure.

Management has established the priority of systems identified as non-compliant and ongoing testing and implementation of any changes required for the non-IT systems will be performed throughout 1999. Investigations of the embedded chip systems indicate that Y2K will not affect systems such as heating, ventilation and security in most store locations.

Material Third Party Suppliers

The Company in 1998 purchased approximately 44 percent of its merchandise from one major vendor. As a result, the Company's ability to operate could be materially affected by the non-compliance of this key supplier. Management has determined through several meetings and interviews that the vendor's Y2K readiness program is substantially complete. Electronic Data Interchange software was successfully tested with this vendor and management intends to develop joint contingency plans for distribution and order entry. Management has issued questionnaires to its approximately 20 key vendors to determine their state of readiness. The Company's efforts to obtain written certifications have not been successful, for the most part, and management will continue its efforts to assess the vendors' Y2K readiness through other means. The level of compliance of the Company's major providers of banking services, transportation, telecommunications and utilities is being ascertained and the related risks evaluated.

Y2K Costs

The Company is utilizing both internal and external resources to address the Y2K issue. Internal resources reflect the reallocation of IT personnel to the Y2K project from other IT projects. In the opinion of management, the deferral of such other projects will not have a significant adverse affect on continuing operations. The total direct cost, excluding ECLIPSE, to remediate the Y2K issue is estimated to be approximately $5 million, of which $3 million has been spent in 1998. All costs, excluding ECLIPSE, are being expensed as incurred and are funded through operating cash flows. The Company's Y2K costs are based on management's best estimates and may be updated, as additional information becomes available. Management does not expect the total Y2K remediation costs to be significant to its results of operations or financial condition.

Contingency Plan/Risks

The Company is in the process of developing contingency plans for those areas that might be affected by Y2K. Although the full consequences are unknown, the failure of either its critical systems or those of its material third party suppliers to be Y2K compliant would result in the interruption of the Company's business, which could have a significant adverse affect on its results of operations or financial condition. If the distribution channels were to be disrupted, alternative methods of delivering merchandise to both the Company's stores and its customers will exist. However, if any business interruptions occur in January 2000, and they are promptly corrected, management expects it would not significantly impact the Company's results of operations or financial position. Typically, at that time of year, after the holiday season, there is lower customer demand and borrowing requirements are not at their peak. In addition, successful inventory and working capital management, along with contingency plans for store operations, will help mitigate the risks associated with the Y2K issue. However, some business disruptions may occur even with defensive contingency plans.

Impact of the European Monetary Union

The European Union is comprised of fifteen member states, eleven of which adopted a common currency, the "euro," effective January 1, 1999. From that date until January 1, 2002, the transition period, the national currencies will remain legal tender in the participating countries as denominations of the euro. Monetary, capital, foreign exchange and interbank markets have converted to the euro, and non-cash transactions are possible in euros. On January 1, 2002, euro bank notes and coins will be issued and the former national currencies will be withdrawn from circulation no later than July 1, 2002.

The Company has reviewed the impact of the euro conversion on its information systems, accounting systems, vendor payments and human resources. Modifications required to be made to the point of sale hardware and software will be facilitated by the Y2K remediation.

The adoption of a single European currency will lead to greater product pricing transparency and a more competitive environment. The Company will display the euro equivalent price of merchandise as a customer service during the transition period, as will many retailers until the official euro conversion in 2002. The euro conversion is not expected to have a significant effect on the Company's results of operations or financial condition.

Disclosure Regarding Forward-Looking Statements

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts, which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures, expansion, strategic plans, growth of the Company's business and operations, Y2K and euro related actions and other such matters are forward-looking statements. These forward-looking statements are based on many assumptions and factors including effects of currency fluctuations, consumer preferences and economic conditions worldwide and the ability of the Company to implement, in a timely manner, the

programs and actions related to the Y2K and euro issues. Any changes in such assumptions or factors could produce significantly different results.

Management's Report

The integrity and objectivity of the financial statements and other financial information presented in this annual report are the responsibility of the management of the Company. The financial statements have been prepared in conformity with generally accepted accounting principles and include, when necessary, amounts based on the best estimates and judgments of management.

The Company maintains a system of internal controls designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded, transactions are executed in accordance with management's authorization, and the accounting records provide a reliable basis for the preparation of the financial statements. The system of internal accounting controls is continually reviewed by management and improved and modified as necessary in response to changing business conditions. The Company also maintains an internal audit function for evaluating and formally reporting on the adequacy and effectiveness of internal accounting controls, policies and procedures.

The Company's financial statements have been audited by KPMG LLP, the Company's independent auditors, whose report expresses their opinion with respect to the fairness of the presentation of the statements.

The Audit Committee of the Board of Directors, which is comprised solely of directors who are not officers or employees of the Company, meet regularly with the Company's management, internal auditors, legal counsel and KPMG LLP to review the activities of each group and to satisfy itself that each is properly discharging its responsibility. In addition, the Audit Committee meets on a periodic basis with KPMG LLP, without management's presence, to discuss the audit of the financial statements as well as other auditing and financial reporting matters. The Company's internal auditors and independent auditors have direct access to the Audit Committee.

/s/ ROGER N. FARAH
- ---
Roger N. Farah
Chairman of the Board and Chief Executive Officer

/s/ DALE W. HILPERT
- ---
Dale W. Hilpert
President and Chief Operating Officer

/s/ BRUCE HARTMAN
- ---
Bruce Hartman
Senior Vice President and Chief Financial Officer

April 14, 1999

Independent Auditors' Report

[KPMG LOGO]

KPMG

To the Board of Directors and Shareholders of
Venator Group, Inc.

We have audited the accompanying consolidated balance sheets of Venator Group, Inc. (formerly Woolworth Corporation) and subsidiaries as of January 30, 1999 and January 31, 1998 and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended January 30, 1999. These consolidated financial statements are the responsibility of Venator Group, Inc. management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Venator Group, Inc. and subsidiaries as of January 30, 1999 and January 31, 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended January 30, 1999 in conformity with generally accepted accounting principles.

/s/ KPMG LLP
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New York, NY
March 10, 1999, except for note 23

which is as of March 19, 1999

Consolidated Statements of Operations

(in millions, except per share amounts)	1998	1997	1996
Sales	$ 4,555	$ 4,612	$ 4,504
Costs and Expenses			
Cost of sales	3,333	3,127	3,020
Selling, general and administrative expenses	1,166	1,008	975
Depreciation and amortization	152	122	114
Interest expense, net	44	35	50
	4,695	4,292	4,159
Other income, net	(101)	(13)	(3)
	4,594	4,279	4,156
Income (loss) from continuing operations before income taxes	(39)	333	348
Income tax expense (benefit)	(42)	120	139
Income from continuing operations	$ 3	$ 213	$ 209
Loss from discontinued operations, net of income tax benefit of $(14), $(13) and $(28), respectively	(26)	(28)	(40)
Net loss on disposal of discontinued operations, net of income tax expense (benefit) of $57 and $(115), respectively	(113)	(195)	--
Net income (loss)	$ (136)	$ (10)	$ 169
Basic earnings per share:			
Income from continuing operations	$ 0.02	$ 1.58	$ 1.56
Loss from discontinued operations	(1.02)	(1.66)	(0.30)
Net income (loss)	$ (1.00)	$ (0.08)	$ 1.26
Diluted earnings per share:			
Income from continuing operations	$ 0.02	$ 1.57	$ 1.55
Loss from discontinued operations	(1.02)	(1.64)	(0.29)
Net income (loss)	$ (1.00)	$ (0.07)	$ 1.26

See Accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (Loss)

(in millions)	1998	1997	1996
Net income (loss)	$ (136)	$ (10)	$ 169
Other comprehensive income (loss), net of tax Foreign currency translation adjustment:			
Translation adjustment arising during the period, net of deferred tax (expense) benefit of $(26), $33 and $41, respectively	39	(56)	(61)
Less: reclassification adjustment for net gain included in net loss on disposal of discontinued operations, net of deferred tax expense of $149	(149)	--	--
Net foreign currency translation adjustment	(110)	(56)	(61)
Minimum pension liability adjustment, net of deferred tax (expense) benefit of $(2), $5 and $1, respectively	2	(8)	(2)
Comprehensive income (loss)	$ (244)	$ (74)	$ 106

See Accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(in millions)	1998	1997
Assets		
Current assets		
Cash and cash equivalents	$ 193	$ 81
Merchandise inventories	837	754
Net assets of discontinued operations	97	604
Other current assets	148	135
	1,275	1,574
Property and equipment, net	974	625
Deferred taxes	358	336
Intangible assets, net	183	181
Other assets	86	82
	$2,876	$2,798
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	$ 250	$ --
Accounts payable	245	267
Accrued liabilities	296	251
Current portion of reserve for discontinued operations	167	72
Current portion of long-term debt and obligations under capital leases	6	19
	964	609
Long-term debt and obligations under capital leases	511	508
Reserve for discontinued operations	30	18
Other liabilities	333	392
Shareholders' equity	1,038	1,271
	$2,876	$2,798

See Accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(shares in thousands, amounts in millions)	1998 Shares	1998 Amount	1997 Shares	1997 Amount	1996 Shares	1996 Amount
Preferred Stock						
$2.20 Series A Convertible Preferred, par value $1 per share, 7 million shares authorized						
Outstanding at beginning of year	--	$ --	--	$ --	97	$ --
Converted during year	--	--	--	--	(97)	--
Outstanding at end of year	--	--	--	--	--	--
Common Stock and Paid-In Capital						
Par value $.01 per share, 500 million shares authorized						
Issued at beginning of year	134,986	317	134,047	299	133,051	290
Issued upon conversion of preferred shares	--	--	--	--	461	--
Issued under director and employee stock plans, net of related tax benefit	668	11	939	18	535	9
Issued at end of year	135,654	328	134,986	317	134,047	299
Common stock in treasury at beginning of year	(10)	--	--	--	--	--
Acquired at cost	--	--	(10)	--	--	--
Exchange of options	(9)	--	--	--	--	--
Common stock in treasury at end of year	(19)	--	(10)	--	--	--
Amortization of stock issued under restricted stock option plan	--	--	--	--	--	1
Redemption of preferred stock	--	--	--	--	--	(1)
Common stock outstanding and paid-in capital at end of year	135,635	328	134,976	317	134,047	299
Retained Earnings						
Balance at beginning of year		1,033		1,050		891
Net income (loss)		(136)		(10)		169
Change in subsidiaries' year end		--		(7)		(10)
Balance at end of year		897		1,033		1,050
Shareholders' Equity Before Adjustments		1,225		1,350		1,349
Accumulated Other Comprehensive Income (Loss)						
Foreign Currency Translation Adjustment						
Balance at beginning of year		(34)		22		83
Aggregate translation adjustment, net of deferred tax benefit		(110)		(56)		(61)
Balance at end of year		(144)		(34)		22
Minimum Pension Liability Adjustment						
Balance at beginning of year		(45)		(37)		(35)
Change during year, net of deferred tax (expense) benefit		2		(8)		(2)
Balance at end of year		(43)		(45)		(37)
Total Accumulated Other Comprehensive Loss		(187)		(79)		(15)
Total Shareholders' Equity		$ 1,038		$ 1,271		$ 1,334

See Accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(in millions)	1998	1997	1996
From Operating Activities			
Net income (loss)	$(136)	$ (10)	$ 169
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of continuing operations:			
Net loss on disposal of discontinued operations, net of tax	113	195	--
Loss from discontinued operations, net of tax	26	28	40
Depreciation and amortization	152	122	114
Impairment charge	28	1	5
Gains on sales of real estate	(82)	(12)	--
Gain on sales of assets and investments	(19)	--	--
Deferred income taxes	30	10	22
Change in assets and liabilities, net of acquisitions:			
Merchandise inventories	(78)	(111)	49
Accounts payable and other accruals	16	67	58
Repositioning and restructuring reserves	(16)	(47)	(63)
Income taxes payable	(27)	(103)	(32)
Other, net	(18)	9	(31)
Net cash provided by (used in) operating activities of continuing operations	(11)	149	331
From Investing Activities			
Proceeds from sales of real estate	151	20	14
Proceeds from sales of assets and investments	22	--	16
Capital expenditures	(549)	(249)	(86)
Payments for businesses acquired, net of cash acquired	(29)	(148)	--
Net cash used in investing activities of continuing operations	(405)	(377)	(56)
From Financing Activities			
Increase (decrease) in short-term debt	250	--	(69)
Reduction in long-term debt	(15)	(10)	(19)
Reduction in capital lease obligations	(3)	(2)	(3)
Issuance of common stock	10	16	7
Net cash provided by (used in) financing activities of continuing operations	242	4	(84)
Net Cash from Discontinued Operations	288	107	--
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents	(2)	1	(4)
Net Change in Cash and Cash Equivalents	112	(116)	187
Cash and Cash Equivalents at Beginning of Year	81	197	10
Cash and Cash Equivalents at End of Year	$ 193	$ 81	$ 197
Cash Paid During the Year:			
Interest	$ 60	$ 41	$ 54
Income taxes	$ 16	$ 51	$ 53

See Accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

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1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Venator Group, Inc. and its domestic and international subsidiaries (the "Company"), all of which are wholly owned. All significant intercompany amounts have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results are not expected to differ significantly from those estimates.

Name Change

The Company changed its name to Venator Group, Inc. (formerly Woolworth Corporation) effective June 11, 1998.

Reporting Year

Beginning with 1998, the reporting period for the Company and its subsidiaries is the Saturday closest to the last day in January, representing the 52 weeks ended January 30, 1999. Previously, the reporting period ended on the last Saturday in January. The 1997 reporting year represents the 53 weeks ended January 31, 1998. The 1996 reporting year represents the 52 weeks ended January 25, 1997. References to years in this annual report relate to fiscal years rather than calendar years.

In 1997, the Company changed the reporting period for its Foot Locker Europe operations from a calendar year ending December 31, to the 53-week period ended on the last Saturday in January. The results of operations for the period from January 1 through January 31, 1998 were charged to retained earnings for the reporting year ended January 31, 1998 in order to report only 12 months' operating results.

In 1996, the Company changed the reporting period for its German operations from a calendar year ending December 31, to the 52-week period ended on the last Saturday in January. The results of operations for the period from January 1 through January 25, 1997 were charged to retained earnings for the reporting year ended January 25, 1997 in order to report only 12 months' operating results.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market using the retail method. Cost is determined on the last-in, first-out (LIFO) basis for most domestic inventories and on the first-in, first-out (FIFO) basis for international inventories.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Significant additions and improvements to property and equipment are capitalized. Maintenance and repairs are charged to current operations as incurred. Major renewals or replacements that substantially extend the useful life of an asset are capitalized and depreciated.

Capitalized Software

Capitalized software included in property and equipment reflects certain costs related to software developed for internal use that are capitalized and amortized, after substantial completion of the project, on a straight-line basis over periods not exceeding 8 years.

Depreciation and Amortization

Owned property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets: 25 to 45 years for buildings and 3 to 10 years for furniture, fixtures and equipment. Property and equipment under capital leases and improvements to leased premises are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the remaining lease term.

Intangible Assets

Intangible assets primarily reflect goodwill. Goodwill represents the excess purchase price over the fair value of assets acquired and is amortized on a straight-line basis over periods not exceeding 40 years. Goodwill arising from acquisitions made since 1995 is amortized over periods not exceeding 20 years. Recoverability of goodwill is evaluated based upon estimated future profitability and cash flows. Accumulated amortization amounted to $50.2 million and $41.8 million at January 30, 1999 and January 31, 1998, respectively.

Derivative Financial Instruments

Derivative financial instruments are used by the Company to manage its interest rate and international currency exposures. The Company does not hold derivative financial instruments for trading or speculative purposes. For interest rate swap agreements, the interest rate differential to be paid or received under the agreement is recognized over the life of the swap agreement and is included as an adjustment to interest expense. The carrying amount of each interest rate swap is reflected in the Consolidated Balance Sheets as a current receivable or payable as appropriate. For forward foreign exchange contracts, gains and losses designated as hedges of inventory purchases are deferred and included in the cost of inventory.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which establishes accounting and reporting standards for derivative instruments and hedging activities. The Company will adopt SFAS No. 133 in 2000 and is in the process of evaluating its impact on the consolidated financial statements.

Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The carrying value of cash and cash equivalents, other current receivables and short-term debt approximate fair value. Quoted market prices of the same or similar instruments are used to determine fair value of long-term debt, interest rate swaps and forward foreign exchange contracts. Discounted cash flows are used to determine the fair value of long-term receivables and mortgages if quoted market prices on these instruments are unavailable.

Recoverability of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"), an impairment loss is recognized whenever events or changes in circumstances indicate that the carrying amounts of long-lived tangible and intangible assets may not be recoverable. Assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company has identified this lowest level to be principally individual stores. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments. The Company estimates fair value based on the best information available using estimates, judgments and projections as considered necessary.

Stock-Based Compensation

The Company accounts for stock-based compensation by applying Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123"). In accordance with APB No. 25, compensation expense is not recorded for options granted if the option price is equal to the quoted market price at the date of grant. Compensation expense is also not recorded for employee purchases of stock under the 1994 Stock Purchase Plan since the plan is non- compensatory as defined in APB No. 25.

Income Taxes

The Company determines its deferred tax provision under the liability method, whereby deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using presently enacted tax rates. Deferred tax assets are recognized for tax credit and net operating loss carryforwards, reduced by a valuation allowance which is established when "it is more likely than not" that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Provision for U.S. income taxes on undistributed earnings of foreign subsidiaries is made only on those amounts in excess of the funds considered to be permanently reinvested.

Store Pre-Opening and Closing Costs

Store pre-opening costs are charged to expense as incurred. In the event a store is closed before its lease has expired, the estimated lease obligation, less sublease rental income, is provided for when a decision to close the store is made.

Foreign Currency Translation

The functional currency of the Company's international operations is the applicable local currency. The translation of the applicable foreign currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using the weighted-average rates of exchange prevailing during the year. The unearned gains and losses resulting from such translation are included as a separate component of accumulated other comprehensive income (loss) within shareholders' equity.

Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options, restricted stock awards and other convertible securities. A reconciliation of weighted-average common shares outstanding to weighted-average common shares outstanding assuming dilution follows:

(in millions)	1998	1997	1996
Weighted-average common shares outstanding	135.4	134.6	133.5
Incremental common shares issuable	.5	1.2	.8
Weighted-average common shares outstanding assuming dilution	135.9	135.8	134.3

Options with an exercise price greater than the average market price were not included in the computation of diluted earnings per share and would not have had a significant impact on diluted earnings per share.

Reclassifications

Certain balances in prior fiscal years have been reclassified to conform with the presentation adopted in the current fiscal year.

As discussed in note 5 to the consolidated financial statements, all financial statements and related footnotes have been restated to reflect the discontinued operations.

2. Acquisitions

On February 26, 1998, the Company acquired 94 Athletic Fitters stores from Athletic Fitters, Inc. ("Athletic Fitters"), a Minneapolis-based company, for a cash price of approximately $29 million. This acquisition was accounted for as a purchase and the resulting intangible assets of approximately $12 million are amortized using the straight-line method over 10 years.

On January 30, 1997, the Company acquired Eastbay, Inc. ("Eastbay") in a transaction accounted for as a purchase. Under the purchase agreement, stockholders of Eastbay received cash in amounts between $22 and $24 for each of their shares, for a total acquisition cost of $140 million. The Company's consolidated results of operations include those of Eastbay beginning with the date the acquisition was consummated. The excess of cost over net assets acquired of approximately $107 million is amortized using the straight-line method over 20 years.

On August 18, 1997, the Company acquired the assets of Koenig Sporting Goods, Inc. for approximately $8 million in cash in a transaction that was accounted for as a purchase. The Company has successfully converted 21 stores into the Champs Sports format.

3. Impairment of Long-Lived Assets

In 1998, the Company recorded a non-cash pre-tax charge of $28 million ($17 million after-tax), which represented impairment of long-lived assets such as properties, store fixtures and leasehold improvements. Of the total impairment loss recognized, $19 million related to the Global Athletic Group and $7 million related to the Northern Group. Formats included in the "All Other" category were impaired by $2 million. Pre-tax impairment was $1 million and $5 million for 1997 and 1996 for continuing operations, respectively. The impairment charges are included in selling, general and administrative expenses.

4. Segment Information

On January 30, 1999, the Company adopted Statement of Financial Accounting Standards No. 131, " Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), which establishes criteria to determine reportable information about operating segments using the management approach. SFAS No. 131 also requires disclosures about products, geographic areas, and major customers.

The Company has determined that its reportable segments are those that are based on its method of internal reporting, which disaggregates its business by product category. The Company's reportable segments are the Global Athletic Group and the Northern Group. The Global Athletic Group sells branded athletic footwear and apparel through its various retail and catalog formats. The Northern Group specializes in casual and career apparel for women, and casual apparel for men and children. The Afterthoughts jewelry format and The San Francisco Music Box and Gift Company, among others, are reflected in the "All Other" category.

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies." There are no intersegment sales. The Company evaluates performance based on several factors, of which the primary financial measure is operating results. Operating results reflect earnings before corporate expense, corporate gains on sales of real estate, interest, and income taxes.

Sales

(in millions)	1998	1997	1996
Global Athletic Group	$3,753	$3,749	$3,634
Northern Group	415	455	426
All Other	387	408	444
Total sales	$4,555	$4,612	$4,504

Operating Results

(in millions)	1998	1997	1996
Global Athletic Group	$ 12	$ 375	$ 461
Northern Group	(26)	40	42
All Other	27	3	(45)
Operating profit	13	418	458
Corporate expense, net	8	50	60
Interest expense, net	44	35	50
Income (loss) from continuing operations before income taxes	$ (39)	$ 333	$ 348

	Depreciation and Amortization			Capital Expenditures			Total Assets		
(in millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996
Global Athletic Group	$ 102	$ 81	$ 77	$ 405	$ 138	$ 54	$1,874	$1,318	$1,082
Northern Group	13	10	11	37	23	10	297	250	276
All Other	12	12	14	28	14	5	135	142	157
Corporate	25	19	12	79	74	17	473	484	412
Discontinued operations, net							97	604	880
Total Company	$ 152	$ 122	$ 114	$ 549	$ 249	$ 86	$2,876	$2,798	$2,807

Sales and long-lived asset information by geographic area as of and for the fiscal years ended January 30, 1999, January 31, 1998, and January 25, 1997 are presented below. Sales are attributed to the country in which the sales originate, which is where the legal subsidiary is domiciled. Long-lived assets reflect property and equipment. No individual country included in the Other International category is significant.

Sales

(in millions)	1998	1997	1996
United States	$3,811	$3,857	$3,706
Canada	404	456	477
Other International	340	299	321
Total sales	$4,555	$4,612	$4,504

Long-Lived Assets

(in millions)	1998	1997	1996
United States	$881	$548	$407
Canada	34	38	40
Other International	59	39	33
Total long-lived assets	$974	$625	$480

5. Discontinued Operations

On September 22, 1998, the Company announced that it was exiting its International General Merchandise segment. On October 22, 1998, the Company completed the sale of its 357 store German general merchandise business for $563 million. The Company recorded a net gain on the disposal of the International General Merchandise segment of $174 million before-tax, or $39 million after-tax, in the third quarter of 1998. The reserve balance at January 30, 1999 of $41 million represents the costs associated with the disposal of the remaining business of the International General Merchandise segment, which will be completed in 1999.

On September 16, 1998, the Company announced that it was exiting its Specialty Footwear segment including 467 Kinney Shoe stores and 103 Footquarters stores. The Company expects to convert approximately 90 of these locations to its Lady Foot Locker, Kids Foot Locker and Colorado formats. Additionally, the Company will launch a new athletic outlet chain utilizing 29 Footquarters locations and 40 existing Foot Locker and Champs Sports outlet stores. The remaining businesses are expected to close or be disposed of in 1999. The Company recorded a charge to earnings of $243 million before-tax, or $160 million after-tax, in the third quarter of 1998 for the loss on disposal of the Specialty Footwear segment. Major components of the charge include estimated cash outlays for lease liabilities and other occupancy costs of $91 million, operating losses and other expenses during the shutdown period of $68 million, and severance and personnel costs of $19 million. Non-cash charges reflect asset and inventory write-downs of $65 million. In the fourth quarter of 1998, the Company recorded a reduction to the reserve of $9 million before-tax, or $5 million after-tax, reflecting revisions to original estimates based on actual experience primarily related to better than expected results of inventory liquidation. Disposition activity of $113 million for the period from September 16, 1998 to January 30, 1999 was charged to the reserve. The remaining reserve balance of $121 million at January 30, 1999 primarily includes real estate and other asset disposition costs.

On July 17, 1997, the Company announced that it was exiting its 400 store Domestic General Merchandise segment and recorded a charge to earnings of $310 million before-tax, or $195 million after-tax, for the loss on disposal of discontinued operations. The Company has converted many of the prime locations into 155 stores including: Foot Locker, Champs Sports, and other athletic or specialty formats. Net disposition activity for 1998 and 1997 was approximately $51 million and $220 million, respectively, which represented the payments for leasehold and real estate disposition expenses, severance and benefit costs and other related expenses. Gains from planned disposals of real estate related to domestic general merchandise operations were $34 million in the fourth quarter of 1998, which reflected the disposition of leased and owned stores in prime real estate locations. As a result of these transactions and other actual experience better than anticipated, the Company reduced the reserve by $4 million before-tax, $3 million after-tax. The remaining reserve balance of $35 million at January 30, 1999 consists principally of real estate disposition costs.

The results of operations for all periods presented for the International General Merchandise segment, the Specialty Footwear segment, and the Domestic General Merchandise segment have been classified as discontinued operations in the Consolidated Statements of Operations.

Sales and net loss from discontinued operations for fiscal years 1998, 1997 and 1996 through the respective date of discontinuance of each segment are presented below. The net loss from discontinued operations for each of the years presented includes interest expense allocations based on intercompany debt balances attributable to each segment. The interest expense allocation for the Specialty Footwear segment amounted to $5 million, $6 million, and $4 million in 1998, 1997 and 1996, respectively. Also included in 1997 and 1996 is allocated interest of $8 million and $14 million, respectively, for the Domestic General Merchandise segment. No interest expense was allocated for the International General Merchandise segment.

Sales

(in millions)	1998	1997	1996
International General Merchandise	$ 842	$1,479	$1,803
Specialty Footwear	301	533	710
Domestic General Merchandise	--	427	1,075
Total sales	$1,143	$2,439	$3,588

Net Loss

(in millions)	1998	1997	1996
International General Merchandise	$ (9)	$ 8	$(11)
Specialty Footwear	(17)	(8)	(5)
Domestic General Merchandise	--	(28)	(24)

Total net loss	$(26)	$(28)	$(40)

The following is a summary of the net assets of discontinued operations:

(in millions)	1998	1997
International General Merchandise		
Assets	$ 47	$786
Liabilities	11	354
Net assets of discontinued operations	$ 36	$432
Specialty Footwear		
Assets	$ 63	$193
Liabilities	17	28
Net assets of discontinued operations	$ 46	$165
Domestic General Merchandise		
Assets	$ 23	$ 28
Liabilities	8	21
Net assets of discontinued operations	$ 15	$ 7
Total net assets of discontinued operations	$ 97	$604

The assets of the discontinued operations consist primarily of inventory and fixed assets. The liabilities of the International

General Merchandise segment in 1997 predominantly included amounts due to vendors and pension liabilities. The decrease in net assets of the International General Merchandise discontinued operations in 1998 reflects the sale of the German general merchandise operations on October 22, 1998. The liabilities of the Specialty Footwear and Domestic General Merchandise segments primarily reflect amounts due to vendors.

6. Repositioning and Restructuring Reserves

The Company recorded charges of $558 million in 1993 and $390 million in 1991 to reflect the anticipated costs to sell or close under-performing specialty and general merchandise stores in the United States and Canada. Under the 1993 repositioning program, approximately 970 stores were identified for closing and approximately 13,000 store and distribution center employees were terminated. Approximately 900 stores were closed under the 1991 restructuring program, which resulted in the termination of approximately 7,700 store employees and the transfer of 2,300 employees to other stores.

Included in operating results are adjustments of $3 million and $22 million for 1998 and 1997, respectively, which reflects revisions based on actual experience better than original estimates relating to lease costs and operating expenses.

The activity in the reserves was as follows:

(in millions)	1998	1997
Balance at beginning of year	$ 37	$ 84
Interest on net present value of lease obligations	4	5
Cash payments	(17)	(30)
Adjustment for revision of estimates	(3)	(22)
Balance at end of year	$ 21	$ 37

Components of the balance are as follows:

(in millions)	1998	1997
Real estate and related occupancy costs	$16	$32
Facilities-related costs	5	5
	$21	$37

To date, the Company has substantially completed its negotiations to cancel leases or sell the properties in the reserve. The remaining balance, which is included in accrued and other liabilities, will be required to satisfy the lease cancellations or property sales over the next few years.

7. Merchandise Inventories

(in millions)	1998	1997
LIFO inventories	$642	$582
FIFO inventories	195	172
Total merchandise inventories	$837	$754
Excess of current cost (FIFO) over stated LIFO cost	$ 1	$ 1

8. Other Current Assets

(in millions)	1998	1997
Net receivables	$ 98	$ 78
Operating supplies and prepaid expenses	26	29
Deferred taxes	22	25
Other	2	3
	$148	$135

9. Property and Equipment, Net

(in millions)	1998	1997
Land	$ 5	$ 10
Buildings	38	89
Furniture, fixtures and equipment:		
Owned	1,019	815
Leased	33	24
	1,095	938
Less: accumulated depreciation	(476)	(535)
	619	403
Alterations to leased and owned buildings, net of accumulated amortization	355	222
	$ 974	$ 625

10. Accrued Liabilities

(in millions)	1998	1997
Payroll and related costs	$ 48	$ 55
Pension and postretirement benefits	40	38
Taxes other than income taxes	34	25
Store closings and real estate related costs	27	25
Repositioning and restructuring	11	19
Other operating costs	136	89
	$296	$251

11. Short-Term Debt

($ in millions)	1998	1997
Bank loans	$250	$ --
Weighted-average interest rate on year-end balance	5.63%	--

At January 30, 1999, unused lines of credit under which the Company may borrow funds totaled $262 million, of which domestic credit lines totaled $250 million and international lines totaled $12 million. The $250 million domestic credit lines consisted of a revolving credit agreement with 12 lending institutions for general corporate purposes. The $12 million international credit lines consisted of overdraft facilities maintained for temporary needs. The Company has additional informal agreements with certain banks in the United States.

Due to lower than planned earnings and the charges related to the discontinuance of its Specialty Footwear segment in the third quarter, the Company obtained a waiver with regard to certain financial covenants contained in the revolving credit agreement for the period from October 31, 1998 through March 19, 1999. During the waiver period, the Company was prohibited from paying cash dividends or repurchasing, redeeming, retiring, or acquiring any shares of its capital stock. On March 19, 1999, the Company amended its revolving credit agreement, (see note 23).

At the Company's election in 1997, the $1 billion credit facility was reduced to $500 million and the terms modified. Up-front fees paid under the modified agreement are amortized over the life of the facility on a pro-rata basis. In addition, the Company paid an annual facility fee based on the Company's 1998 credit rating of 0.15 percent based on the total available facility.

12. Long-Term Debt and Obligations under Capital Leases

Following is a summary of long-term debt and obligations under capital leases:

(in millions)	1998	1997
8.5% debentures payable 2022	$200	$200
7.0% debentures payable 2000	200	200
6.98% to 7.43% medium-term notes payable through 2002	90	105
Other	1	1
Total long-term debt	491	506
Obligations under capital leases	26	21
	517	527
Less: current portion	6	19
	$511	$508

Maturities of long-term debt and minimum rent payments under capital leases in future periods are:

(in millions)	Long-Term Debt	Capital Leases	Total
1999	$ --	$ 7	$ 7
2000	201	5	206
2001	50	1	51
2002	40	1	41
2003	--	--	--
Thereafter	200	14	214
	491	28	519
Less: Imputed interest	--	2	2
Current portion	--	6	6
	$491	$ 20	$511

13. Leases

The Company is obligated under capital and operating leases for a major portion of its store properties. Some of the store leases contain purchase or renewal options with varying terms and conditions. Management expects that in the normal course of business, expiring leases will generally be renewed or, upon making a decision to relocate, replaced by leases on other premises. Operating lease periods generally range from 5 to 10 years with options to renew, with terms ranging from 5 to 10 years. Certain leases provide for additional rent payments based on a percentage of store sales. The present value of operating leases is discounted using various interest rates ranging from 6 percent to 8 percent.

Rent expense consists of the following:

(in millions)	1998	1997	1996
Rent	$ 540	$ 490	$ 485
Contingent rent based on sales	12	19	23
Sublease income	(7)	(11)	--
Total rent expense	$ 545	$ 498	$ 508

Future minimum lease payments under non-cancelable operating leases are:

(in millions)	
1999	$ 374
2000	342
2001	301
2002	261
2003	215
Thereafter	601
Total operating lease commitments	$2,094
Present value of operating lease commitments	$1,630

14. Other Liabilities

(in millions)	1998	1997
Pension benefits	$ 65	$103
Other postretirement benefits	186	198
Repositioning and restructuring	10	18
Other	72	73
	$333	$392

15. Financial Instruments and Risk Management

Foreign Exchange Risk Management

The Company enters into forward foreign exchange and option contracts to reduce the effect of fluctuations in currency exchange rates. Exposures arising from short-term intercompany transactions and inventory purchases are managed through the use of forward and option contracts. Determination of hedge activity is based upon market conditions, magnitude of inventory commitments and perceived risks. All contracts mature within one year.

The following table presents gross forward foreign exchange commitments, by currency and type:

	1998		1997	
($U.S. in millions)	Buy	Sell	Buy	Sell
Inventory purchases:				
U.S. dollar	$79	$--	$61	$--
Other currencies	$--	$--	$--	$11
Intercompany:				
Canadian dollar	$--	$--	$37	$--
German mark	$29	$11	$32	$--
Netherlands guilder	$--	$11	$ 2	$--

Fair Value of Financial Instruments

The carrying value and estimated fair value of long-term debt was $491 million and $454 million, respectively, at January 30, 1999, and $506 million and $539 million, respectively, at January 31, 1998. The carrying value approximates fair value for all other financial instruments.

Interest Rate Risk Management

The Company has used interest rate swaps to manage its exposure to fluctuations in interest rates. In October 1992, the Company entered into a $200 million, five-year swap agreement that matured in October 1997. The swap agreement effectively converted the interest rate on the Company's 8.5 percent debentures to a floating rate equal to the six-month LIBOR plus 3.05 percent. The effective interest rate on the debentures was 8.87 percent in 1997 and 8.81 percent in 1996.

Credit Risk

Credit risk of interest rate swaps and forward foreign exchange contracts is considered minimal, as management closely monitors the financial condition of the counter-parties to the contracts, which are financial institutions with credit ratings of A- or higher.

Business Risk

The retailing business is highly competitive. Price, quality and selection of merchandise, reputation, store location, advertising and customer service are important competitive factors in the Company's business. The Company purchased merchandise and supplies from thousands of vendors worldwide. The Company purchased approximately 44 percent of its 1998 merchandise from one major vendor. The Company considers vendor relations to be satisfactory.

16. Income Taxes

Following are the domestic and international components of pre-tax income (loss):

(in millions)	1998	1997	1996
Domestic	$(19)	$287	$313
International	(20)	46	35
Total pre-tax	$(39)	$333	$348

The income tax (benefit) provision consists of the following:

(in millions)	1998	1997	1996
Current:			
Federal	$ (70)	$ 68	$ 75
State and local	(2)	16	23

International	--	26	19
Total current tax provision (benefit)	(72)	110	117
Deferred:			
Federal	27	18	14
State and local	2	(9)	--
International	1	1	8
Total deferred tax provision	30	10	22
Total income tax provision (benefit)	$(42)	$ 120	$ 139

Provision has been made in the accompanying Consolidated Statements of Operations for additional income taxes applicable to dividends received or expected to be received from international subsidiaries. The amount of unremitted earnings of international subsidiaries, for which no such tax is provided and which is considered to be permanently reinvested in the subsidiaries, totaled $216 million at January 30, 1999.

A reconciliation of the significant differences between the federal statutory income tax rate and the effective income tax rate on pre-tax income (loss) is as follows:

	1998	1997	1996
Federal statutory income tax rate	(35.0)%	35.0%	35.0%
State and local income taxes, net of federal tax benefit	--	4.4	4.6
International income taxed at varying rates	9.3	1.4	1.7
Foreign tax credit utilization	(150.7)	0.9	2.7
Increase (decrease) in valuation allowance	17.7	(4.3)	--
Work opportunity credit	(0.6)	--	--
Gain on surrender of company-owned life insurance	48.5	--	--
Goodwill amortization	7.4	--	--
Other, net	(4.3)	(1.4)	(3.9)
Effective income tax rate	(107.7)%	36.0%	40.1%

Items that gave rise to significant portions of the deferred tax accounts are as follows:

(in millions)	1998	1997
Deferred tax assets:		
Tax loss/credit carryforwards	$ 157	$ 167
Employee benefits	116	127
Reserve for discontinued operations	120	60
Repositioning and restructuring reserves	18	32
Property and equipment	86	50
Other	--	6
Total deferred tax assets	497	442
Valuation allowance	(87)	(44)
Total deferred tax assets, net	410	398
Deferred tax liabilities:		
Inventories	14	37
Other	16	--
Total deferred tax liabilities	30	37
Net deferred tax asset	$ 380	$ 361
Balance Sheet caption reported in:		
Other current assets	$ 22	$ 25
Deferred taxes	358	336
	$ 380	$ 361

As of January 30, 1999, the Company had a valuation allowance of $87 million to reduce its deferred tax assets to estimated realizable value. The valuation allowance primarily relates to the deferred tax assets arising from state tax loss carryforwards of certain domestic operations, tax loss carryforwards of certain European operations and tax loss and capital loss carryforwards of the Canadian operations, as well as other discontinued operations. The net change in the total valuation allowance for the year ended January 30, 1999 was principally due to the potential expiration of foreign and state tax loss carryforwards.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are anticipated to reverse, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowances at January 30, 1999. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

At January 30, 1999, the Company had international operating loss carryforwards of approximately $222 million. Those expiring between 1999 and 2004 are $190 million and those that do not expire are $32 million. The Company has state net operating loss carryforwards with a potential tax benefit of $34 million, which principally relates to the 16 states where the Company does not file a combined return. These loss carryforwards expire between 1999 and 2018. Foreign tax credits of approximately $9 million expiring in 2002 are also available to the Company. The Company has U.S. Federal alternative minimum tax credits of approximately $18 million which do not expire.

17. Retirement Plans and Other Benefits

Pension and Other Postretirement Plans

The Company has defined benefit pension plans covering most of its employees, which are funded in accordance with the provisions of the laws of the countries where the plans are in effect. Plan assets consist primarily of stocks, bonds and temporary investments. In addition to providing pension benefits, the Company sponsors postretirement medical and life insurance plans, which are available to most of its retired U.S. employees. These plans are contributory and are not funded.

The following tables set forth the plans' changes in benefit obligations and plan assets, funded status and amounts recognized in the Consolidated Balance Sheets:

	Pension Benefits		Postretirement Benefits	
(in millions)	1998	1997	1998	1997
Change in benefit obligation				
Benefit obligation at beginning of year	$ 776	$ 806	$ 112	$ 117
Service cost	8	9	--	--

Interest cost	50	56	5	8
Plan participants' contributions	--	--	4	5
Actuarial (gain) loss	8	7	(35)	(7)
Foreign currency translation adjustments	(4)	(8)	--	--
Benefits paid	(99)	(111)	(11)	(14)
Curtailment	--	17	--	3
Benefit obligation at end of year	$ 739	$ 776	$ 75	$ 112
Change in plan assets				
Fair value of plan assets at beginning of year	$ 626	$ 651		
Actual return on plan assets	62	69		
Employer contribution	37	24		
Foreign currency translation adjustments	(3)	(7)		
Benefits paid	(100)	(111)		
Fair value of plan assets at end of year	$ 622	$ 626		
Funded status				
Funded status	$(117)	$(150)	$ (75)	$(112)
Unrecognized net asset at transition	(3)	(12)	--	--
Unrecognized prior service cost	8	11	--	--
Unrecognized net (gain) loss	87	88	(118)	(93)
Accrued benefit liability	$ (25)	$ (63)	$(193)	$(205)
Balance Sheet caption reported in:				
Other liabilities	$ (65)	$(103)	$(186)	$(198)
Accrued liabilities	(33)	(31)	(7)	(7)
Intangible assets	--	2	--	--
Other assets	1	1	--	--
Accumulated other comprehensive income, pre-tax	72	68	--	--
	$ (25)	$ (63)	$(193)	$(205)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $736 million, $714 million, and $618 million, respectively, as of January 30, 1999, and $773 million, $753 million, and $621 million, respectively, as of January 31, 1998.

In connection with the sale of its German general merchandise business on October 22, 1998, the Company disposed of its accumulated benefit obligation representing the unfunded German pension plan. The discontinuance of the Specialty Footwear segment had no impact on the accumulated pension and postretirement benefit obligations as of January 30, 1999. The shutdown was assumed to occur at the end of the year.

During 1997, the Company revised the actuarial estimates of a supplemental retirement plan liability for executives resulting in an $8 million charge to pension expense. The discontinuance of the Domestic General Merchandise segment in 1997 resulted in increases of $9 million and $3 million, respectively, in the accumulated pension and postretirement benefit obligations as of January 31, 1998. The curtailment charges of $9 million and $3 million were included in the 1997 loss on disposal of discontinued operations.

Principal Assumptions

	Pension Benefits			Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Weighted-average discount rate	6.71%	7.12%	7.55%	6.75%	7.00%	7.50%
Weighted-average rate of compensation increase	4.71%	4.95%	4.96%	5.00%	5.00%	5.00%
Weighted-average long-term rate of return on assets	9.87%	9.86%	9.79%			

The components of net benefit expense are:

	Pension Benefits			Postretirement Benefits		
(in millions)	1998	1997	1996	1998	1997	1996
Service cost	$ 8	$ 9	$ 12	$ --	$ --	$ --
Interest cost	50	56	57	5	8	8
Expected return on plan assets	(53)	(54)	(57)	--	--	--
Amortization of net asset at transition	(9)	(9)	(9)	--	--	--
Amortization of prior service cost	3	3	4	--	--	--
Amortization of net (gain) loss	3	6	8	(9)	(5)	(5)
Curtailment	--	8	--	--	--	--
Net benefit expense (income)	$ 2	$ 19	$ 15	$ (4)	$ 3	$ 3

The amortization period of the domestic plans' unrecognized gains and losses in 1998 was changed to the average future life expectancy of inactive plan participants, who now comprise the majority of plan participants, resulting in decreases of approximately $4 million and $3 million, respectively, in net pension and net postretirement benefit expense. Previously, the unrecognized gains and losses were amortized over the average future working lifetime of active plan participants.

In 1998, a medical plan dropout assumption for retirees was introduced to the postretirement benefit obligation calculation. For measurement purposes, an 8.4 percent increase in the cost of covered health care benefits was assumed for 1998. The rate was assumed to decline gradually to five percent in 2008 and remain at that level thereafter. A one percent increase in the health care cost trend rate would increase the 1998 accumulated postretirement benefit obligation by $4.6 million and the 1998 expense by $0.3 million. A one percent decrease in the health care cost trend rate would decrease the 1998 accumulated postretirement benefit obligation by $4.0 million and the 1998 expense by $0.3 million.

401(k) Plan

In January 1996, the Company established a savings plan under Section 401(k) of the Internal Revenue Code. This savings plan allows eligible employees to contribute up to 15 percent of their compensation on a pre-tax basis. The Company matches 25 percent of the first 4 percent of the employees' contributions with Company stock. Effective January 1, 1998, such matching Company contributions are vested incrementally over 5 years. The charge to operations for the Company's matching contribution was $1.4 million, $1.3 million, and $1.5 million in 1998, 1997 and 1996, respectively.

18. Shareholder Rights Plan

Effective April 14, 1998, simultaneously with the expiration of the then existing rights, the Company has issued one right for each outstanding share of common stock. Each right entitles a shareholder to purchase one two-hundredth of a share of Series B Participating Preferred Stock at an exercise price of $100, subject to adjustment. Generally, the rights become exercisable only if a person or group of affiliated or associated persons (i) becomes an "Interested Shareholder" as defined in Section 912 of the New York Business Corporation Law (an "Acquiring Person") or (ii) announces a tender or exchange offer that results in that person or group becoming an Acquiring Person, other than pursuant to an offer for all outstanding shares of the common stock of the Company which the Board of Directors determines not to be inadequate and to otherwise be in the best interests of, the Company and its shareholders. The Company will be able to redeem the rights at $0.01 per right at any time during the period prior to the 10th business day following the date a person or group becomes an Acquiring Person.

Upon exercise of the right, each holder of a right will be entitled to receive common stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the right. The rights, which cannot vote and cannot be transferred separately from the shares of common stock to which they are presently attached, expire on April 14, 2008 unless extended prior thereto by the Board, or earlier redeemed or exchanged by the Company.

19. Stock Plans

Under the Company's 1998 Stock Option and Award Plan (the "1998 Plan"), options to purchase shares of common stock may be granted to officers and key employees at not less than the market price on the date of grant. Under the plan, the Company may grant officers and other key employees, including those at the subsidiary level, stock options, stock appreciation rights (SARs), restricted stock or other stock-based awards. Unless a longer period is established at the time of the option grant, up to one-half of each stock option may be exercised on each of the first two anniversary dates of the date of grant. Generally, for stock options granted beginning in 1996, one-third of each stock option is exercisable on each of the first three anniversary dates of the date of grant. The options terminate up to 10 years from the date of grant. The 1998 Plan provides for awards of up to 6,000,000 shares of the Company's common stock. The number of shares reserved for issuance as restricted stock cannot exceed 1,500,000 shares.

In addition, options to purchase shares of common stock remain outstanding under the Company's 1995 and 1986 Stock Option Plans. The 1995 Stock Option and Award Plan is substantially the same as the 1998 Plan. Options granted under the 1986 Stock Option and Award Plan generally become exercisable in two equal installments on the first and the second anniversary of the date of grant.

In 1996, the Company established the Directors' Stock Plan (the "Directors' Plan"). Under the Directors' Plan, non-employee directors receive 50 percent of their annual retainer in shares of common stock and may elect to receive up to 100 percent of their retainer in common stock. The maximum number of shares of common stock that may be issued under the Directors' Plan is 250,000 shares.

Under the Company's 1994 Stock Purchase Plan, participating employees may contribute up to 10 percent of their annual compensation to acquire shares of common stock at 85 percent of the lower market price on one of two specified dates in each plan year. Of the 8,000,000 shares of common stock authorized for purchase under the 1994 plan, 1,461 participating employees purchased 210,008 shares in 1998. To date, a total of 784,261 shares have been purchased under the Stock Purchase Plan.

When common stock is issued under these plans, the proceeds from options exercised or shares purchased are credited to common stock to the extent of the par value of the shares issued and the excess is credited to additional paid-in capital. When treasury common stock is issued, the difference between the average cost of treasury stock used and the proceeds from options exercised or shares awarded or purchased is charged or credited, as appropriate, to either additional paid-in capital or retained earnings. The tax benefits relating to amounts deductible for federal income tax purposes which are not included in income for financial reporting purposes have been credited to additional paid-in capital.

The Financial Accounting Standards Board issued SFAS No. 123, which requires disclosure of the impact on earnings per share if the fair value method of accounting for stock-based compensation is applied for companies electing to continue to account for stock-based plans under APB No. 25. Accounting for the Company's grants for stock-based compensation during the three-year period ended January 30, 1999 in accordance with the fair value method provisions of SFAS No. 123 would have resulted in the following:

(in millions, except per share amounts)	1998	1997	1996
Net income (loss):			
As reported	$ (136)	$ (10)	$ 169
Pro forma	$ (142)	$ (18)	$ 165
Basic earnings per share:			
As reported	$ (1.00)	$ (0.08)	$ 1.26
Pro forma	$ (1.05)	$ (0.13)	$ 1.23

Diluted earnings per share:			
As reported	$ (1.00)	$ (0.07)	$ 1.26
Pro forma	$ (1.05)	$ (0.13)	$ 1.23

These pro forma amounts are not expected to be indicative of the effects of applying the fair-value based method on future earnings since the Company's stock options vest over several periods.

The fair values of the Company's various stock option and purchase plans were estimated at the grant date using a Black-Scholes option pricing model.

	Stock Option Plans			Stock Purchase Plan		
	1998	1997	1996	1998	1997	1996
Weighted-average risk free rate of interest	4.57%	6.44%	6.05%	4.62%	5.84%	6.03%
Expected volatility	35%	30%	30%	29%	25%	25%
Weighted-average expected award life	2 years	2 years	2 years	.7 years	.7 years	.7 years
Dividend yield	--	--	--	--	--	--
Weighted-average fair value	$ 7.67	$ 7.52	$ 5.31	$ 1.80	$ 6.44	$ 5.14

The information set forth in the following table covers options granted under the Company's stock option plans:

	1998		1997		1996	
(in thousands, except prices per share)	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year	7,450	$ 21.45	7,376	$ 22.02	6,913	$ 24.13
Granted	2,537	$ 21.89	2,321	$ 21.68	1,757	$ 16.25
Exercised	260	$ 16.83	565	$ 16.76	159	$ 17.27
Expired or canceled	1,670	$ 25.39	1,682	$ 25.84	1,135	$ 26.59
Options outstanding at end of year	8,057	$ 20.93	7,450	$ 21.45	7,376	$ 22.02
Options exercisable at end of year	4,429	$ 20.86	4,466	$ 22.34	5,155	$ 24.59
Options available for future grant at end of year	6,131		1,896		3,798	

The following table summarizes information about stock options outstanding and exercisable at January 30, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (in thousands, except prices per share)	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$ 4.63 to $15.38	1,744	7.0	$12.69	1,172	$13.97
$15.66 to $21.22	1,639	7.2	16.62	1,126	16.20
$21.25 to $24.69	1,909	7.6	22.76	969	23.25
$25.28 to $27.75	1,753	8.4	25.51	165	27.66
$28.13 to $34.25	1,012	2.8	30.71	997	30.75
$ 4.63 to $34.25	8,057	6.9	$20.93	4,429	$20.86

20. Restricted Stock

In 1998, 60,000 restricted shares of common stock were granted to a key employee. In 1994, 200,000 restricted shares of common stock were granted to an officer of the Company. The market values of the shares at the date of grant amounted to $0.6 million and $3.0 million, respectively, and are recorded within shareholders' equity. The market values are being amortized as compensation expense over the related vesting periods. The compensation expense was $0.3 million, $0.5 million, and $0.8 million in 1998, 1997 and 1996, respectively.

On February 1, 1999, the Company awarded 810,000 restricted shares of common stock to several of its key employees. The market value of the shares at the date of grant amounted to $4.3 million and will be recorded within shareholders' equity and will be amortized as compensation expense over the vesting period.

21. Other Income

On December 4, 1998, the Company completed the sale of its corporate headquarters building in New York, the Woolworth Building, for gross proceeds of $137.5 million, and leased back a portion of the building. Other income includes a $73 million gain recognized on the building sale. The deferred gain of $29 million related to the leased back portion will be recognized over the lease terms, through 2008.

In addition, other corporate properties were sold for $13 million in 1998 generating real estate gains of $9 million. The 1998 other income also includes the $19 million gain on sale of the Garden Centers nursery business for proceeds of $22 million.

22. Legal Proceedings

The only legal proceedings pending against the Company or its consolidated subsidiaries consist of ordinary, routine litigation, including administrative proceedings, incident to the businesses of the Company, as well as litigation incident to the sale and disposition of businesses that have occurred in the past several years. Management does not believe that the outcome of such proceedings will have a material effect on the Company's consolidated financial position or results of operations.

23. Subsequent Event

On March 19, 1999, the Company amended its revolving credit agreement. In accordance with the amended agreement, the facility was reduced to $400 million, with a further reduction to $300 million by February 15, 2000. If certain assets are sold or debt or equity is issued, the revolving credit agreement may be reduced earlier than February 2000 to $350 million. Under the terms of the amended agreement, the Company is required to satisfy certain financial and operating covenants, which include: maximum ratio of total debt to earnings before interest, taxes, depreciation and amortization; minimum fixed charge coverage ratio; minimum tangible net worth and limits on capital expenditures. In addition, the Company is required to fund the repayment of the 7.0% debentures, which are redeemable in June 2000, by February 15, 2000. This facility is unsecured relating to the Company's inventory; however, it does include collateralization of certain properties as defined in the agreement. The amended agreement also restricts consolidations or mergers with third parties, investments and acquisitions, payment of dividends on common stock and repurchases of common stock.

24. Quarterly Results (Unaudited)

(in millions, except per share amounts)	1st Q	2nd Q	3rd Q	4th Q	Year
Sales					
1998	$ 1,058	1,043	1,122	1,332	4,555
1997	$ 1,058	1,033	1,107	1,414	4,612
Gross margin (a)					
1998	$ 310	307	282	323	1,222
1997	$ 332	333	366	454	1,485
Operating profit (loss) (b)					
1998	$ 49	24	(30)	(30)	13
1997	$ 73	81	91	173	418
Income (loss) from continuing operations					
1998	$ 8	6	(40)	29	3
1997	$ 28	29	50	106	213
Net income (loss)					
1998	$ (5)	(13)	(155)	37	(136)
1997	$ 1	(181)	55	115	(10)
Basic earnings per share:					
1998					
Income (loss) from continuing operations	$ 0.06	0.04	(0.29)	0.21	0.02
Income (loss) from discontinued operations	$ (0.10)	(0.13)	(0.85)	0.06	(1.02)
Net income (loss)	$ (0.04)	(0.09)	(1.14)	0.27	(1.00)
1997					
Income from continuing operations	$ 0.21	0.22	0.37	0.78	1.58
Income (loss) from discontinued operations	$ (0.20)	(1.57)	0.04	0.07	(1.66)
Net income (loss)	$ 0.01	(1.35)	0.41	0.85	(0.08)
Diluted earnings per share:					
1998					
Income (loss) from continuing operations	$ 0.06	0.04	(0.29)	0.21	0.02
Income (loss) from discontinued operations	$ (0.10)	(0.13)	(0.85)	0.06	(1.02)
Net income (loss)	$ (0.04)	(0.09)	(1.14)	0.27	(1.00)
1997					
Income from continuing operations	$ 0.21	0.21	0.37	0.78	1.57
Income (loss) from discontinued operations	$ (0.20)	(1.54)	0.03	0.07	(1.64)
Net income (loss)	$ 0.01	(1.33)	0.40	0.85	(0.07)

(a) Gross margin represents sales less cost of sales.

(b) Operating profit (loss) represents income (loss) before income taxes, interest expense, corporate expense and corporate gains on real estate.

25. Shareholder Information and Market Prices (Unaudited)

Venator Group, Inc. common stock is listed on the New York, Toronto, and Amsterdam stock exchanges as well as on the Lausanne and Elektronische Borse Schweiz (EBS) stock exchanges in Switzerland. In addition, the stock is traded on the Boston, Cincinnati, Chicago, Philadelphia and Pacific stock exchanges. The New York Stock Exchange ticker symbol for the Company's common stock is "Z."

At January 30, 1999, the Company had 36,008 shareholders of record owning 135,634,566 common shares.

Market prices for the Company's common stock were as follows:

	1998		1997	
	High	Low	High	Low
Common Stock				
Quarter				
1st Q	27 1/4	21 1/2	24 1/8	18 1/2
2nd Q	23 1/4	14 5/16	28	19 3/8
3rd Q	14 7/16	6 3/4	28 3/4	19 1/4
4th Q	12 9/16	4 1/4	23 1/4	18 1/4

Five Year Summary of Selected Financial Data

The selected financial data below should be read in conjunction with the Consolidated Financial Statements and the notes thereto and other information contained elsewhere in this report. All selected financial data has been restated for discontinued operations, except for return on average investment ("ROI").

($ in millions, except per share amounts)	1998	1997	1996	1995	1994
Summary of Continuing Operations					
Sales	$ 4,555	4,612	4,504	4,383	4,484
Gross margin	1,222	1,485	1,484	1,375	1,447
Selling, general and administrative expenses	1,166	1,008	975	1,025	1,160
Depreciation and amortization	152	122	114	137	140
Interest expense, net	44	35	50	88	83
Other income, net	(101)	(13)	(3)	(18)	--
Income from continuing operations	3	213	209	29	23
Basic earnings per share	0.02	1.58	1.56	0.22	0.17
Diluted earnings per share	0.02	1.57	1.55	0.21	0.17
Common stock dividends declared	--	--	--	--	0.74
Preferred stock dividends declared	--	--	1.10	2.20	2.20
Weighted-average common shares outstanding (in millions)	135.4	134.6	133.5	132.9	132.3
Weighted-average common shares outstanding assuming dilution (in millions)	135.9	135.8	134.3	133.5	132.9
Financial Condition					
Cash and cash equivalents	$ 193	81	197	10	14
Merchandise inventories	837	754	617	663	825
Property and equipment, net	974	625	480	569	713
Total assets	2,876	2,798	2,807	2,776	3,465
Short-term debt	250	--	--	69	853
Long-term debt and obligations under capital leases	517	527	519	538	265
Total shareholders' equity	1,038	1,271	1,334	1,229	1,358
Financial Ratios					
Return on equity (ROE)	0.2%	16.3	16.3	2.2	1.7
Return on average investment (ROI)	2.7%	8.3	6.9	0.8	3.6
Operating profit as a percentage of sales	0.3%	9.1	10.2	4.5	4.6
Income from continuing operations as a percentage of sales	0.1%	4.6	4.6	0.7	0.5
Net debt capitalization percent (1)	68.0%	61.0	58.3	64.3	66.9
Net debt capitalization percent (without present value of operating leases) (1)	35.6%	26.0	19.4	32.7	44.8
Current ratio	1.3	2.6	3.6	3.6	1.7
Capital expenditures	$ 549	249	86	70	116
Number of stores at year end	6,002	5,708	5,527	5,763	6,147
Total selling square footage at year end (in millions)	11.07	8.92	8.02	8.25	9.51

(1) Represents total debt, net of cash and cash equivalents.

Board of Directors

Roger N. Farah 1
Chairman of the Board and
Chief Executive Officer

Dale W. Hilpert
President and
Chief Operating Officer

J. Carter Bacot 1, 4, 6
Former Chairman of the Board
and Chief Executive Officer
The Bank of New York Company,
Inc. and Chairman of the Board
of The Bank of New York
(banking service)

Purdy Crawford 1, 2, 5
Chairman of the Board
Imasco Limited
(consumer products and service)

Philip H. Geier Jr. 1, 3
Chairman of the Board and
Chief Executive Officer
Interpublic Group of
Companies, Inc.
(advertising agencies and other
marketing communication service)

Jarobin Gilbert Jr. 1, 2, 4
President and Chief Executive
Officer DBSS Group, Inc.
(management, planning and
trade consulting)

Allan Z. Loren 1,2
Executive Vice President and Chief
Information Officer
American Express Company
(travel and financial service)

Margaret P. MacKimm 1, 3, 5
Former Senior Vice President -
Communications
Kraft Foods, Inc.
(multinational marketer and
processor of food products)

John J. Mackowski 1, 2, 5
Director of various companies

James E. Preston 1, 3, 4, 6
Retired Chairman of the Board
Avon Products, Inc.
(manufacture and sale of beauty
and related products)

Christopher A. Sinclair 1, 6
President and Chief Executive
Officer Caribiner International
(business communications)

1 Member of Executive Committee

2 Member of Audit Committee

3 Member of Compensation Committee

4 Member of Nominating and Organization Committee

5 Member of Retirement Investment Committee

6 Member of Acquisitions and Finance Committee

Corporate Officers

Roger N. Farah
Chairman of the Board and
Chief Executive Officer

Dale W. Hilpert
President and
Chief Operating Officer

Senior Vice Presidents

Gary M. Bahler

General Counsel and Secretary

M. Jeffrey Branman
Corporate Development

John E. DeWolf III
Real Estate

S. Ronald Gaston
Chief Information Officer

John F. Gillespie
Human Resources

Bruce Hartman
Chief Financial Officer

Maryann M. McGeorge
Merchandise Operations

Vice Presidents

Gary H. Brown
Real Property

John H. Cannon
Treasurer

Judith A. Fishman
Organization and
Leadership Development

Stephen R. Hanon
Strategic Planning and Analysis
Worldwide Athletic

Robert W. McHugh
Taxation

Juris Pagrabs
Investor Relations

Patricia A. Peck
Human Resources

Lauren B. Peters
Controller

Richard J. Price
Logistics

Vivian J. Shaw
Financial Planning and Analysis

Thomas J. Slover
Worldwide Sourcing

Frances E. Trachter
Public Affairs

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Z
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Listed
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NYSE [LOGO]
THE NEW YORK STOCK EXCHANGE
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Venator Group has traded on the New York Stock Exchange under the ticker symbol "Z" since 1912, one of the original compainies to recieve a single letter ticker symbol.

Corporate Information

Corporate Headquarters
233 Broadway
New York, New York 10279-0003
(212) 553-2000

Transfer Agents and Registrars
First Chicago Trust Co., a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07303-2500
(800) 519-3111

CIBC Mellon Trust Company
Corporate Trust Service
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C2W9
(800) 387-0825
(416) 643-5500

Independent Auditors
KPMG LLP
345 Park Avenue
New York, NY 10154
(212) 758-9700

Form 10-K
A copy of the Venator Group, Inc. 1998 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available, without charge, by request to the Corporate Secretary at the Corporate Headquarters.

Investor Inforamtion
Investor inquiries should be directed to the Investor Relations Department at (212) 553-2600.

World Wide Web Site
Our website at www.venatorgroup.com offers information about our Company, as well as online versions of our Annual Report, SEC reports, quarterly results and press releases.

VENATOR GROUP [LOGO]

Venator Group, Inc.
233 Broadway
New York, NY 10279-0003

EXHIBIT 21

VENATOR GROUP, INC. AND SUBSIDIARIES 1/

April 1, 1999

Name	State or Other Jurisdiction of Incorporation
Venator Group, Inc.	New York
AfterThoughts, Inc.	Delaware
eVenator, Inc.	Delaware
Eastbay, Inc.	Wisconsin
Foot Locker Asia, Inc.	Delaware
Foot Locker Asia Limited	Hong Kong
Foot Locker Australia, Inc.	Delaware
Foot Locker Austria GmbH	Austria
Foot Locker Belgium N.V.	Belgium
Foot Locker Denmark ApS	Denmark
Foot Locker China, Inc.	Delaware
Foot Locker Europe B.V.	Netherlands
Foot Locker France S.A.	France
CB Diffusion S.A.	France
Faust S.A.R.L.	France
Florentin Freres-Primaprix S.A.	France
Les Nouveautes du Centre S.A.R.L.	France
Privilege S.A.	France
Foot Locker Germany GmbH	Germany
Foot Locker Italy S.r.l.	Italy
Foot Locker Japan, Inc.	Delaware
Foot Locker Japan K.K.	Japan
FootLocker Netherlands B.V.	Netherlands
Foot Locker Singapore Pte. Ltd.	Singapore
Foot Locker Spain S.L.	Spain
Foot Locker Sweden Aktiebolag	Sweden
Foot Locker (Thailand) Co., Ltd.	Thailand

1/ The name of each subsidiary company is indented under the name of its parent company and, unless otheriwse noted in a footnote, each such subsidiary company is % owned by its parent. Directors' qualifying shares, if any, are deemed to be beneficially owned by a subsidiary's parent company. All subsidiaries wholly owned, directly or indirectly, by Venator Group, Inc. are consolidated with Venator Group, Inc. for accounting and financial reporting purposes.

Name	State or Other Jurisdiction of Incorporation
[Venator Group, Inc.]	
Foot Locker U.K. Limited	U.K.
Freedom Sportsline Limited	U.K.
Venator Group Realty Europe Limited	U.K.
Kids Mart, Inc.2/	Florida
Kids Mart, Inc.	Delaware
Little Folk Shop Inc.	Delaware
Northern Reflections Inc.	Delaware
Randy River, Inc.	Delaware
The Richman Brothers Company	Ohio
Custom Cut, Inc.	Delaware
RX Place, Inc.	Delaware
The San Francisco Music Box Company	California
Specialty Times, Inc.	Delaware
Team Edition Apparel, Inc.	Florida
Venator Group Specialty, Inc.	New York
Afterthoughts Boutiques, Inc.	Delaware
Barclay Park and Church Advertising Inc.	Delaware
Checklot Service Center, Inc.	Delaware
Frame Scene, Inc.	Delaware
Herald Square Stationers, Inc.	Delaware
Lamston 37-33/45 Seventy-Fourth Street Corp.	New York
Lamston 69-73/5 Grand Avenue Corp.	New York
Lamston 1279 Third Avenue Corp.	New York
Red Grille of Hawaii, Inc.	Delaware
Red Grille of Louisiana, Inc.	Delaware
Trade Center Realty, Inc.	Delaware
Woolco Fashionwear Corp.	Delaware
Woolco Inc.	Delaware
233 Broadway, Inc.	New York
340 Supply Co.	Pennsylvania
Venator Group Franchises LLC	Delaware
Venator Group Investments LLC	Delaware
Rosedale Accessory Lady, Inc.	Minnesota
Accessory Lady, Inc.	Texas
Atlanta Southlake Accessory Lady, Inc.	Georgia

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2/ 1 million shares of Series A Convertible Preferred Stock, par value $.001 per share, pursuant to a Stock Acquisition Agreement dated May 20, 1996.

Name	State or Other Jurisdiction of Incorporation
[Venator Group, Inc. -- (Cont.)]	
[Venator Group Specialty, Inc. -- (Cont.)]	
[Rosedale Accessory Lady, Inc. -- (Cont.)]	
Beachwood Accessory Lady, Inc.	Ohio
Brea Accessory Lady, Inc.	California
Bridgewater Commons Accessory Lady, Inc.	New Jersey
Buckland Hills Accessory Lady, Inc.	Connecticut
Cherry Hill Accessory Lady, Inc.	New Jersey
Chesterfield Accessory Lady, Inc.	Virginia
Chicago Accessory Lady, Inc.	Illinois
Copley Place Accessory Lady, Inc.	Massachusetts
Colonie Center Accessory Lady, Inc.	New York
Crabtree Mall Accessory Lady, Inc.	North Carolina
Dadeland Center Accessory Lady, Inc.	Florida
Delamo Accessory Lady, Inc.	California
Fashion Valley Accessory Lady, Inc.	California
Four Seasons Accessory Lady, Inc.	North Carolina
Fox Valley Accessory Lady, Inc.	Illinois
Garden State Accessory Lady, Inc.	New Jersey
The Gardens Accessory Lady, Inc.	Florida
Glendale Accessory Lady, Inc.	California
Grand Avenue Accessory Lady, Inc.	Wisconsin
Hanes Mall Accessory Lady, Inc.	North Carolina
Hawthorne Center (IL.) Accessory Lady, Inc.	Illinois
Lakeside Accessory Lady, Inc.	Louisiana
Mainplace Accessory Lady, Inc.	California
Mall Del Norte Accessory Lady, Inc.	Texas
McAllen Accessory Lady, Inc.	Texas
Penn Square Accessory Lady, Inc.	Oklahoma
Pentagon City Accessory Lady, Inc.	Virginia
Raceway Accessory Lady, Inc.	New Jersey
Randhurst Accessory Lady, Inc.	Illinois
Regency Square Accessory Lady, Inc.	Florida
Ridgedale Accessory Lady, Inc.	Minnesota
McLean Accessory Lady, Inc.	Virginia
Menlo Park Accessory Lady, Inc.	New Jersey
Montclair Accessory Lady, Inc.	California
Montgomery Accessory Lady, Inc.	Maryland
Northbrook Accessory Lady, Inc.	Illinois
North County Fair Accessory Lady, Inc.	California
Northridge Accessory Lady, Inc.	California
Oakbrook Center Accessory Lady, Inc.	Illinois
The Oaks Accessory Lady, Inc.	California

Name	State or Other Jurisdiction of Incorporation
[Venator Group, Inc. -- (Cont.)]	
[Venator Group Specialty, Inc. -- (Cont.)]	
[Rosedale Accessory Lady, Inc. -- (Cont.)]	
Orlando Accessory Lady, Inc.	Florida
Paradise Valley Accessory Lady, Inc.	Arizona
Palm Beach Mall Accessory Lady, Inc.	Florida
Paramus Park Accessory Lady, Inc.	New Jersey
The Parks Accessory Lady, Inc.	Texas
Riverside Hackensack Accessory Lady, Inc.	New Jersey
Roosevelt Field Accessory Lady, Inc.	New York
Scottsdale Accessory Lady, Inc.	Arizona
Southdale Accesory Lady, Inc.	Minnesota
St. Louis Galleria Accessory Lady, Inc.	Missouri
Stoneridge Accessory Lady, Inc.	California
Stonestown Accessory Lady, Inc.	California
Sunrise Boulevard (Fla.) Accessory Lady, Inc.	Florida
Sunvalley Accessory Lady, Inc.	California
Towson Accessory Lady, Inc.	Maryland
Tri-County Accessory Lady, Inc.	Ohio
Tysons Corner Accessory Lady, Inc.	Virginia
Valley Fair Accessory Lady, Inc.	California
Willowbrook Accessory Lady, Inc.	New Jersey
Woodman Avenue Accessory Lady, Inc.	California
Venator Group Retail, Inc.	New York
Armel, Inc.	Florida
Armel Acquisition, Inc.	Florida
Champs of Crossgates, Inc.	Florida
Champs of Holyoke, Inc.	Florida
Champs Sporting Goods of Esplanade, Inc.	Florida
Champs Sporting Goods, Inc.	Tennessee
Champs Sport Shops, Inc. of Maryville	Florida
Champs Sport Shops, Inc. of Cutler Ridge	Florida
Champs Sport Shops, Inc. of Broward	Florida
Champs Sport Shops of Daytona, Inc.	Florida
San Del of Jacksonville, Inc.	Florida
Champs Sport Shops, Inc. of 163rd Street	Florida
San Del, Inc. of Atlanta	Florida
Champs Four Seasons, Inc.	North Carolina
Joe Chichelo, Inc.	Florida
Champs Sport Shops, Inc.	Florida
Champs Sport Shops, Inc. of Aventura	Florida

Name	State or Other Jurisdiction of Incorporation
[Venator Group, Inc. -- (Cont.)]	
[Venator Group Retail, Inc. -- (Cont.)]	
[Armel, Inc. -- (Cont.)]	
Champs Sporting Goods of N.C., Inc.	North Carolina
Champs Sport Shops, Inc. of Miami International	Florida
Champs Sporting Goods, Inc.	Louisiana
Champs Sport Shops, Inc. of Omni	Florida
Champs Sport Shops, Inc. of Nashville	Florida
Champs Sport Shops, Inc. of Houston	Florida
Champs Sport Shops, Inc. of Fort Lauderdale	Florida
Sneakers Inc. of Greensboro	North Carolina
Sneakers Inc. of Knoxville	Tennessee
Sneakers Inc. of Daytona Beach	Florida
Champs of Maryland, Inc.	Florida
Champs of Virginia, Inc.	Florida
SneaKee Feet of Maryland, Inc.	Florida
SneaKee Feet of Montgomery Village, Inc.	Florida
SneaKee Feet of North Carolina, Inc.	Florida
Runner-Up of Orlando, Inc.	Florida
SneaKee Feet of Tampa, Inc.	Florida
SneaKee Feet, Inc.	Florida
Champs of Missouri, Inc.	Missouri
Champs Sport Shops of Maryland, Inc.	Maryland
Champs of Connecticut, Inc.	Connecticut
Champs Sport Shops of Massachusetts, Inc.	Massachusetts
Champs of Georgia, Inc.	Georgia
Champs of New Jersey, Inc.	New Jersey
Champs of Oklahoma, Inc.	Oklahoma
Champs of Tennessee, Inc.	Tennessee
SneaKee Feet of Washington Outlet Mall, Inc.	Florida
Foot Locker Atlantic City LLC	Delaware
Menlo Trading Company	California
Athletic Shoe Factory, Inc.	California
Simpson's Ferry Leasing Corp.	Delaware
Janess Properties, Inc.	Delaware
Venator Group Corporate Services, Inc.	Delaware
Kinney Trading Corp.	New York
Robby's Sporting Goods, Inc.	Florida
SFMB Specialty Corporation	California
Venator Group Realty Corporation	New York
Venator Group Holdings, Inc.	New York

Name	State or Other Jurisdiction of Incorporation
[Venator Group, Inc. -- (Cont.)]	
Retail Company of Germany, Inc.	Delaware
Woolworth Holding S.A. de C.V.	Mexico
Foot Locker de Mexico, S.A. de C.V.	Mexico
Distribuidora Foot Locker S.A. de C.V.	Mexico
Venator Group Canada Inc.	Canada
142739 Canada Limited	Canada
Venator Group Sourcing, Inc.	Delaware
Venator Group Australia Limited	Australia
Colorado Adventure Clothing Pty. Ltd.	Australia
Mathers Enterprises Limited	Australia
Williams the Shoemen Pty. Ltd.	Australia

EXHIBIT 23

VENATOR GROUP, INC.

CONSENT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Venator Group, Inc.

We consent to the incorporation by reference in the Registration Statements Numbers 33-10783, 33-91888, 33-91886, 33-97832, 333-07215, 333-21131 and 333-62425 on Form S-8 and Numbers 33-43334 and 33-86300 on Form S-3 of Venator Group, Inc. (formerly Woolworth Corporation) and subsidiaries of our report dated March 10, 1999, except for note 23 which is as of March 19, 1999, relating to the consolidated balance sheets of Venator Group, Inc. and subsidiaries as of January 30, 1999 and January 31, 1998 and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended January 30, 1999, which report appears in the January 30, 1999 Annual Report on Form 10-K of Venator Group, Inc. and subsidiaries.

/s/ KPMG LLP

New York, New York
April 30, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED JANUARY 30, 1999 AND THE CONSOLIDATED BALANCE SHEET AS OF JANUARY 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000,000

12-MOS
JAN-30-1999
FEB-1-1998
JAN-30-1999
193
0
0
0
837
1,275
0
0
2,876
964
511
0
0
0
1,038
2,876
4,555
4,555
3,333
3,333
51
0
44
(39)
(42)
3
(139)
0
0
(136)
(1.00)
(1.00)

THE AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY.

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED JANUARY 31, 1998 AND THE CONSOLIDATED BALANCE SHEET AS OF JANUARY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000,000

12-MOS
JAN-31-1998
JAN-26-1997
JAN-31-1998
81
0
0
0
754
1,574
0
0
2,798
609
508
0
0
0
1,271
2,798
4,612
4,612
3,127
3,127
109
0
35
333
120
213
(223)
0
0
(10)
(0.08)
(0.07)

THE AMOUNT IS RPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY.

5

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED JANUARY 25, 1997 AND THE CONSOLIDATED BALANCE SHEET AS OF JANUARY 25, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000,000

	12-MOS
	JAN-25-1997
	JAN-28-1996
	JAN-25-1997
	197
	0
	0
	0
	617
	1,836
	0
	0
	2,807
	505
	507
	0
	0
	0
	1,334
	2,807
	4,504
	4,504
	3,020
	3,020
	111
	0
	50
	348
	139
	209
	(40)
	0
	0
	169
	1.26
	1.26

THE AMOUNT IS REPORTED AS EPS BASIC NOT FOR EPS PRIMARY.